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Application Proof of

FingerTango Inc.
指尖悅動控股有限公司*

(the "**Company**")

(incorporated in the Cayman Islands with limited liability)

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FingerTango Inc.
指尖悦動控股有限公司*

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED] Shares	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**
Nominal Value	**:**	**US$0.000005 per Share**
Stock Code	**:**	**[REDACTED]**

Sole Sponsor **[REDACTED]**

中信建投國際
China Securities International

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on the **[REDACTED]**. The **[REDACTED]** is expected to be on or around **[REDACTED]** and, in any event, not later than **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]** between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company, the **[REDACTED]** will not proceed and will lapse.

[REDACTED]

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EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read this Document in its entirety, including our financial statements and the accompanying notes, before you decided to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any* **[REDACTED]**. *Some of the particular risks of* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a leading mobile game publisher in China. We ranked tenth among all mobile game publishers, and fifth among third-party mobile game publishers, in China as measured by 2017 gross billings, according to the CIC Report.(1) As a pioneer in China's SLG game publishing industry, we ranked first among all SLG mobile game publishers in China with a market share of 9.8% as measured by 2017 gross billings, and we had six titles among the top 20 SLG mobile games in 2017 in terms of average monthly gross billings, according to the same source.

In terms of mobile game genre, the SLG game publishing market increased at a CAGR of 84.8% from RMB1.2 billion in 2013 to reach RMB14.0 billion in 2017 as measured by gross billings to account for 9.6% of the overall mobile game market in China in 2017, making SLG one of the fastest-growing segments among major game genres. The market size of SLG games as measured by gross billings is expected to reach approximately RMB64.8 billion to account for 11.3% of China's overall mobile game market by 2022, based on the CIC Report. With our market leadership position and first-mover advantages in SLG, we believe that we are well-positioned to capture the significant opportunities presented by this growth.

Capitalizing on our accumulated SLG publishing experience and amassed user data, we continue to build on our extensive and diversified collection of 40 officially launched mobile games since our inception in December 2013. As of the Latest Practicable Date, our game portfolio included seven major titles, which collectively accounted for approximately 96.2% of our total revenue for the year ended December 31, 2017. Among these seven titles, six generated average monthly gross billings of RMB10 million or above, and three generated average monthly gross billings of RMB20 million or above, in 2017. *My Duty* (我的使命), a more recent SLG title officially launched in January 2017 and still in its growth stage, already generated RMB20 million in monthly gross billings in December 2017. Moreover, *Romance of Stars* (星辰奇緣), an MMORPG that was officially launched in January 2016 and is currently in the mature stage of its lifecycle, still generated more than RMB20 million in monthly gross billings in December 2017, demonstrating our ability to lengthen game lifecycles beyond the SLG genre. We continue to invest significant resources in the expansion of our game portfolio. As of the Latest Practicable Date, we had a robust pipeline of games, of which we expect to officially launch eight new titles in 2018 (one of which was already officially launched in March 2018) and an additional six to eight new titles in 2019.

We believe that our key success factors include our ability to publish games with high retention over long periods and to prolong the lifecycle of a game, reflecting our significant know-how and expertise as a game publisher. Game longevity is critical as it allows us to increase our ability to monetize a game's player base. Our flagship SLG title, *Tank Frontline* (坦克前線), which has achieved a total player base of more than 20 million users and cumulative gross billings of more than RMB1.5 billion since its official launch in July 2014, remains one of our most popular games to date. As of the Latest Practicable Date, *Tank Frontline* (坦克前線) continued to generate significant revenue for us despite the fact that the game is in its fourth year after its official launch, which is substantially longer than the industry average lifecycle of six to 12 months for all mobile games and 18 to 24 months for SLG mobile games, according to the CIC Report. In addition, notwithstanding that we have been

(1) In China's highly fragmented mobile game publishing industry, we had an overall 1.1% market share among over 900 mobile game publishers, and a 5.5% market share among over 200 third-party mobile game publishers.

operating for only four years, among our 40 officially launched mobile games as of the Latest Practicable Date, 27 have enjoyed long lifecycles of more than two years, of which 12 have enjoyed lifecycles of more than three years. As of December 31, 2017, we had approximately 129.4 million cumulative registered users. We focus on user data and analysis to better understand our users' in-game consumption patterns and achieve effective monetization. Supported by our data volume and analytics capabilities, we have been able to convert a significant number of active users into paying users as well as successfully promote in-game purchases. Our overall conversion rate for all games in operation was 5.9% in 2017, significantly higher than the industry average for all game genres of 3.3% for the same year, according to the CIC Report.

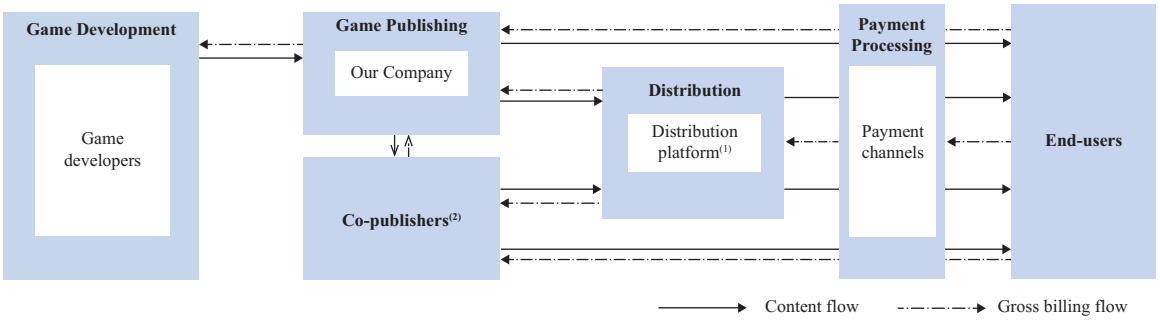
We work closely with carefully selected game developers at every stage of the game development process to launch exciting and enduring games. This close partnership with a number of developers has led to strong and stable relationships as well as multiple collaborative projects. As of the Latest Practicable Date, three new titles that we expect to officially launch before the end of 2018 are being developed by game developers with whom we have collaborated on previous games, including the third-party game developer that developed *Enthroned* (任我為王), an SLG game that we officially launched in March 2018. Moreover, the majority of these developers have granted us exclusive licenses to publish their games.

In addition to distributing games on our self-operated platform, we have forged relationships with major marketing channels over the years to facilitate the widespread distribution of our games. Our primary marketing channels are some of China's leading internet service platforms, including Tencent and Toutiao. Through our significant marketing and game promotion efforts, we have been granted a preferred status on some of these blue-chip marketing channels, the benefits of which include, according to the CIC Report, priority access to prominent advertising spots to increase the visibility of our advertisements, and a dedicated service team to work closely with us on targeted marketing strategies so that we can more effectively and efficiently reach and engage our intended audiences as well as build brand awareness. We also publish our games through approximately 90 co-publishers, including Huawei and Xiaomi, to further broaden our market coverage and access. We believe that our wide network of marketing channels and co-publishers, coupled with our user base, will benefit us as we continue to launch new games.

We experienced significant growth during the Track Record Period, which we believe was primarily attributable to our ability to achieve strong player retention over long game lifecycles, high conversion rates and effective monetization. Our revenue increased from RMB275.8 million in 2015 to RMB984.8 million in 2016, and further to RMB1,197.2 million in 2017, representing a CAGR of 108.4%. Our profit for the year in 2015, 2016 and 2017 amounted to RMB3.4 million, RMB216.6 million and RMB240.8 million, respectively. Our adjusted profit for the year in 2015, 2016 and 2017 amounted to RMB31.5 million, RMB216.6 million and RMB246.5 million, respectively, representing a CAGR of 179.7%.

BUSINESS MODEL

All of our games are free to play and we generate revenue primarily from the in-game sale of virtual items. We generally share gross billings from such sale with our (i) third-party game developers, (ii) co-publishers, (iii) distribution platform, and (iv) payment channels. The following chart illustrates the structure of our business model:



(1) iOS App Store.

(2) Our co-publishers include primarily Android app operators and other game publishers.

- *Game development.* We source new games primarily from third-party game developers through licensing arrangements. During the Track Record Period, we also published one major mobile game, *My Duty* (我的使命), through commissioned development. See "Business — Game Development."

- *Game publishing/co-publishing.* As a game publisher, we are primarily responsible for game optimization, marketing, promotion, distribution, monetization and other user-related services, as well as coordinating with game developers on updates and modifications based on user or market feedback, and conduct online and offline marketing activities and user support services. Where we publish games through our co-publishers, we generally grant the co-publisher the right to publish, promote and operate our games as well as to make modifications to our games primarily for compatibility purposes. Our co-publishers primarily include Android app operators and other game publishers like us. For details, see "Business — Game Publishing."

- *Game distribution*. Our games are distributed through distribution platforms which introduce user traffic, provide user access and collect and track user data. See "Business — Game Publishing — Distribution." For iOS systems, the iOS App Store is our only distribution platform. For Android systems, we publish our games directly through our self operated platform as well as through Android app operators and other game publishers, which we deem as co-publishers but which also provide distribution platform services.

- *Payment processing.* We generate revenue primarily from the in-game sale of virtual items. For self-published games distributed through our self-operated platform, our users can purchase in-game virtual items through third-party online payment channels, including Alipay, WeChat and Unionpay, among others. For self-published games distributed through iOS App Store and co-published games, iOS App Store and our co-publishers are responsible for collecting proceeds.

OUR GAME PORTFOLIO

Since our inception in December 2013, we have officially launched 40 mobile games. As of the Latest Practicable Date, our game portfolio consisted of 29 mobile games, and we had seven major games in operation (i.e., games with monthly gross billings of more than RMB5 million). Among

these seven major games, six are SLG games and one is an MMORPG game. The following table sets forth details of our seven major games that are currently in operation:

		As of and for the year ended December 31, 2017					
Title	**Genre**	**Official launch date**	**Average MAU**	**Average MPU**	**Revenue**	**Conversion rate**	**Lifecycle stage**
					(RMB'000)	*(%)*	
Tank Frontline (坦克前線)	SLG	July 2014	1,377,926	68,334	414,817	5.0	Mature
Three Heroes (超級群英傳)	SLG	December 2014	594,843	36,290	103,089	6.1	Mature
Super Fleet (超級艦隊)	SLG	July 2015	452,261	28,422	176,282	6.3	Mature
Romance of Stars (星辰奇緣)	MMORPG	January 2016	610,746	41,238	191,278	6.8	Mature
Wartime (戰爭時刻)	SLG	April 2016	280,031	18,014	86,287	6.4	Mature
The Age of Rome (羅馬時代)	SLG	June 2016	197,675	14,685	63,408	7.4	Late
My Duty (我的使命)	SLG	January 2017	603,320	36,348	116,716	6.0	Growth

Historically, most of our games experienced in their lifecycles (1) a growth stage during which the user number and the revenue generated from the game tend to increase, (2) a mature stage during which the user number and the revenue generated from the game tend to be stable and (3) a late stage during which the user number and the revenue generated from the game tend to decrease. As we test the viability and build up the user base for a new game during the growth stage and gradually phase out an old game during the late stage when an increasing number of existing users begin to lose interest, we strive to maintain a game at the mature stage within its lifecycle during which we are able to generate steady revenue from its paying users. According to the CIC Report, the industry average for lifecycles of SLG mobile games is generally 18 to 24 months. Notwithstanding that we have been operating for only four years, among our officially launched games as of the Latest Practicable Date, 27 have enjoyed long lifecycles of more than two years, of which 12 have enjoyed long lifecycles of more than three years. Game longevity increases our ability to monetize a game's player base by converting active users into paying users and stimulating additional in-game spending by such paying users.

The performance of our games is affected by two key metrics: (1) average MPUs; and (2) ARPPU. These metrics are largely affected by the number of games in operation in the relevant period and the popularity of these games.

OUR USER BASE

We have established a massive and loyal user base in China. During the Track Record Period, we did not rely on any single user. As all of our mobile games are free to play, our users are able to enjoy our games without discretionary in-game purchases to enhance their gameplay experience. As of December 31, 2015, 2016 and 2017, we had cumulative registered users of approximately 49.8 million, 97.1 million and 129.4 million. See "Business — Our Users and User Support Services".

CUSTOMERS

Although we also provide services to our end users, because we do not collect sales proceeds directly from end users, our customers are determined based on the flow of revenue collection stream. Specifically, counterparties from which we collect sales proceeds, including our distribution platform, co-publishers and payment channels, are deemed as our customers. As of December 31, 2017, we had maintained business relationships with our five largest customers for more than three years. For the years ended December 31, 2015, 2016 and 2017, our revenue generated through our five largest customers, all of whom were independent third parties, amounted to RMB155.7 million, RMB686.8 million and RMB787.9 million, respectively, accounting for approximately 56.5%, 69.7% and 65.8% of our total revenue for the same years, respectively. Our revenue generated through our single largest

customer for each year amounted to RMB39.0 million, RMB216.0 million and RMB273.5 million, respectively, accounting for approximately 14.1%, 21.9% and 22.8% of our total revenue for the same years, respectively. See "Business — Our Customers".

PROCUREMENT AND SUPPLIERS

Our suppliers are determined based on the flow of revenue collection stream. Specifically, we deem as suppliers those counterparties whose pre-deducted commission charges or payments collected from us are recognized as our cost of revenue. Accordingly, our suppliers include primarily co-publishers, our distribution platform, game developers and payment channels. We collaborate with leading China-based game publishers including Android app operators such as Huawei and Xiaomi, to operate and market our games, and we partner with a number of third-party online payment channels, including Alipay, WeChat and Unionpay, to collect proceeds from in-game purchases. In the case of commissioned developed games, the third-party game developers and our distribution platform, iOS App Store, receive a share of the gross billing which is recognized in our cost of revenue.

For the years ended December 31, 2015, 2016 and 2017, procurement from our five largest suppliers amounted to RMB65.9 million, RMB274.0 million and RMB301.1 million, respectively, accounting for 50.5%, 69.8% and 63.7% of our total cost of revenue for the same periods, respectively. For the years ended December 31, 2015, 2016 and 2017, procurement from our single largest supplier for each year amounted to RMB19.9 million, RMB105.8 million and RMB98.0 million, respectively, accounting for 15.2%, 27.0% and 20.7% of our total cost of revenue for the same periods, respectively. See "Business — Procurement and Suppliers".

COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our rapid growth and will enable us to achieve continued success: (i) our position as a leading mobile game publisher in China focused on the fast-growing SLG segment; (ii) our extensive and diversified portfolio as well as robust pipeline; (iii) our proven ability to lengthen game lifecycles and monetize players; (iv) our robust operating experience enabled by data and analytics; (v) our symbiotic partnership with reputable developers, preferred treatment on blue chip marketing channels and broad range of co-publishers; and (vi) our experienced and stable core management team with proven track record. See "Business — Competitive Strengths".

BUSINESS STRATEGIES

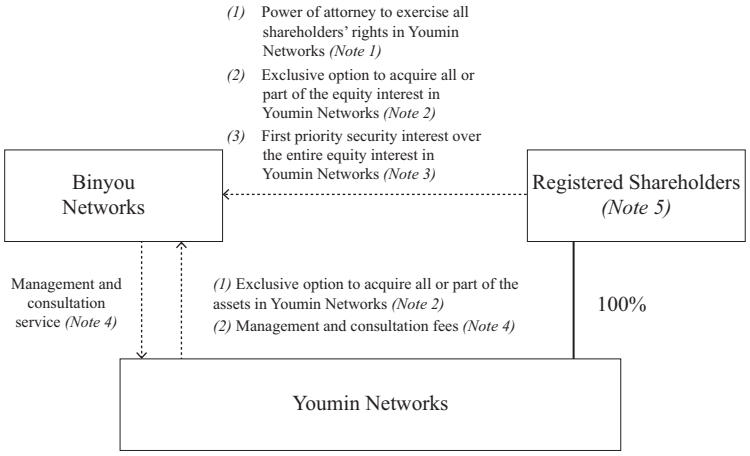
We intend to implement a business strategy with the following key components: (i) further strengthen our current leadership position in mobile game publishing; (ii) strengthen our game sourcing capabilities; (iii) expand our game portfolio; and (iv) selectively expand into international markets and build an international player base. See "Business — Business Strategies".

RISK FACTORS

Some of the most important risks generally associated with our business include the following: (i) our significant growth during the Track Record Period may not be indicative of our future growth, and our limited operating history makes it difficult to evaluate our growth document and future financial results; (ii) if we fail to maintain and grow our user base, we will not be able to sustain our growth and our business may be materially and adversely affected; (iii) we collaborate with game developers to provide games to our users, and any termination or deterioration of our relationship with our game developer partners may result in the loss of user base and revenues; (iv) we rely on several leading China-based co-publishers and a major distribution platform, iOS App Store to distribute our mobile games, and our business may be materially and adversely affected if they breach their contractual obligations to us, or if we fail to maintain relationships with a sufficient number of them, or if any of them lose popularity among Internet users; and (v) we rely on a small portion of our total users for substantially all of our revenue, and may not be able to monetize our users effectively.

CONTRACTUAL ARRANGEMENTS

The operations of our mobile game publishing business are subject to foreign ownership prohibitions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct equity interest in our PRC Operating Entities. In order to enable us to maintain and exercise control over our PRC Operating Entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our PRC Operating Entities and consolidate their results of operations into those of our Group. See the section headed "Contractual Arrangements" for further details. The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



1. Please refer to the section headed "Contractual Arrangements — Powers of Attorney" of this document for details.
2. Please refer to the section headed "Contractual Arrangements — Exclusive Option Agreement" of this document for details.
3. Please refer to the section headed "Contractual Arrangements — Share Pledge Agreement" of this document for details.
4. Please refer to the section headed "Contractual Arrangements — Exclusive Business Cooperation Agreement" of this document for details.
5. Registered Shareholders. Please refer to the section headed "Definitions" of this document for details of the Registered Shareholders.
6. " ———— " denotes direct legal and beneficial ownership in the equity interest and "---------->" denotes contractual relationship.

OUR CONTROLLING SHAREHOLDERS

Immediately upon the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and without taking into account any Shares to be issued upon exercise of the Share Options, Mr. Liu will, through LJ Technology, be entitled to control the exercise of voting rights of approximately **[REDACTED]** of the enlarged issued share capital of our Company. Accordingly, Mr. Liu and LJ Technology are regarded as our Controlling Shareholders under the Listing Rules. For further background of Mr. Liu, please refer to the section headed "Directors and Senior Management" in this document.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical combined financial statements set forth below have been derived from, and should be read in conjunction with, our combined audited financial statements including the accompanying notes, set out in "Appendix I — Accountant's Report" of this document, as well as the information set forth in "Financial Information". Our financial information was prepared in accordance with IFRS.

Combined Statements of Comprehensive Income

The following table sets for selected combined statements of comprehensive income for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Revenue	275,789	100.0	984,777	100.0	1,197,230	100.0
Cost of revenue	(130,407)	(47.3)	(392,349)	(39.8)	(472,853)	(39.5)
Gross Profit	**145,382**	**52.7**	**592,428**	**60.2**	**724,377**	**60.5**
Selling and marketing expenses	(86,459)	(31.3)	(335,124)	(34.0)	(389,771)	(32.6)
Administrative expenses	(31,128)	(11.3)	(16,879)	(1.7)	(29,168)	(2.4)
Research and development expenses	(25,814)	(9.4)	(59,030)	(6.0)	(42,020)	(3.5)
Other income	2,001	0.8	2,268	0.2	7,788	0.7
Other gains/(losses), net	373	0.1	6,301	0.6	(294)	(0.0)
Operating profit	**4,355**	**1.6**	**189,964**	**19.3**	**270,912**	**22.7**
Finance income	10	0.0	108	0.0	1,692	0.1
Profit before tax	**4,365**	**1.6**	**190,072**	**19.3**	**272,604**	**22.8**
Income tax (expense)/credit	(973)	(0.4)	26,498	2.7	(31,812)	(2.7)
Profit for the year attributable to owners of the Company	**3,392**	**1.2**	**216,570**	**22.0**	**240,792**	**20.1**
Add: Share-based compensation	28,112	10.2	–	–	–	–
[REDACTED]	–	–	–	–	5,746	0.5
Non-IFRS Measures						
Adjusted profit before tax(1) (unaudited)	**32,477**	**11.8**	**190,072**	**19.3**	**278,350**	**23.3**
Adjusted profit for the year(1) (unaudited)	**31,504**	**11.4**	**216,570**	**22.0**	**246,538**	**20.6**

(1) See "Financial Information — Non-IFRS Measures".

Summary Financial Data from Combined Balance Sheets

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Non-current assets	4,858	39,542	67,918
Current assets	207,550	547,565	857,171
Current liabilities	191,289	355,908	373,098
Net current assets	16,261	191,567	484,073
Total equity	21,119	231,199	551,991

Summary Financial Data from Combined Statements of Cash Flows

	For the year ended December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Net cash generated from operating activities	43,205	194,492	292,815
Net cash used in investing activities	(8,547)	(4,760)	(5,891)
Net cash (used in)/generated from financing activities	(13,000)	(6,490)	80,000
Net increase in cash and cash equivalents	21,658	183,242	366,924
Cash and cash equivalents at beginning of year	2,419	24,077	212,817
Effects of exchange rate changes on cash and cash equivalents	–	5,498	(5,980)
Cash and cash equivalents at end of year	**24,077**	**212,817**	**573,761**

Key Financial Ratios

	For the year ended /As of December 31,		
	2015	2016	2017
Gross profit margin(1)	52.7%	60.2%	60.5%
Net profit margin(1)	1.2%	22.0%	20.1%
Adjusted net profit margin(1)	11.4%	22.0%	20.6%
Return on average equity(1)	28.6%	171.7%	61.5%
Adjusted return on average equity(1)	265.5%	171.7%	63.0%
Return on average assets(1)	2.7%	54.2%	31.8%
Adjusted return on average assets(1)	25.4%	54.2%	32.6%
Current ratio(1)	1.09	1.54	2.30

(1) For more information on our key financial ratios, see "Financial Information — Key Financial Ratios".

[REDACTED]

The **[REDACTED]** in connection with the **[REDACTED]** consist primarily of other expenses assuming an **[REDACTED]** of HKD**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range. During the Track Record Period, we incurred **[REDACTED]** of approximately **[REDACTED]**, of which approximately **[REDACTED]** was charged to our combined statements of comprehensive income during the Track Record Period, while nil was recorded as deferred **[REDACTED]** expenses and will be capitalized and deducted from the share premium upon the completion of the **[REDACTED]**. We expect to further incur **[REDACTED]** commission and other **[REDACTED]** of approximately **[REDACTED]** (including the **[REDACTED]** of approximately **[REDACTED]**) upon the completion of the **[REDACTED]**, out of which approximately **[REDACTED]** will be charged to the combined statements of comprehensive income, and approximately **[REDACTED]** will be deducted from the share premium.

[REDACTED]

DIVIDENDS

During the Track Record Period, we paid dividend of RMB13.0 million and RMB55.0 million for the years ended December 31, 2015 and 2017, respectively. We did not pay any dividend for the year ended December 31, 2016. We currently do not intend to pay any dividends and we do not have a fixed dividend payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law and will be at the absolute discretion of our Board. For more information, see "Financial Information — Dividends".

[REDACTED]

[REDACTED]

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

For the two months ended February 28, 2018 as compared to the same period in 2017, our overall revenue, gross profit and profit for the year remained generally stable. Monthly gross billings for our seven major titles also remained generally stable. In March 2018, we officially launched a new SLG game titled *Enthroned* (任我為王).

Our Directors have confirmed that, since December 31, 2017 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our combined financial statements set out in the Accountant's Report included in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical terms" in this document.

"ACERY Holding"	ACERY Holding LIMITED, an exempted company incorporated in the BVI with limited liability on January 8, 2018 and wholly-owned by Mr. Wu Junjie
"Aotuo Investment"	Zhuhai Aotuo Investment Center Limited Partnership (珠海奥拓投資中心合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 26, 2016, and was owned as to 99% by Mr. Cai Dongqing and 1% by Zhuhai Aodong Investment Co., Ltd.
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
	[REDACTED]
"Articles" or "Articles or Association"	the amended and restated articles of association of our Company conditionally adopted on **[●]** 2018 and which will come into effect upon Listing, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Binjie Networks"	Shanghai Binjie Networks Technology Limited (上海彬捷網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on November 4, 2014, one of our PRC Operating Entities wholly-owned by Youmin Networks
"Binyou Networks"	Shanghai Binyou Networks Technology Company Limited (上海繽遊網絡科技有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability on March 16, 2018 and a wholly-owned subsidiary of our Company
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
	[REDACTED]

[REDACTED]

"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"CIC Report"	the market research report on the mobile game publishing industry prepared by China Insights Consultancy and commissioned by us
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	FingerTango Inc. (指尖悦動控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 9, 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Binyou Networks, the Registered Shareholders and Youmin Networks, details of which are set out in the section headed "Contractual Arrangements" in this document
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires, refers to Mr. Liu and LJ Technology
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"CuiL Holding"	CuiL Holding Limited, an exempted company incorporated in the BVI with limited liability on January 8, 2018 and wholly-owned by Mr. Cui Lei, our employee
"Director(s)"	the director(s) of our Company

"Feidian Game"	Zhuhai Feidian Game Industry Investment Fund Limited Partnership (珠海沸點遊戲產業投資基金（有限合夥）), a limited partnership established under the laws of the PRC on March 7, 2016, owned as to 6.67% by Feidian Investment and 93.33% by 11 individuals, all of whom are Independent Third Parties
"Feidian Investment"	Guangdong Feidian Investment Management Company Limited (廣東沸點投資管理有限公司), a company incorporated under the laws of the PRC on June 30, 2015 with limited liability, owned as to 45% by Ms. Lu Yan and 55% by two individuals, both of whom are Independent third parties
"Feimiao Networks"	Shanghai Feimiao Networks Technology Limited (上海飛淼網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on June 22, 2016, one of our PRC Operating Entities wholly-owned by Youmin Networks
"Finger Tango Hong Kong"	Finger Tango Interactive (HK) Limited, a company incorporated in Hong Kong with limited liability on January 17, 2018, an indirect wholly-owned subsidiary of our Company
"FT Entertainment"	FT Entertainment Limited, a company incorporated in the BVI with limited liability on January 10, 2018, an indirect wholly-owned subsidiary of our Company
"GAPP"	the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署), which was merged with the State Administration of Radio, Film, and Television to form the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣播電影電視總局)
	[REDACTED]
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Langxianjing"	Guangzhou Langxianjing Networks Technology Limited (廣州浪險勁網絡科技有限公司), a limited liability company established in the PRC on December 30, 2013, one of our PRC Operating Entities wholly-owned by Youmin Networks
"Guangzhou Shengxia"	Guangzhou Shengxia Investment & Consultation Company Limited (廣州昇廈投資諮詢有限公司) (formerly known as

	Guangzhou Zhijianyuedong Networks Technology Limited (廣州指尖躍動網絡科技有限公司)), a limited liability company incorporated under the laws of the PRC on January 14, 2013, former shareholder of Youmin Networks
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
	[REDACTED]
"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
	[REDACTED]
"Hong Kong Takeovers Code" or "Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
	[REDACTED]
"ICP License"	a value-added telecommunication business operation license issued by the relevant PRC government authorities with a service scope of information services
"IFRS"	International Financial Reporting Standards

"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed to it under the Listing Rules
	[REDACTED]
"Jieba Networks"	Guangzhou Jieba Networks Technology Limited (廣州傑霸網絡科技有限公司), a limited liability company established in the PRC on October 11, 2014, one of our PRC Operating Entities wholly-owned by Youmin Networks
"Kuoyou Networks"	Guangzhou Kuoyou Networks Technology Limited (廣州闊遊網絡科技有限公司), a limited liability company established in the PRC on October 11, 2014, one of our PRC Operating Entities wholly-owned by Youmin Networks
"KW Technology"	KW Technology Holding Limited, a company incorporated in the BVI with limited liability on January 8, 2018 and wholly-owned by Mr. Wang Zaicheng
"Latest Practicable Date"	March 18, 2018, being the latest practicable date for ascertaining certain information in this document before its publication
	[REDACTED]
"Listing Committee"	the Listing Committee of the Stock Exchange
	[REDACTED]
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"**LJ Technology**"	LJ Technology Holding Limited, an exempted company incorporated in the BVI on January 8, 2018 with limited liability, which was established and wholly-owned by Mr. Liu
"**LNN Holding**"	LNN Holding Limited, an exempted company incorporated in the BVI on January 8, 2018 with limited liability, which was established and wholly-owned by Ms. Li Nini, our senior management
"**LY Technology**"	LY Technology Holding Limited, a company incorporated in the BVI on January 8, 2018 with limited liability and wholly-owned by Ms. Lu Yan
"**Main Board**"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"**Memorandum**" or "**Memorandum of Association**"	the amended and restated memorandum of association of our Company, adopted on **[●]** 2018 and as amended from time to time a summary of which is set out in Appendix III to their document
"**MIIT**"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"**Miyuan Networks**"	Guangzhou Miyuan Networks Technology Limited (廣州米緣網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on December 24, 2013, one of our PRC Operating Entities wholly-owned by Youmin Networks
"**MOC**"	the Ministry of Culture of the PRC (中華人民共和國文化部)
"**MOFCOM**"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"**MOHRSS**"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"**Mr. Liu**"	Mr. Liu Jie (劉傑), a PRC citizen, an executive Director, the chairman of the Board, chief executive officer and the Controlling Shareholder of our Company
"**Mr. Zhu**"	Mr. Zhu Yanbin (朱炎彬), a PRC citizen, our chief operating officer and a substantial Shareholder of our Company
"**NDRC**"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

[REDACTED]

	[REDACTED]
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisers"	Beijing Dacheng Law Offices, LLP, our legal advisers as to PRC laws and regulations
"PRC Operating Entities"	the entities we control through the Contractual Arrangements, being Youmin Networks, Kuoyou Networks, Yiguo Networks, Feimiao Networks, Shanghai Langxianjing Networks, Binjie Networks, Jieba Networks, Guangzhou Langxianjing Networks and Miyuan Networks, each of which has been defined in this section
	[REDACTED]
"Registered Shareholders"	direct shareholders of Youmin Networks, being Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization of our Group, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU"	restricted share unit
"RSU Nominee"	Super Fleets Limited, a limited liability company incorporated under the laws of the BVI, a wholly-owned

	subsidiary of the RSU Trustee which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
"RSU Scheme"	the RSU scheme approved and conditionally adopted by the Shareholders on February 28, 2018, the principal terms of which are set out in "Statutory and General Information — D. RSU Scheme and Share Option Scheme — 1. RSU Scheme" in Appendix IV to this document
"SAFE"	the State Administration of Foreign Exchange of the PRC(中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAPPRFT"	the State Administration of Press, Publication, Radio, Film and Television of the PRC (中華人民共和國國家新聞出版廣播電影電視總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Langxianjing"	Shanghai Langxianjing Networks Technology Limited (上海浪險勁網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on June 3, 2016, one of our PRC Operating Entities wholly-owned by Youmin Networks
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary share(s) in the share capital of our Company with a par value of US$0.000005 each
"Share Option Scheme"	the share option scheme adopted by our Company on [●] which complies with the provisions of Chapter 17 of the Listing Rules
	[REDACTED]
"Sole Sponsor"	China Securities (International) Corporate Finance Company Limited
	[REDACTED]

	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Track Record Period"	the period comprising the three financial years ended December 31, 2017
	[REDACTED]
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars: or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VIE" or "VIEs"	variable interest entity or variable interest entities
	[REDACTED]
"Xin'ai Networks"	Shanghai Xin'ai Networks Technology Limited (上海歆瑷網絡科技有限公司), a limited liability company established in the PRC on August 4, 2016 and owned as to 8% by Youmin Networks
	[REDACTED]
"Yiguo Networks"	Shanghai Yiguo Networks Technology Limited (上海猗國網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on June 22, 2016 one of our PRC Operating Entities wholly-owned by Youmin Networks

"Youmin Networks"	Shanghai Youmin Networks Technology Limited (上海遊民網絡科技有限公司), a limited liability company established in the PRC on December 3, 2013 and one of our PRC Operating Entities
"Zhuhai Jugu"	Zhuhai Jugu Limited Partnership (珠海聚穀投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 12, 2015 and owned as to 50% by Mr. Liu, 30% by Mr. Zhu and 20% by Feidian Game, respectively
"Zhuhai Sangu"	Zhuhai Sangu Limited Partnership (珠海三穀投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 10, 2015, formerly known as Guangzhou Zhuhai Jugu Management Limited Partnership (廣州聚谷投資管理合夥企業(有限合夥)) and owned as to 50% by Mr. Wu Junjie, 30% by Ms. Li Nini, 10% by Mr. Wang Zaicheng and 10% by Mr. Cui Lei, respectively
"ZYB Holding"	ZYB Holding Limited, an exempted company incorporated in the BVI on January 8, 2018 with limited liability, which was established and wholly-owned by Mr. Zhu
"%"	per cent

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

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document 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.

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"active users"	in any given period, (1) active users of a particular game refers to all registered users of such game that have entered the game at least once in such period; and (2) active users of a particular type or all of our games refers to the simple sum of the active users of each game of such type or all of our games, as applicable, in such period and a registered user that entered two or more games in such period is counted as two or more active users in such period
"Android"	an operating system developed and maintained by Google Inc. used in touchscreen technology including smartphones and tablets
"ARPG"	action role-playing games, which incorporate elements of action or action-adventure games and normally have combat systems
"ARPPU"	average revenue per month per paying user, which represents our revenue recognized for a particular game, a particular type of games or all of our games, as applicable, in the period divided by the number of paying users of the game, the type of games or all of our games, as applicable, in such period
"CAGR"	compound annual growth rate
"conversion rate"	the percentage of active users that become paying users
"**CPA**"	cost per action, an online advertising pricing model where the advertising fee is determined based on the number of acquisition, such as a sale, click, or form submit
"**CPC**"	cost per click, an online advertising pricing model where the a the advertising fee is determined based on the number of times the advertisement is clicked
"**CPM**"	cost per thousand impression, on online advertising pricing model where the advertising fee is determined based on the number of impressions achieved by the advertisement
"DAU(s)"	daily active users, which refers to the number of individuals who login to a particular game on a particular day
"download"	to transfer (data or programs) from a server or host computer to one's own computer or device
"free-to-play"	a business model used in the online game industry, under which users can play games for free, but may need to pay for virtual items sold in games to enhance their gameplay experience
"gross billings"	monetary value of all virtual currency and virtual items and premium features sold during a certain period

GLOSSARY OF TECHNICAL TERMS

"GDP"	Gross Domestic Product
"hardcore games"	games which involve complex controls and typically with sophisticated storylines or themes
"HTML5" or "H5"	hypertext markup language 5, the fifth and current major version of the hypertext markup language standard; used for structuring and presenting content on web pages and for creating web applications
"iOS"	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including iPhones, iPods and iPads
"IP(s)"	intellectual property(ies)
"IP address"	internet protocol address, an identifier assigned to each computer and other device to a network that is used to locate and identify the node in communications with other nodes on the network
"MAU"	monthly active users, which refers to the number of individuals who login to a particular game in the relevant calendar month; average MAUs for a particular period is the average of the MAUs in each month during that period
"mobile games"	games that can be played on mobile devices
"MPU"	monthly paying users, which refers to the number of paying users in the relevant calendar month; average MPUs for a particular period is the average of the MPUs in each month during that period
"MMORPGs"	massively multiple online role-play games, a combination of role-playing games and massively multiplayer online games in which a very large number of players interact with one another within a virtual world; role-playing games, which refer to games that involve a large number of users who interact with each other in an evolving fictional world; each user adopts skill sets (such as melee combat or casting magic spells) and controls the avatars' actions; there are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the users, and the storyline continuously evolves even while the users are offline and away from the games
"online games"	video games that are played over some form of computer or mobile network, including primarily client games, web games and mobile games
"paying users"	in any given period, (1) paying users of a particular game refers to all registered users who charged their accounts for the game with virtual items purchased from us at least once in such period regardless of whether such virtual items were consumed by the registered users in such period; and (2) paying users of a particular type or all of our game refers

	to the simple sum of the paying users of each game of such type or all of our games, as applicable, in such period and a paying users that purchased virtual items for two or more games in such period is counted as two or more paying users in such period
"PC(s)"	personal computer(s)
"registered user(s)"	as of any period of time, registered user of a particular game refers to the user account that had at least one entry into such game prior to such time; registered users of certain type or all of our games refers to the simple sum of the registered users of each game of such type or all of our games, as applicable, as of such time and a user account that has been used to enter two or more games is counted as two or more registered users
"server"	a computer system that provides services to other computing systems over a computer network
"SLG"	simulation games, which are generally designed to closely simulate aspects of a real or fictional reality
"virtual items"	items, avatars, skills, privileges or other in-game consumables, features or functionalities we offer to users to help them extend their play, enhance or personalize their game environments and accelerate their progress in our games
"web games"	games that are played in a web browser on PC without downloading any client base or application

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

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

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to enhance our existing games and launch new games;
- our ability to attract and retain our users;
- our ability to maintain and strengthen our relationship with game developers, distribution platforms and payment channels;
- general economic political and business conditions in the markets in which we operate;
- our ability to attract and retain qualified employees and key personnel;
- our capital expenditure programs and future capital requirements;
- our ability to control costs;
- our dividend policy; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution **[REDACTED]** against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or

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

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

You should carefully consider all of the information in this Document including the risks and uncertainties described below before making an **[REDACTED]** *in our Shares. Our business, financial position and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your* **[REDACTED]**.

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to our contractual arrangements; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our significant growth during the Track Record Period may not be indicative of our future growth, and our limited operating history makes it difficult to evaluate our growth prospects and future financial results.

We officially launched our first online mobile game in 2014. Although we experienced significant growth in the number of registered and paying users and revenue during the Track Record Period, we have a limited history upon which to evaluate our business, financial performance and prospects. We may not be able to achieve similar results or growth in future periods. Accordingly, you should not rely on our results of operations for any prior periods as an indication of our future performance. Instead, you should consider our future prospects in light of the risks and uncertainties regarding our ability to:

- manage our expanding business, including attracting and retaining talents;
- continue to offer new games and enhance existing games to attract and retain users and increase user activity level and monetization;
- continue to expand, train, manage and motivate our workforce;
- implement various new or upgraded operational and financial systems, procedures and controls and to improve our accounting and other internal management systems, all of which will require substantial management efforts and financial resources and may divert our management's attention from running our business;
- maintain and expand our collaboration with marketing channels and co-publishers as well as game distribution platforms to deepen our penetration in China's mobile game market; and
- anticipate and adapt to evolving user interests and preferences, industry trends, market conditions and competition.

Addressing the foregoing risks and uncertainties will require significant capital expenditure and allocation of valuable management and employee resources. If we fail to successfully address any of these risks and uncertainties, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to maintain and grow our user base, we will not be able to sustain our growth and our business may be materially and adversely affected.

As of December 31, 2017, we had approximately 129.4 million cumulative registered users. We must retain our existing users, attract new users to achieve sustainable growth of our business and maximize the network effect of our games and monetization potential. This requires us to regularly launch new games and release updates for our existing games to maintain user interest. It also requires us to continue to strengthen the social connectivity of our games to encourage viral social marketing. If we are unable to consistently deliver a satisfactory user experience, we may lose our users. If we are unable to anticipate user preferences or behaviors or industry changes in order to market and promote new games, or if we are unable to extend the lifecycle of our existing games, or if we are unable to provide sufficient social connectivity to our users as part of their gameplay experience, our user base may not increase at the rate we anticipate, or at all, and it may even decrease.

Despite our rigorous game selection and development process, we cannot guarantee that the new games we launch will gain popularity within a short period of time, if at all. Neither can we guarantee that our existing games will sustain their current level of popularity. Users may lose interest in our games over time despite our continued efforts in optimizing our games through enhancements and upgrades. Users may not choose our games or services if our technology becomes unreliable. Users may choose to play games offered by other game publishers if those game publishers offer better in-game products or services or social networking features. Furthermore, new games of certain genres that we offer require a build-up period when users are first introduced to the games, and some games require a longer period of time to gain traction, if it happens at all. If a build-up period coincides with the inevitable phasing-out period of our older games, the result could be a decrease in the number of total active and paying users as well as gross billings and revenue during that period. If a game does not gain anticipated user acceptance and we fail to introduce additional games to maintain our user base, the phasing out of old games could result in a prolonged or permanent decrease in our total active and paying users, which would materially and adversely affect our results of operations.

The growth of our user base reinforces the popularity of our games. A failure to effectively expand and engage our user base will materially and adversely affect our business, financial condition, results of operations and growth prospects.

We collaborate with game developers to provide games to our users, and any termination or deterioration of our relationship with our game developer partners may result in the loss of user base and revenues.

We work closely with quality game developers to source and publish games and have benefited from their experience in designing and developing successful games. For example, as of the Latest Practicable Date, three new titles we expect to officially launch before the end of 2018 are being developed by game developers with whom we have collaborated on previous titles. As a result of the strong collaborative relationships we have forged with them, a majority of our game developers have granted us an exclusive license to publish their games. As such, we view our relationships with our developers as critical to the ongoing success of our business. We cannot assure you, however, that we will be able to maintain stable business relationships with all of our game developer partners. Any failure on our part to properly operate and monetize their games or safeguard their IPs may adversely affect our business relationship with our game developer partners.

The term of our content distribution agreements with game developers is typically three years. Our game developer partners may terminate our agreements prior to their expiration, or may refuse to renew the agreements. Even if they are willing to renew the agreements, they may demand commercial terms, such as revenue-sharing ratios, that are less favorable to us than under our original agreements. They may also choose to partner with our competitors to enable them to enhance their game portfolio and better compete against us. Any termination or deterioration of our relationship with any of our game developer partners may result in a loss of revenues and materially and adversely affect our business and results of operations.

We rely on several leading China-based co-publishers and a major distribution platform, iOS App Store, to distribute our mobile games, and our business may be materially and adversely affected if they breach their contractual obligations to us, or if we fail to maintain relationships with a sufficient number of them, or if any of them lose popularity among Internet users.

In addition to our self-operated platform, we utilize several leading China-based co-publishers and a major distribution platform, iOS App Store, to distribute and promote our games, as well as to collect proceeds from in-game purchases. See "Business — Business Model." We also rely on these third parties to record purchases, maintain the security of their platforms to prevent cheating and other fraudulent activities, provide a certain portion of player services and make timely payments to us of our share of the revenues generated from our mobile games.

Some of these our co-publishers and iOS App Store, however, have strong bargaining power in dealing with us. We are subject to their standard service terms and conditions with regard to the promotion, distribution, operation and payment methods for our games. Our business may be materially and adversely affected if any of them discontinues or limits access to their platforms by us, fails to effectively promote our games or otherwise fulfill their contractual obligations, establishes more favorable relationships with one or more of our competitors, or does not obtain or maintain relevant government licenses to distribute our games. Moreover, these co-publishers and iOS App Store have broad discretion to change their terms of service and other policies with respect to us, and those changes may be unfavorable to us. Any change in the terms of their service or policies could significantly alter how users experience our games or interact within our games, which may harm our business.

Disputes with co-publishers and iOS App Store, such as disputes relating to payment and revenue sharing arrangements, may also arise from time to time, and we cannot assure you that we will be able to resolve such disputes amicably or at all. If our collaboration with our co-publishers or iOS App Store terminates for any reason, we may not be able to find a replacement in a timely manner or at all, and the distribution of our games may be adversely affected. Any failure on our part to maintain a stable business relationship with a sufficient number of our co-publishers and iOS App Store for the distribution of our games could cause the number of our game downloads, if required, and activations to decrease, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, we have benefited from the widely recognized brand names and large user bases of a number of our co-publishers, as well as of iOS App Store. If any of them loses its market position or otherwise falls out of favor with users, or any other factor causes its user base to stop growing or to shrink, or if any of them fails to perform its contractual obligations to us, we would need to identify

alternative platforms for marketing, promoting and distributing our games, if available at all, which would consume substantial resources and adversely affect our business.

We rely on a small portion of our total users for substantially all of our revenue, and may not be able to monetize our users effectively.

During the Track Record Period, we generated all of our revenue from online mobile games. As all of our games are free to play, we generate revenue primarily from the in-game sale of virtual items. Consistent with industry norms, a relatively small portion of users who play our games within a certain period are paying users. In 2015, 2016 and 2017, our average MPUs were approximately 122,474, 275,156 and 252,543, respectively, representing approximately 5.1%, 5.6% and 5.9% of the average MAUs for the same periods, respectively. As a result, the numbers of our cumulative registered users, MAUs and MPUs do not necessarily indicate our actual and potential revenue generating capabilities. Our sustainable revenue growth, therefore, largely depends on the effective monetization of our user base by converting active users into paying users.

We focus on user data collection and analytics to better understand our users' in-game consumption patterns, which allows us to optimize our games and virtual items to enhance their appeal to our targeted audience of users as well as to properly deploy and price these items to promote in-game purchases. Our users are willing to pay for virtual items in the games because of the perceived value of these items, which is dependent on the in-game benefits such items confer upon the users. As spending in our games is discretionary and our users can be sensitive to the price, the failure to price our virtual items competitively may hinder our ability to convert active users to paying users. It is crucial to balance, on the one hand, creating sufficient in-game monetization opportunities, which enhances the profitability of our games, with, on the other hand, engaging our users even without their paying for extra items. To stimulate in-game spending, we need to constantly launch marketing and promotional activities to drive user interest. We must also provide easy, fast and safe payment solutions to our users to facilitate in-game purchases so that they are not discouraged or inconvenienced by online payment processing procedures. If we fail to effectively monetize our users, our revenues and profit margins may be materially and adversely affected.

Our business is heavily dependent on our data analytics capabilities, any impact on which would materially and adversely affect our ability to form appropriate business strategies.

Our game optimization and publishing are data driven, and we rely on our data collection and analytics capabilities to continue to publish popular games, improve user experience, and eventually enhance monetization of our games. We assess our business performance using a set of key performance indicators, such as MAUs, 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 co-publishers, distribution platform and game developers, which may be available upon our request, free of charge. However, our ability to verify such data is limited if we are able to collect any data from such third parties at all. Accordingly, the key performance indicators we use may not always reflect our actual performance, and we cannot assure you that we will be able to capture accurate user information in the future. Similarly, we may incorrectly assess our key performance indicators and in turn make incorrect operational and strategic decisions. Failure to capture accurate data or an incorrect assessment of this data may adversely affect our ability to form appropriate business strategies.

In addition, our game publishing teams are required to collect and store all user behavior data using our data analysis engine in a timely manner. However, any failure to collect or retain certain data may lead to a lack of data necessary for our data analysis, and any delay in collecting user behavior data may render the data an inaccurate or unfair reflection of the up-to-date user behavior, which could be meaningless or even misleading in our game optimization process. In addition, we cannot assure you that our data will not be damaged or lost due to technical errors, security breaches or hacking incidents. Nor can we assure you that our data analysis methodology will be as effective as expected and continue to capture the latest market trends and user preferences. If any of the foregoing occurs, our business, financial condition and results of operation may be materially and adversely affected.

If our mobile games do not maintain their popularity or do not achieve long lifecycles, we may not be able to attain player engagement and retention to effectively monetize our games.

In order for our mobile games to remain popular and continue generating revenue, we must implement regular enhancements or upgrades by launching new features that appeal to players. Continued improvements to our games require the investment of significant resources. However, we cannot assure you that the upgrades, improvements, or introduction of new game features will be well received by our users, who may cease to play as a result of such changes.

A number of our mobile games have attained long lifecycles and continued to attract a large active user base beyond the average lifecycle for mobile games. According to the CIC Report, a mobile game has an industry average lifecycle of six to 12 months, during which its monetization ability will peak after a certain period of time and remain stable before gradually declining towards the late stages of the game lifecycle. Some of our SLG games, in particular, have retained their popularity for more than three years, compared to the industry average for SLG games of approximately 18 to 24 months according to the CIC Report. We cannot assure you that we will be able to continue sustaining the lifecycles of our existing games and to lengthen the lifecycles of future games that we publish. Even if we successfully extend the lifecycles of some or even most of our mobile games, including our SLG games, we may not be able to maintain or increase the profitability of such games. As player retention is critical to effective monetization, we must continue to source and publish games that are able to attract and continue engaging a large number of players, which we may fail to do. If we cannot maintain high player retention rates over a longer period and enhance our monetization capabilities, our business, financial condition and results of operations would be materially and adversely affected.

The lifecycle stages of our games may not be indicative of their rate of growth.

Historically, most of our mobile games experienced in their lifecycles (1) a growth stage during which the user number and the revenue generated from the game tend to increase, (2) a mature stage during which the user number and the revenue generated from the game tend to be stable and (3) a late stage during which the user number and the revenue generated from the game tend to decrease. In general, as we test the viability and build up the user base for a new game during the growth stage and gradually phase out an old game during the late stage when an increasing number of existing users begin to lose interest, we strive to maintain a game at the mature stage within its lifecycle during which we are able to generate steady revenue from its paying users. See "Business — Game Publishing" for details. However, each game matures at a different pace depending on its popularity, and therefore its progression through the lifecycle stages described above, which are provided for

illustrative purposes only, is neither guaranteed nor an indication of its rate of growth or of our ability to monetize such game. Accordingly, if we are unable to achieve a similar rate of growth for a majority of our mobile games, we may fail to monetize our users and generate revenue as planned, and our financial condition, results of operations and profitability could be materially and adversely affected as a result.

Any termination of, or changes to, the preferential tax treatment that we enjoy could adversely affect our profitability.

We enjoyed certain preferential tax rates in relation to a portion of our operations during the Track Record Period. One of our subsidiaries, Miyuan Networks, was accredited as a High and New Technology Enterprise under the EIT Law in 2016, qualifying for a preferential EIT rate of 15% for a three-year period commencing from 2016. In addition, five of our subsidiaries, namely, Youmin Networks, Binjie Networks, Shanghai Langxianjing, Yiguo Networks and Feimiao Networks, were each accredited as a "software enterprise" under the relevant PRC laws and regulations during the Track Record Period, exempting them from the statutory EIT rate of 25% for a two-year period and entitling them to a 50% reduction in applicable tax rates for the subsequent three-year period commencing from the first year of profitable operations after offsetting tax losses generated from prior years. We intend to apply for renewal of the preferential tax treatment enjoyed by each of these subsidiaries prior to the expiration of their respective accreditations; however, such subsidiaries must continue to meet the relevant PRC legal requirements in order to maintain the qualification. There can be no assurance that they will continue to be able to meet the requirements to be entitled to preferential tax treatment or that the preferential EIT rates that they currently enjoy will not otherwise be challenged, altered or discontinued. While we do not expect any difficulties in such renewal so long as we meet the applicable requirements and adhere to the procedures set forth under the relevant PRC laws and regulations, we can give no assurance that our application for such renewals will be successful.

The discontinuation of any preferential tax treatment currently available to us would cause our effective tax rate to increase, which could have an adverse effect on our results of operations. In addition, the PRC government makes adjustments or changes to its policies on VAT, EIT and other taxes from time to time. One of our primary PRC Operating Entities, Youmin Networks, had previously been accredited as a "software enterprise" in 2015 and was exempt from EIT for the years ended December 31, 2015 and 2016, followed by a 50% reduction in the applicable tax rates for the next three years. In late 2016, as its research and development expenditure was lower than the benchmark for a "software enterprise" and based on our management's assessment, Youmin Networks would no longer qualify as a "software enterprise" beginning in 2017 and would become subject to the statutory EIT rate of 25% commencing in the year ended December 31, 2017, instead of the EIT rate of 12.5% that it would have otherwise enjoyed had it continued to qualify for preferential tax treatment. As a result, our results of operations was impacted by the increase in applicable taxes for the year ended December 31, 2017. Unless we are able to renew our existing accreditations upon their expiration or are granted additional preferential tax treatment in the future, we expect our effective tax rates to gradually increase in the foreseeable future. Moreover, any further adjustments or changes, together with any uncertainties resulting therefrom, could have a material adverse effect on our business, financial condition and results of operations. See "Financial Information — Key Factors Affecting Our Results of Operations."

We may fail to officially launch new games according to our timetable, and our new games may not be commercially successful, or may attract game players away from our existing games.

In order to remain competitive, we must continue to introduce new mobile games that are attractive to our game players and can generate additional revenue and diversify our revenue sources. We currently expect to officially launch eight new titles overall in 2018 (one of which was already officially launched in March 2018), and an additional six to eight titles before the end of 2019. The games in our announced pipeline only represent our current expectations. We cannot assure you that we will officially launch these games or that these games, if officially launched, will be commercially successful, and you should not use the success of our existing games as an indication of the future commercial success of any of the online games in our pipeline. There are many factors that could adversely affect the popularity of our new games, and if our new games are not commercially successful, our business prospects and results of operations would be materially and adversely affected and we may not be able to recover our game sourcing or publication costs, which can be significant. In addition, any new games that we officially launch may attract players away from our existing games and shrink the player base of our existing games, which could in turn make those existing games less attractive to other players, resulting in decreased revenue from our existing games.

Moreover, the timing of official game launch has a significant impact on the performance and popularity of a game. We cannot assure you that we will be able to officially launch these games based on our current timetable or at all. A number of factors, including technical difficulties, insufficient human, marketing or other resources or acceptance of or interest in the new games among game players during the testing phase and adverse developments in our relationship with our game developers, could result in delays in official launching or even prevent us from officially launching our new games. If we fail to officially launch new games according to our timetable or at all, we may disappoint the game player base, fail to meet the targets for our anticipated financial and operating results or lose our market leadership position to our competitors. If we officially launch our new games at the same time as other popular games released by third parties, the competition may make it difficult for us to attract players to our games and our marketing channels, co-publishers and distribution platform may commit fewer resources to marketing and promoting our games.

The occurrence of any of the foregoing events could reduce the popularity of our mobile games, which in turn could materially and adversely affect our business, financial condition and results of operations.

We adopt an item-based revenue model for our mobile games, which may not be optimal.

We adopt the item-based revenue model for all of our mobile games and we have generated, and expect to continue to generate, all of our revenue through this revenue model. The item-based revenue model is highly dependent on player retention rates, conversion rates and the amount of in-game spending that our games are able to achieve. The sale and pricing of virtual items require us to closely track players' tastes and preferences, specifically in-game consumption patterns, and respond quickly to changes in player preferences and consumer spending. We cannot assure you that the item-based revenue model is the optimal revenue model for our mobile games. If we fail to develop virtual items that are attractive to players or fail to price virtual items effectively to monetize our users, we may not be able to effectively increase the number of paying players or maximize our revenue. In addition, the item-based revenue model may cause additional concerns with PRC regulators, who have been

implementing regulations designed to reduce the amount of time that Chinese youth spend on playing online games and limit the amount of virtual currency issued by online game publisher and purchased by individual players. A revenue model that does not charge by play time may be viewed by the PRC regulators as inconsistent with these goals. See "— Risks Relating to Conducting Business in China — The PRC law regulating the playing time and users' age of online games may adversely affect our business and operations."

We may change the revenue model for some of our mobile games if we determine that our existing revenue model is not optimal. However, if we 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 an item-based revenue model from inception and we do not have the experience of reassessing and revising our revenue model. A change in revenue model could have adverse consequences, including disruption to our game operations, criticism from players who have invested time and money in our mobile games and may be adversely affected by such a change, and a significant decrease in the number of our players or decrease in revenue that we generate from our mobile games.

We may not be able to adapt to the rapidly evolving mobile game industry in China. If we fail to anticipate or successfully adapt our games to new trends, our games may become obsolete or uncompetitive, and our business prospects and results of operations could be materially and adversely affected.

China's mobile game industry is evolving rapidly. We constantly need to adapt to new industry trends, including changes in game player preferences, new game content, distribution models, new technologies and new governmental regulations. We evaluate these changes as they emerge and strive to adapt our business and operations in order to maintain and strengthen our position in the industry, and our failure to do so may materially and adversely affect our business, financial condition and results of operations.

The mobile game industry is subject to rapid changes in technology. We constantly need to anticipate the emergence of new technologies and assess their market acceptance. For example, a number of game developers have begun launching games built for the HTML5, or H5, platform, which allows users to run the games in browsers and delivers high performance features that are designed to enhance player engagement. H5 games, many of which are free to play, are known for their innovation, creativity and artistic experimentation. In addition, several major industry players are creating games that incorporate virtual and/or augmented realities to deliver an immersive gameplay experience. Furthermore, government authorities or industry organizations may adopt new standards that apply to game development. We will need to continue to invest significant financial resources in product and infrastructure development to keep up with the pace of technological advancements. To target new demographics, we also have a pipeline of over ten H5 games which we plan to officially launch when deemed suitable we believe will be an effective channel through which we will be able to attract younger players to our paying games. We will also continue to expand our game portfolio to include other advanced technologies to strengthen our active user base. However, 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 testing, optimization and publication, which would have an adverse impact on our results of operations and profitability.

Moreover, our ability to plan for game development, distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the demographics, tastes and preferences of our existing and prospective users. Other forms of entertainment may emerge and become popular at the expense of mobile games. Although mobile games are becoming increasingly popular in China, there is no assurance that they will continue to sustain their popularity. Any decline in the growth of the mobile game industry in China or in the popularity of mobile games in general, or our games in particular, would harm our business and prospects.

We are subject to risks relating to our third-party online payment channels.

We primarily utilize third-party payment channels such as WeChat, Alipay and other online payment channels, and iOS App Store which also provides payment processing services, to facilitate in-game purchases of virtual items. Any scheduled or unscheduled interruption in the ability of our users to use these and other third-party payment systems could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these channels, secured transmission of confidential information, including credit card numbers and critical personal information of the users over public networks, is essential to maintain their confidence in us and our games. We also rely on the stability of such payment transmissions to ensure the uninterrupted payment services available to our users. We do not have control over the security measures of third-party online payment channels. If any of these third-party online payment channels fails to process, or ensure the security of, user payments for any reason, our reputation would be damaged and we may lose our paying users who may be discouraged from making potential purchases, which in turn, would materially and adversely affect our business, financial condition and prospects. In addition, our liquidity could be adversely affected and we may have to write off receivables or increase provisions against bad debts if any of our major payment service providers were to become unable or unwilling to settle the receivable in a timely manner or at all.

Furthermore, our payment channels are subject to various rules and requirements from local governments regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted to make it difficult or impossible for them to comply with. If our payment channels fail to comply with these rules or requirements, they may be subject to fines and higher transaction fees and even lose their ability to accept credit and debit card payments, process electronic funds transfers or facilitate other types of online payments from our users, which in turn would materially and adversely affect our ability to monetize our users.

The mobile game publishing industry is highly competitive. Failure to compete effectively could reduce our market share and have a material adverse effect on our business, financial condition and results of operations.

We are a leading mobile game publisher in China. The market in which we operate is highly competitive, According to the CIC Report, there were over 900 mobile game publishers in China as of December 31, 2017 and over 200 third-party mobile game publishers as of December 31, 2017. We mainly compete on the basis of a number of factors, including user base, game portfolio, brand

awareness and reputation. We view other large-scale China-based mobile game publishers possessing a massive user base, such as Tencent and NetEase, as our current or potential competitors. We expect the competition in the game publishing market to persist and intensify. We expect that we will continue to face challenges in acquiring and retaining players as a result of rising user acquisition as well as marketing and advertising costs.

Moreover, we compete more broadly with providers of other forms of interactive entertainment on the internet or mobile platforms, including social networking services and other online activities or contents, such as video and music streaming services. Some of these current and potential competitors may have significant resources for acquiring games, may be able to leverage their own high organic user traffic or to incorporate their own strong brands and assets into their games, may have a more diversified set of revenue sources than we do and may be less susceptible to changes in user preferences, regulations or other developments that may impact the online game industry. If any of our current or future competitors are acquired by, receive investments from or enter into other strategic or commercial relationships with larger, more established and better financed companies, they may have access to significantly greater financial, marketing and game licensing and development resources.

Given the relatively low entry barriers to operate online mobile games, we expect new competitors to enter the market and existing competitors to allocate more resources to acquire, publish and market competing games and applications. Such increased competition may make it more difficult for us to retain existing players and attract new players. As competition intensifies, we may have to offer more incentives to our users as well as to industry participants, such as game developers and distribution platforms, which could adversely affect our profitability. If we fail to compete cost-effectively, our market share could decline and our results of operations could be materially and adversely affected.

We are exposed to risks relating to our plans for future expansion into overseas markets.

We believe that expanding our business to attract users globally is critical to our continued growth and success. Expanding into new geographic regions will require us to seek partnerships with game publishers in overseas markets to localize and adapt our games for users in those local markets. We expect to allocate significant resources to acquire local resources and increase our game offerings in more language versions. Our ability to expand our business and attract users in select overseas markets requires considerable management attention and resources and is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Our plans to operate in overseas markets may subject us to risks that we have not faced before or increase risks that we currently face, including risks associated with:

- identifying appropriate international markets;
- seeking and entering into partnerships with overseas game publishers;
- sourcing and customizing games and other offerings that appeal to the tastes and preferences of users in international markets;
- competition from local game publishers with significant market share in those markets and with a better understanding of user preferences;

- protecting and enforcing our IPs;
- currency exchange rate fluctuations; and
- higher costs associated with doing business internationally.

As we have not had any prior experience in conducting business outside of China, we may have difficulty adequately responding to the challenges and uncertainties we face. If we are unable to manage the risks and costs of our planned expansion into overseas markets effectively, our growth rate and prospects may be materially and adversely affected.

Violations of our game policies, such as sales and purchases of virtual items used in our games through unauthorized third parties or cheating practices and scam offers that seek to exploit the vulnerabilities in our games, may impede our users' gameplay experience and our revenue growth.

We have established game policies against unauthorized and inappropriate user behaviors. Under such policies, we do not allow users to sell or transfer virtual items, among other things. Virtual items offered in our games have no monetary value outside of our games. Nonetheless, some of our users or third parties sell or purchase our virtual items through unauthorized third parties in exchange for real money or other real-world properties. To our knowledge, these unauthorized transactions are usually arranged through third-party channels or platforms and the virtual items offered may have been obtained through unauthorized means, such as through cheating or from scamming our users with fake offers or virtual items or other in-game benefits. We generate no revenue from these unauthorized transactions and do not permit, or facilitate in any manner, these unauthorized transactions. We have game policies in place to impose sanctions upon the user accounts found to have engaged in transactions of virtual items directly or through unauthorized third parties, including suspension and permanent termination of accounts.

Notwithstanding our measures and efforts, we do not have effective control over these unauthorized transactions. Any such unauthorized purchase and sale could impede our revenue and profit growth by (i) decreasing revenue from authorized transactions, (ii) creating downward pressure on the prices we charge users for our virtual items, (iii) increasing costs we incur to develop technological measures to curtail unauthorized transactions, and (iv) increasing customer support costs to respond to dissatisfied users. In addition, transactions through unauthorized third-party channels may involve fraud that is beyond our control, and we may face potential claims from our users in connection with their losses resulting from third parties' fraudulent activities by third parties. Such claims, regardless of merit, may harm our reputation, divert our management's attention and cause additional expenses in defending against these claims.

Furthermore, unrelated third parties may develop cheating practices that enable users to exploit vulnerabilities in our games or obtain unfair advantages over other users who play fairly. These practices harm the experience of users who play fairly and may disrupt the virtual economies of our games. In addition, unrelated third parties may attempt to scam our users with fake offers for virtual items or other in-game benefits. We have employed measures to discover and disable these practices and activities, but if we fail to do so effectively or quickly, our operations may be disrupted, our reputation may be damaged and users may quit our games, which in turn may cause losses of revenue

from paying users, increased cost of developing technological measures to combat these practices and activities, legal claims relating to the decrease in value of our virtual items, and increased user support services costs to respond to dissatisfied users.

Breaches of security measures of our website, games and third-party payment systems and unintended leakage of confidential information may materially and adversely affect our reputation and business.

As we conduct our business, we process, store and analyze a large amount of gameplay data, including users' personal information, user names and passwords. We rely on encryption and authentication technology to provide the security and authentication necessary for secure transmission of game data. However, our security control may not prevent the improper leakage of gameplay data. Anyone may circumvent our security measures and misappropriate proprietary information or cause interruptions in our operations. A security breach that leads to leakage of users' personal information, such as mobile numbers or other personally identifiable information, could harm our reputation. Our actual or perceived failure to comply with governmental regulation and other legal obligations related to user privacy could harm our business. We may be required to expend significant capital and other resources to prevent such security breaches or alleviate problems caused by such breaches. We may also lose current or prospective users that grant us access to their personal information due to the impression that we cannot adequately protect our users' privacy.

Additionally, our business operation may be harmed by users' concerns over playing games on their smartphones or other mobile devices. Hackers may modify our games to charge our users for virtual items that they did not purchase, and such users may become hesitant to download the game again or other games operated by us in the future as a result of their experience. Concerns over the security and privacy of user information may inhibit the wireless business generally, and our mobile games in particular. Our security measures may not prevent security breaches and our users' interest in playing mobile games may decrease if malware spreads to their smartphones or mobile devices. Failure to prevent security breaches or respond to abuse or users' concerns over development of smartphone malware may have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, secure transmission of users' confidential information, such as users' bank card numbers and expiration dates, personal information and billing addresses, over public networks, including our website, is essential for maintaining user confidence. We do not have control over the security measures of our third-party payment platform partners, and their security measures may not be adequate at present or may not be adequate with the expected increased usage of online payment systems. We could be exposed to litigation and possible liability if we fail to safeguard users' confidential information, which could harm our reputation and our ability to attract or retain users and may have a material adverse effect on our business.

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

We receive, store and process personal information and other player data. We are subject to PRC laws and regulations governing privacy and the storing, sharing, using, processing, disclosure and

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

Our results of operations may be impacted by seasonality.

There are seasonal patterns for mobile gaming in China. We generally experience increased levels of in-game spending among paying users within the several weeks leading up to major holidays in China as we typically conduct more marketing and promotional activities to capitalize on the anticipated increased player traffic occurring over the holidays. The timing of the Chinese New Year holiday, in particular, has had a significant impact on our financial position for each fiscal year during the Track Record Period. For example, our revenue was higher towards the end of the fiscal year 2016 as compared with our revenue towards the end of fiscal year 2017, primarily because the Chinese New Year holiday occurred during the month of January in 2017, whereas such holiday occurred during the month of February in 2018. Accordingly, due to the seasonality of our business, the results of any period of a fiscal year are not necessarily indicative of the results that may be achieved for the full fiscal year or for the corresponding period of any subsequent fiscal year. See "Financial Information — Key Factors Affecting Our Results of Operations — Seasonality."

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

The satisfactory performance and stability of our network infrastructure and information technology systems are critical to our user experience, which are in turn critical for attracting players. Any defects or problems with our network infrastructure or information technology systems could significantly disrupt our business operations. 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;
- 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 network infrastructure and information technology systems;
- we rely on third-party service providers for certain key aspects of our network 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 network 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 expect to continue making significant investments in our technology infrastructure to maintain and improve all aspects of player experience and game performance. 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. We do not maintain insurance policies covering damages to our network infrastructures or information technology systems.

Undetected programming errors or game defects in our games could harm our reputation and materially and adversely affect our results of operations.

Our games are subject to frequent improvement and updates, and may contain errors, bugs, flaws or corrupted data that reveal only after the updated applications are accessed by users, particularly as we launch new games and rapidly release new features to existing games under tight time constraints. From time to time, our users have informed us of programming bugs affecting their experience, and we generally resolved those flaws promptly. However, if, for any reason, programming bugs or flaws are not resolved in a timely fashion or undetected programming errors, game defects and data corruption occurs, it could disrupt our operations, adversely affect the game experience of our users by allowing users to gain unfair advantage, harm our reputation, cause our users to stop playing our games, divert our resources and delay market acceptance of our games, any of which could result in legal liability to us or harm our operating results.

Unauthorized use of our intellectual property by third parties, and the expenses that we may incur in protecting our intellectual property rights, may materially and adversely affect our business.

We rely on copyright, trademark, trade secret and other intellectual property law, as well as confidentiality and license agreements with our employees, game developers, business partners, and others to protect our copyrights, trademarks, service marks, trade secrets, and other intellectual property, all of which are critical to our success. Our employees are generally required to sign agreements acknowledging that all inventions, trade secrets, works of authorship, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. In addition, our contracts with a distribution platform as well as with marketing channels and co-publishers prohibit the unauthorized use of our brands, images, characters and other intellectual property rights. However, despite our precautions, third parties may obtain and use intellectual property that we own or license without our consent. Unauthorized use of our intellectual property by third parties, and the expenses that we may incur in protecting our intellectual property rights may materially and adversely affect our business.

While we intend to vigorously pursue our legal rights in the PRC courts, the validity, enforceability and scope of protection of intellectual property in internet-related industries are

uncertain and still evolving. In particular, the laws and enforcement procedures in China are uncertain and do not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in more developed countries. Policing unauthorized use of intellectual properties is difficult and expensive. Any steps we have taken to prevent the misappropriation of our intellectual properties may be inadequate. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation may result in substantial costs and diversion of our resources, and may disrupt our business, as well as have a material adverse effect on our financial condition, results of operations and prospects.

Third parties may claim that we infringe their proprietary rights, which could cause us to incur significant legal expenses and prevent us from promoting our products and services.

Although we are not the developer of the games that we license, third parties may claim that, as the publisher of the games, we are also liable for any infringement upon the third parties' rights jointly with the developer. We typically rely on representations from our game developer partners that their games do not infringe upon third parties' IPs and on indemnification provisions should any such representations become inaccurate and we suffer damage as a result, including any damages resulting from third-party claims. For example, pursuant to our licensing agreements with game developers, a game developer is typically obligated to indemnify us for any losses that we may incur if the game infringes upon any third party's IPs. However, games we license may from time to time infringe upon valid patents, trademarks, copyrights or other IPs held by third parties and indemnification may not be adequate in recovering our loss. Game features optimized by us may also be claimed to have infringed upon third parities' rights. On June 20, 2017, Hangzhou NetEase Leihuo Technology Co., Ltd. ("NetEase Leihuo") brought a copyright infringement claim against us in China, alleging that we, together with two other co-defendants, infringed upon the copyright of one of its online games. In its claim, NetEase Leihuo is seeking an aggregate amount of RMB5.0 million in damages, an injunction against further infringement and a public apology. As of the Latest Practicable Date, we were in settlement negotiations with NetEase Leihuo. This and any other claims or litigation, with or without merit, could be costly and distract our management from day-to-day operations. If we fail to successfully defend against any claims brought against us or do not prevail in any such litigation, we could be required to modify, optimize or cease operating the games, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our users. Any royalty or licensing arrangements that we may seek in such circumstances may not be available to us on commercially reasonable terms or at all. In addition, if we acquire technology to include in our products from third parties, our exposure to infringement actions may increase because we must rely upon these third parties to verify the origin and ownership of such technology. This exposure to liability could result in disruptions in our business that could materially and adversely affect our results of operations.

Some of our employees were previously employed at other companies, including our current and potential competitors. We also intend to hire additional personnel to expand our development team and technical support team. To the extent these employees are involved in the development of content or technology similar to ours at their former employers, we may become subject to claims that these employees or we have appropriated proprietary information or intellectual properties of the former

employers of our employees. If we fail to successfully defend such claims against us, we may be exposed to liabilities which could have a material adverse effect on our business.

We depend heavily on our key personnel and our ability to attract and retain talented personnel.

We have been, and will continue to be, heavily dependent on the continued efforts of our senior management team and other key employees for our success. In particular, we rely on the expertise and experience of our founders, Mr. Liu and Mr. Zhu, who together with other members of our senior management team, has formulated our strategies and been instrumental to our achievements to date. The loss of our senior management members or several of our other key employees could impair our ability to operate and impede the execution of our business strategy. We may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, in which case our business may be severely disrupted and our financial condition impaired.

In addition, our continued success will also depend on our ability to attract and retain qualified administrative, supervisory and management personnel to manage our existing operations and future growth. Qualified and talented individuals are scarce and in high demand and, as a result, competition for these individuals from other game publishing or operating companies is intense. We may not be able to successfully attract, assimilate or retain the personnel that we may require. In addition, we may need to offer superior compensation and other benefits in order to attract and retain key personnel in the future, and we therefore cannot assure you that we will have the resources to fully achieve our staffing needs. In connection with any acquisition we may pursue in the future, our ability to retain the existing personnel we select will have a significant effect on our success in these expansion efforts. Our failure to attract and retain qualified personnel could have a negative impact on our ability to maintain our competitive position and to grow our business.

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

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

Our legal right to certain leased properties may be challenged and we did not register certain lease agreements.

As of the Latest Practicable Date, we leased 15 properties, all of which were used as office premises. Some of our landlords did not provide us with the relevant title certificates or relevant

authorization documents evidencing their rights to sublease properties to us for two of our leased properties. We cannot guarantee that the landlords from whom we leased such properties have the right to lease such properties to us. The relevant rightful title holders or other third parties may challenge our use of such leased properties and we may be required to seek alternative properties for lease on short notice. However, we may not be able to find alternative properties that are suitable for our use in a timely manner and at reasonable costs, or at all. Furthermore, we have not registered five of our lease agreements with the relevant government authorities in accordance with PRC laws and regulations and may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease should we and our landlords fail to register the lease agreements upon request by the relevant authority.

We may be subject to additional social insurance fund and housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities.

Under the relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make in full the social insurance fund and housing provident fund contributions for some of our employees. As of December 31, 2015, 2016 and 2017, the carrying amount of our provisions for social insurance fund and housing provident fund contributions amounted to RMB1.7 million, RMB4.5 million and RMB7.7 million, respectively. As advised by our PRC Legal Advisers, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance funds within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be required by the relevant PRC authorities to pay the outstanding amount to the housing provident funds within a prescribed time frame. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the social insurance funds and housing provident funds. However, we can give no assurance that we will not be subject to any order in the future to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds and housing provident funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

We may be held liable for inappropriate online communications or content made by our users.

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

Our ultimate Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our ultimate Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, our ultimate Controlling Shareholders will hold **[REDACTED]** of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our ultimate Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our ultimate Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our PRC Operating Entities

Current PRC laws and regulations impose certain prohibitions on foreign ownership of companies that engage in the Internet cultural business, such as mobile game publishing.

We are a company incorporated under the laws of the Cayman Islands, and Binyou Networks, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct substantially all of our business in China through our PRC Operating Entities based on the Contractual Arrangements, which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of the PRC Operating Entities; (ii) receive substantially all of the economic benefits from the PRC Operating Entities in consideration for the services provided by Binyou Networks; and (iii) have an exclusive option to purchase all or part of the equity interest in Youmin Networks from its shareholders and all or part of the assets of Youmin Networks from it, at a nominal price when and to the extent permitted by PRC law, or request any existing shareholder of the PRC Operating Entities to transfer any or part of the equity interest in the PRC Operating Entities to another PRC person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of the PRC Operating Entities and consolidate their results of operations into ours. Our PRC Operating Entities hold the licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or our PRC Operating Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM,

MIIT, MOC and SAPPRFT, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses; discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or Binyou Networks and our PRC Operating Entities may not be able to comply;
- requiring us or Binyou Networks and our PRC Operating Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the **[REDACTED]** or other of our financing activities to finance the business and operations of our PRC Operating Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of any of our PRC Operating Entities in our combined financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations.

Our contractual arrangements may not be as effective in providing operational control as direct ownership. Our PRC Operating Entities may fail to perform their obligations under our contractual arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of Internet and other related businesses in China, we operate a portion of our business in China through our PRC Operating Entities, in which we have no ownership interest. We rely on a series of contractual arrangements with our PRC Operating Entities and their shareholders to control and operate their business. These contractual arrangements are intended to provide us with effective control over our PRC Operating Entities and allow us to obtain economic benefits from them. For more details on these contractual arrangements, see "Contractual Arrangements".

Although we have been advised by our PRC Legal Advisers, that our contractual arrangements with our PRC Operating Entities constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these contractual arrangements may not be as effective in providing control over our PRC Operating Entities as direct ownership. If our PRC Operating Entities fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United

States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our PRC Operating Entities and may lose control over the assets owned by our PRC Operating Entities. As a result, we may be unable to consolidate our PRC Operating Entities in our combined financial statements, our ability to conduct our business may be negatively affected.

We may lose the ability to use and enjoy assets held by our PRC Operating Entities that are material to our business operations if our PRC Operating Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our PRC Operating Entities. If any of our PRC Operating Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our PRC Operating Entities. If our PRC Operating Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed under the applicable service agreement.

If the Registered Shareholders were to attempt to voluntarily liquidate Youmin Networks without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request the Registered Shareholders to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the Exclusive Option Agreement with the Registered Shareholders. In addition, under the Contractual Arrangements, the Registered Shareholders do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Youmin Networks without our consent. In the event that the Registered Shareholders initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of Youmin Networks without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

The ultimate shareholders of our PRC Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business.

The ultimate shareholders of our PRC Operating Entities may have conflicts of interest with us. We cannot assure you that when conflicts arise, ultimate shareholders of our PRC Operating Entities will act in the best interest of our company or that conflicts will be resolved in our favor. These shareholders may breach or cause the PRC Operating Entities to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

Background of the Draft Foreign Investment Law

The MOFCOM published the Draft Foreign Investment Law in January 2015 for public review and comments aiming to, upon its enactment, replace the trio of existing laws regulating foreign investment in China, namely, *the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law*. The Draft Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects.

Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign invested enterprise or a foreign invested entity or "FIE". The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor, provided that the entity is "controlled" by PRC entities and/or citizens. In this connection, "foreign investors" refers to the following subjects making investments within the PRC: (i) natural persons without PRC nationality; (ii) enterprises incorporated under the laws of countries or regions other than PRC; (iii) the governments of countries or regions other than the PRC and the departments or agencies thereunder; and (iv) international organizations. Domestic enterprises under the control of the subjects as mentioned in the preceding sentence are deemed foreign investors. "Control" is broadly defined in the draft law to cover the following categories: (i) holding, directly or indirectly, not less than 50% of shares, equities, share of properties, voting rights or other similar rights of the subject entity; (ii) holding, directly or indirectly, less than 50% of shares, equities, share of properties, voting rights or other similar rights of the subject entity but having the power to secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to exert material influence on the board, the shareholders' meeting or other equivalent decision making bodies; or (iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial matters or other key aspects of business operations.

Once an entity is determined to be a FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a Catalog of Special Administrative Measures, which is classified into the Catalog of Prohibitions and the Catalog of Restrictions, to be separately issued by the State Council later. Foreign investors are not allowed to invest in any sector set forth in the Catalog of Prohibitions. However, unless the underlying business of the FIE falls within the Catalog of Restrictions or Catalog of Prohibitions, which calls for market entry clearance by the MOFCOM, prior approval from governmental authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

Impact of the Draft Foreign Investment Law on VIE

The VIE structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangement would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. Therefore, for any company with a VIE structure in an industry category that is on the Catalog of Restrictions or Catalog of Prohibitions, the VIE structure may be deemed a domestic investment only if the ultimate controlling person(s) is/are of PRC nationality (either PRC companies or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the Catalog of Restrictions or Catalog of Prohibitions without market entry clearance may be considered as illegal.

In addition, the Draft Foreign Investment Law does not indicate what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens. Moreover, it is uncertain whether the mobile game publishing industry, in which our PRC Operating Entities operate, will be subject to the foreign investment restrictions or prohibitions set forth in the "catalog of special administrative measures" to be issued.

Potential Consequences for our Group

If the enacted version of the Draft Foreign Investment Law and the final "catalog of special administrative measures" mandate further actions, such as the MOFCOM market entry clearance, to be completed by companies with an existing VIE structure like us, we would face uncertainties as to whether such clearance can be timely obtained, or at all. Our Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, we will not be able to operate our online mobile game publishing business through the Contractual Arrangements and will lose our rights to receive the economic benefits from our PRC Operating Entities, such that the financial results of these entities would no longer be consolidated into our financial results and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider us to be no longer suitable for **[REDACTED]** and delist our Shares. For further details of the Draft Foreign Investment Law and the "catalog of special administrative measures" and its potential impact on us, see "Contractual Arrangements — Development in PRC Legislation on Foreign Investment".

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your [REDACTED].

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among Binyou Networks and our PRC Operating Entities do not represent an arms-length price and adjust our PRC Operating Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our PRC Operating Entities, which could in turn increase their tax liabilities. In addition,

the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The economic, political and social conditions of China could affect our business, financial condition and results of operations.

As part of our business strategy, we are now targeting China's mobile game market by devoting a large amount of resources. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in China. The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China's economic, political and social condition and the effect that new government policies will have on our business and future prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China's economy, in particular the mobile applications industry, could have a negative impact on our business, operating results and financial condition in a number of ways. For example, our users may decrease spending on our offerings, while we may have difficulty expanding our user base fast enough, or at all, to offset the impact of decreased spending by our existing users.

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC withholding tax and enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong-incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "EIT Law"), effective in January 2008, as amended on February 24, 2017, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC- resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5.0% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25.0% of the equity interest of the PRC company. The Notice of the SAT on How to Comprehend and Determine the "Beneficial Owners" in Tax Treaties (國家税務總局關於如何理解和認定税收協定中「受益所有人」的通知), effective in October 2009, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and

further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner." If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company," we may not be able to enjoy a preferential withholding tax rate of 5% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10.0%.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on June 1, 2015 and October 1, 2016 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general.

However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also

change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

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

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

Based on several judgments by PRC courts regarding the liabilities of game operators for loss of virtual assets by users, the courts have generally required the game operators to provide well-developed securities systems to protect such virtual assets owned by users and have required some game operators to return the virtual items or be liable for the loss and damage incurred therefrom if the online game operators have been determined to be in default or held liable for infringement of users' rights.

Regulation and censorship of information disseminated over the Internet in China may adversely affect our business, and we may be liable for information displayed on, retrieved from or linked to our applications.

China has enacted laws and regulations governing Internet access and the distribution of news and other content, as well as products and services, through the Internet. The PRC government prohibits information that it believes to be in violations of PRC laws from being distributed through the Internet. The MIIT, MOC and other competent government authorities have promulgated regulations that prohibit games from being distributed through the Internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. If any of the games we offer were deemed to violate any such content restrictions, we would not be able to obtain the necessary government approval to continue such offerings and/or could be subject to penalties, including confiscation of income, fines, suspension of business, which would materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for unlawful actions of our users or for content we distribute that is deemed inappropriate. We may be required to delete content that violates PRC laws and report content that we suspect may violate PRC laws, which may reduce our user base, the amount of time our games are played or the purchases of virtual items in our games. It may be difficult to determine the type of

content that may result in liability for us, and if we are found to be liable, we may be prevented from offering our online games or other related services in China.

The PRC law regulating the playing time and users' age of online games may adversely affect our business and operations.

In April 2007, several governmental authorities, including the SAPPRFT and the MOC, jointly issued the Notice Regarding the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知) (the "Anti-addiction Notice"), which is annexed to the Standards Regarding the Development of Anti-addiction System on Online Games (網絡遊戲防沉迷系統開發標準) and the Proposal Regarding the Authentication of Real Names for Anti-addiction System on Online Games (網絡遊戲防沉迷系統實名認證方案). According to the Anti-addiction Notice, an anti-fatigue system monitoring the playing time and minimum age of online game users is required to be installed in all existing online games since July 16, 2007, as well as in all online games to be operated in China. We, together with our co-publishers, have installed the anti-fatigue system in all of our mobile games. However, we cannot assure you that such anti-fatigue system will be regarded as sufficient by relevant government authorities in China. Failure to comply with the requirements under the Anti-addiction Notice may subject us to penalties, including without limitation suspension or restriction of our games to be operated by our co-publishers, rejection to or suspension of the application for approval or filing of our games in China.

Uncertainties and changes in the PRC legal system could materially and adversely affect our business.

Our business in China are governed by PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretions in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in China versus other more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to enforce our contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in China may result in diversion of resources and management's attention, and therefore materially and adversely affect our business and results of operations. We cannot predict future developments in the PRC legal system. We may be required to procure additional permits,

authorizations and approvals for our operations, which we may not be able to obtain. Our inability to obtain such permits or authorizations may materially and adversely affect our business, financial condition and results of operations.

The laws and regulations regulating mobile games in China continue to evolve and change. If we fail to obtain or maintain all applicable permits and approvals, our business and operations would be materially and adversely affected.

We are required to obtain licenses, permits and approvals from different regulatory authorities in order to conduct our business. We have obtained the Online Culture Operation License from the MOC, which is required for the operation of online mobile games. In addition, PRC laws and regulations require all online mobile games that we license from third-party game developers in China to be approved by SAPPRFT and filed with the MOC. Such approval and filing requirement can be completed by the third-party game developer. If, however, the third-party fails to complete this approval and filing requirement, the obligation to complete such procedures falls on us. If any of our PRC Operating Entities fails to obtain or maintain any of the required permits or approvals or if our practice is later challenged by government authorities, they may be subject to various penalties, including without limitation, fines, being ordered to rectify the failure, confiscation of illegal revenues and the discontinuation of, or restrictions on, our operations. Any resulting disruption of our business operations would materially and adversely affect our financial condition and results of operations.

Furthermore, as mobile games are at an early stage of development in China, new laws and regulations may be adopted or amended from time to time that require licenses and permits beyond those we currently have. These regulations may also restrict our ability to expand our customer and player base or to provide services in additional geographic areas. Substantial uncertainty exists regarding the implementation and interpretation of the current PRC laws and regulations applicable to the operation of mobile games, and as new laws and regulations are passed, their implementation and interpretation may also be uncertain or unfavorable to our business and operations. We cannot assure you that we will continue to the be able to obtain all required permits, licenses and approvals in a timely manner, or at all, and any failure to do so could result in penalties, or a requirement to curtail or cease operating all or part of our business, any of which may materially and adversely affect our financial condition, results of operations and future prospects.

Laws and regulations governing the Internet industry and related businesses in China are evolving and may involve significant uncertainty.

The PRC government extensively regulates the Internet industry, including the foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. With regard to the mobile game industry in China, various regulatory authorities of the PRC central government, such as the State Council, the MIIT, the State Administration for Industry & Commerce of the PRC (the "SAIC"), the MOC, the SAPPRFT, and the Ministry of Public Security, are empowered to promulgate and implement regulations governing various aspects of the Internet and the mobile game industries. There exist inconsistencies and ambiguities in the regulations promulgated by different government authorities. Our co-publisher partners are required to obtain applicable permits or approvals from different regulatory authorities in order to provide mobile game services. As a result, it may be

difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations, and we must screen our co-publishers' qualifications before entering into co-distribution arrangements.

Risks and uncertainties relating to PRC regulation of Internet businesses include new laws, regulations or policies may be promulgated or announced that will regulate Internet activities, including mobile game businesses. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties and our business operations could be disrupted.

There are uncertainties relating to the regulation of the Internet industry in China, including evolving licensing requirements. This means that permits, licenses or operations of some of our companies may be subject to challenge, or we may fail to obtain or renew permits or licenses that applicable regulators may deem necessary for our operations. If we fail to maintain or obtain the required permits or licenses, we may be subject to various penalties, including fines and discontinuation of, or restriction on, our operations. Any penalty may disrupt our business operations and may have a material adverse effect on our results of operations.

The interpretation and application of existing or future PRC laws, regulations and policies relating to the Internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, Internet businesses in China, including our business. We cannot assure you that we will be able to maintain our existing licenses or obtain any new licenses required under any existing or new laws or regulations. There are also risks that we may be found to be in violation of existing or future laws and regulations given the uncertainty and complexity of China's regulation of Internet businesses. If current or future laws, rules or regulations regarding Internet-related activities are interpreted in such a way as to render our ownership structure and/or business operations illegal or non-compliant, our business could be severely impaired and we could be subject to severe penalties.

We may rely on dividends and other distributions from our PRC subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

As an offshore holding company, we may rely in part on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our Shareholders, and to service any debt that we may incur and pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, PRC regulations permit our subsidiaries to pay dividends only out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiaries are required each year to set aside at least 10.0% of its annual after-tax profits (as determined under PRC accounting standards) into its statutory reserve fund until the aggregate amount of that reserve reaches 50.0% of such entity's registered capital. These reserves are not distributable as cash dividends.

If our PRC subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit

our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

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

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from **[REDACTED]**. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

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

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our net revenues in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government

may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS. Any medium or long term loan to be provided by us to our PRC Operating Entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of **[REDACTED]** and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in China the net proceeds from **[REDACTED]**, which may adversely affect our business, financial condition and results of operations.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "Circular 37"), which was promulgated by SAFE, and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13"), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As confirmed by our PRC Legal Advisers, each of our shareholders as a PRC resident has completed the initial foreign exchange registration on February 22, 2018. As we have little control over either our present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under Circular 37 and Circular 13 in a timely manner or at all. Failure of our present or future Shareholders who are PRC residents to comply with Circular 37 and Circular 13 could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations.

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, SAT, SAIC, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which became effective on September 8, 2006 and was amended in June 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require

presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limits our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our **[REDACTED]** and protect our Shareholders' economic interests.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

SAT released a circular on December 15, 2009 that addresses the transfer of shares by nonresident companies, generally referred to as Circular 698. Circular 698, which became effective retroactively to January 1, 2008, may have a significant impact on many companies that use offshore holding companies to invest in China. Circular 698 has the effect of taxing foreign companies on gains derived from the indirect sale of a PRC company. Where a foreign investor indirectly transfers equity interests in a PRC resident enterprise by selling the shares in an offshore holding company, and the latter is located in a country or jurisdiction that has an effective tax rate less than 12.5% or does not tax foreign income of its residents, the foreign investor must report this indirect transfer to the tax authority in charge of that PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10.0%.

SAT subsequently released public notices to clarify issues relating to Circular 698, including the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "SAT Notice 7"), which became effective on February 3, 2015. SAT Notice 7 replaced or supplemented certain previous rules under Circular 698. Under SAT Notice 7, if a non-resident enterprise transfers its shares in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company, via an arrangement without reasonable commercial purpose, such transfer shall be deemed as indirect transfer of the underlying PRC taxable

properties. Accordingly, the transferee shall be deemed as a withholding agent with the obligation to withhold and remit the enterprise income tax to the competent PRC tax authorities. Factors that may be taken into consideration when determining whether there is a "reasonable commercial purpose" include, among other factors, the economic essence of the transferred shares, the economic essence of the assets held by the overseas holding company, the taxability of the transaction in offshore jurisdictions, and economic essence and duration of the offshore structure. SAT Notice 7 also sets out safe harbors for the "reasonable commercial purpose" test.

On October 17, 2017, SAT issued an Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (關於非居民企業所得税源泉扣繳有關問題的公告) (the "SAT Notice 37") to totally repeal Circular 698 and the second paragraph of Section 8 of SAT Notice 7.

There is little guidance and practical experience regarding the application of the related SAT notices. For example, while the term "indirectly transfer" is not defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions. As a result, due to our complex offshore restructuring, we may become at risk of being taxed under SAT Notice 7 and the related SAT notices and we may be required to expend valuable resources to comply with SAT Notice 7 and the related SAT notices or to establish that we should not be taxed under SAT Notice 7 and the related SAT notices, which could have a material adverse effect on our financial condition and results of operations.

In addition, since we may pursue acquisitions as one of our growth strategies, and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

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

After our Company becomes an overseas **[REDACTED]** company upon the completion of the **[REDACTED]**, we, along with our Directors, executive officers and other employees who will be granted options, may be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of no less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete SAFE registrations may subject them to fines and other legal sanctions and may also limit their ability to make payment under the equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory

uncertainties that could restrict our ability to adopt additional equity incentive plans for our Directors and employees under PRC laws and regulations.

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

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10.0% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10.0% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (中華人民共和國個人所得税法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Our business operations are conducted in several jurisdictions. It is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our Shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10.0% PRC withholding tax for the dividends we pay to our **[REDACTED]** who are non-PRC corporate Shareholders, or a 20.0% withholding tax for the dividends we pay to our **[REDACTED]** who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and China in the event that we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your **[REDACTED]** in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for **[REDACTED]** to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. High inflation in the future may cause the PRC government to once again impose controls on credit and/or price of commodities, or to take other actions, which could inhibit economic activities in China. Any action on the part of the PRC government that seeks to control credit and/or price of commodities may adversely affect our business operations, causing negative impact on our profitability and growth.

An outbreak of any widespread public health problem, if uncontrolled, could have a negative impact on our business operations.

An outbreak of any widespread public health problem in China, such as severe acute respiratory syndrome (also known as SARS), avian influenza, H1N1 influenza or MERS, if protracted and uncontrolled, may result in the contraction of such disease among our employees or those with whom we conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. In addition, if there is an outbreak of any widespread public health problem, we cannot assure you that the World Health Organization or the PRC government will not recommend, or even impose, travel restrictions and/or restrictions on the flow of goods to and from areas affected by the virus. For these reasons, an outbreak of any widespread public health problem could cause significant interruption to our business and have a significant impact upon our profitability.

RISKS RELATING TO THE [REDACTED]

There has been no prior market for our Shares, and the liquidity and market price of our Shares following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there has been no **[REDACTED]** for our Shares. The initial price range disclosed to the public for our Shares was the result of negotiations among us and the **[REDACTED]** on behalf of the **[REDACTED]**, and the **[REDACTED]** may differ significantly from the market price for the Shares following the **[REDACTED]**. We have applied to **[REDACTED]** in the Shares on the Stock Exchange. We cannot assure you that the **[REDACTED]** will result in the development of an active, liquid public trading market for the Shares. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments relating to our Company may affect the volume and price at which the Shares will be traded.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The **[REDACTED]** of our Shares is expected to be determined on the **[REDACTED]**. However, our Shares will not **[REDACTED]** on the Stock Exchange until five Hong Kong business days after **[REDACTED]**. As a result, **[REDACTED]** may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse development, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the net proceeds of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the **[REDACTED]** in ways you may not agree with or that do not yield a favorable return. **[REDACTED]** However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this **[REDACTED]**.

Any future sales, or perceived sale, of a substantial amount of our Shares in the [REDACTED] could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future.

Future sales of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares from time to time. See **[REDACTED]** for a more detailed discussion of restrictions that may apply to future sales of our Shares. After these restrictions lapse, the market price of our Shares may decline as a result of future sales of a substantial amount of our Shares or other securities relating to our Shares in the **[REDACTED]**, the **[REDACTED]** relating to our Shares, or the perception that such sales or issuances may occur. This could negatively affect the market price of our Shares and our ability to raise equity capital in the future.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the **[REDACTED]**. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our shareholders in the future, even if our financial statements indicate that our operations have been profitable. For details, see "Financial Information — Dividend."

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

Certain facts, forecasts and statistics in this document relating to various countries and regions and the economic conditions thereof and the industry of Chinese game oversea publishing derived from official government publications, market data providers and other independent third-party sources may not be reliable.

Certain facts, forecasts and other statistics in this document relating to various countries and regions and the online game industry are derived from various official government publications, market data providers and other independent third-party sources, including the CIC Report, which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, **[REDACTED]**, **[REDACTED]** or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and reports of other market data providers and other independent third-party sources for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics in this document may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, **[REDACTED]** should give consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of this document, there had been press and media coverage regarding us and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Mr. Wang Zaicheng (王在成), our executive Director and joint company secretary, and Ms. Ko Nga Kit (高雅潔), our joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to promptly deal with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers, if any) to each of the authorized representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorized representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the independent non-executive Directors) promptly as and when required, including means to communicate with the Directors when they are traveling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of Messis Capital Limited as the compliance adviser, (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Sole Sponsor submits, on behalf of our Company, that the Compliance Adviser will serve as an alternative channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will

ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame.

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Company Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Our Company appointed Mr. Wang Zaicheng and Ms. Ko Nga Kit (高雅潔) as joint company secretaries of the Company on March 16, 2018. Ms. Ko Nga Kit (高雅潔) is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Wang has been the secretary to the Board of our Company since October 2016. Our Company believes that Mr. Wang, by virtue of his knowledge and experience in handling corporate administrative matters, is capable of discharging his functions as a joint company secretary. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have a person such as Mr. Wang, who possesses the relevant experience of our Group's financial, operational and investor relations matters, to act as its company secretary.

Since Mr. Wang does not possess the a qualification stipulated under Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 in relation to the appointment of Mr. Wang as a joint company secretary of our Company. In addition, Mr. Wang will comply with the annual professional

training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. We will further ensure that Mr. Wang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The waiver will be revoked immediately if Ms. Ko ceases to provide assistance to Mr. Wang as the joint company secretary during the three years after the Listing. Before the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Mr. Wang, having had the benefit of Ms. Ko's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors and Senior Management" in this document for further information regarding the qualifications of Mr. Wang and Ms. Ko.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver in relation to certain continuing connected transactions between us and our connected persons under Chapter 14A of the Listing Rules for such continuing connected transactions. For details, please refer to the sections headed "Connected Transactions" and "Contractual Arrangements" in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LIU Jie (劉傑)	Room 505 No. 26 Nanhai Road Shantou, PRC	Chinese
Mr. WU Junjie (吳俊傑)	Room 2102, Building C No. 55 Huacheng Avenue Tianhe District Guangzhou, PRC	Chinese
Mr. WANG Zaicheng (王在成)	Room B16A Liyang Tianxia, Shixiabeiyi Street Futian District Shenzhen, PRC	Chinese
Mr. LIU Zhanxi (劉展喜)	Room 1102, Unit 2, Building 7 No. 380 Shaxi Avenue Panyu District Guangzhou, PRC	Chinese
Independent non-executive Directors		
Mr. GUO Jingdou (郭靜鬥)	Room 3C No. 94 Tianrun Road Tianhe District Guangzhou China	Chinese
Ms. YAO Minru (姚敏茹)	Room 1001, District 2 No. 8 Huacheng Road Zhujiang New Town Tianhe District Guangzhou China	Chinese
Mr. DU Geyang (杜戈陽)	Room 1101, Building 140 No. 376 Changsheng Road Xiangzhou District Zhuhai China	Chinese

For further details, please refer to the section headed "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
Central
Hong Kong

[REDACTED]

Reporting Accountant

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong and U.S. laws:
Sidley Austin
Level 39, Two International Finance Center
8 Finance Street
Central
Hong Kong

As to PRC law:
Beijing Dacheng Law offices, LLP
7/F, Building D, Parkview Green FangCaoDi
No.9, Dongdaqiao Road.
Chaoyang District
Beijing
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisers to the Sole Sponsor and [REDACTED]

As to Hong Kong and U.S. laws:
O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing
PRC

Industry Consultant	China Insights Consultancy Limited 10/F Tomorrow Square, 399 West Nanjing Road Huangpu District Shanghai PRC
Tax Advisers to the Company	Beijing Anshen Tax Agent Co., Ltd. 601, Building 3 No. A6 Shuguang Xili Chaoyang District Beijing PRC

[REDACTED]

CORPORATION INFORMATION

Headquarters	3rd Floor, Huixin building No.1132 Zhongshan Avenue Tianhe District Guangzhou PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office in the Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Company Website	**www.fingertango.com** (*the information contained on the website does not form part of this document*)
Joint Company Secretaries	Mr. WANG Zaicheng (王在成) Ms. KO Nga Kit (高雅潔)*, FCIS, FCS*
Authorized Representatives	Mr. WANG Zaicheng (王在成) Room B16A Liyang Tianxia, Shixiabeiyi Street Futian District Shenzhen, PRC Ms. KO Nga Kit (高雅潔) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Audit Committee	Ms. YAO Minru (姚敏茹) (Chairman) Mr. GUO Jingdou (郭靜鬥) Mr. DU Geyang (杜戈陽)
Remuneration Committee	Mr. GUO Jingdou (郭靜鬥) (Chairman) Mr. WU Junjie (吳俊傑) Mr. DU Geyang (杜戈陽)
Nomination Committee	Mr. LIU Jie (劉傑) (Chairman) Mr. GUO Jingdou (郭靜鬥) Mr. DU Geyang (杜戈陽)
Principal Share Registrar and Transfer Office	**[REDACTED]**

CORPORATION INFORMATION

Hong Kong Share Registrar	**[REDACTED]**
Compliance Adviser	Messis Capital Limited Room 1606 16/F Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong
Principal Bank	China Merchants Bank Co., Ltd. Guangzhou Gaoxin Branch No.1 Huajing Road, Zhongshan Avenue Guangzhou PRC

*Certain information and statistics set out in this section and elsewhere in this Document relating to the online gaming industry in China are derived from the market research report prepared by China Insights Consultancy, an independent industry consultant which was commissioned by us (the "**CIC Report**"). The information extracted from the CIC Report should not be considered as a basis for* **[REDACTED]** *in the* **[REDACTED]** *or as an opinion of China Insights Consultancy as to the value of any securities or the advisability of* **[REDACTED]** *in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor,* **[REDACTED]** *or any other parties involved in the* **[REDACTED]** *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

Unless and except for otherwise specified, the market and industry information and data presented in this Industry Overview section is derived from the CIC Report.

BACKGROUND AND METHODOLOGIES OF CHINA INSIGHTS CONSULTANCY

We commissioned CIC, a market research and consulting company and an Independent Third Party, to conduct an analysis of, and to report on mobile game publishing industry in China for the period from 2013 to 2022. The CIC Report has been prepared by CIC independent of our influence. The fee payable to CIC for preparing the CIC Report is RMB400,000, which we believe reflects the market rate for similar services. CIC is a consulting firm founded in Hong Kong. It provides professional industry consulting services across multiple industries. CIC's services include industry consulting services, commercial due diligence and strategic consulting.

Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the CIC Report and CIC is an independent market research company with extensive experience in their profession. The information and data collected by CIC have been analyzed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysis of market data obtained from several publicly available data sources, such as releases from the governments of the researched countries, company reports, independent research reports and CIC's own internal database. The methodology used by CIC is based on information gathered from multiple levels and allows such information to be cross-referenced for accuracy. On the basis of the aforementioned, we consider the data and statistics to be reliable.

The CIC Report mainly focuses on the mobile game publishing industry in China. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the CIC Report which may qualify,

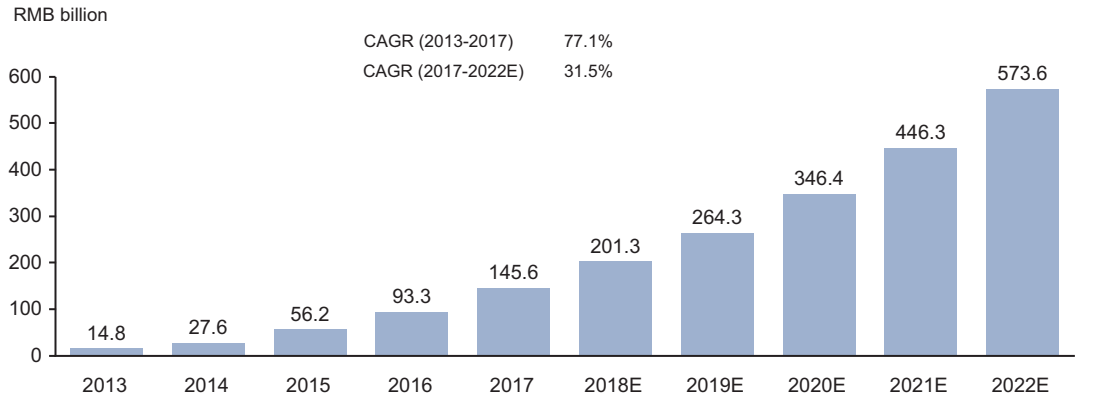
contradict or have an impact on the information in this section. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. Parameters used in the CIC Report include: (i) total gross billing of PRC mobile game industry; (ii) total gross billing of PRC third-party mobile game publishing industry; (iii) total gross billing of PRC mobile SLG game industry, etc.

CHINA'S ONLINE MOBILE GAME INDUSTRY

Overview

China's online gaming industry has been rapidly developing. The continued growth in average disposable income and consumer spending power in China over the past decade has led to a greater willingness to spend on online entertainment, which has continued to spur the growth of the industry. Total gross billing generated by China's online gaming market increased from RMB86.6 billion in 2013 to RMB231.5 billion in 2017, representing a CAGR of 27.9%, and is forecast to increase further from 2017 to RMB688.3 billion in 2022, representing a CAGR of 24.3%. Online games are primarily categorized into three segments based on different platforms, namely, online PC games, web games, and mobile games. With its optimum platform compatibility, readily available access and appealing interactive social networking features, mobile games have experienced exponential growth in recent years and, since 2016, have dominated China's overall gaming industry, with the remaining market share held by web games and PC games. Total gross billing generated by China's mobile game industry increased at a CAGR of 77.1% from RMB14.8 billion to account for 17.1% of the overall online gaming industry in 2013 to RMB145.6 billion to account for 62.9% of the overall online gaming industry in 2017. With the continued rise in smartphone usage and major advancements in mobile internet technologies, mobile gaming, which is projected to remain as the most lucrative and the fastest growing segment, is expected to grow at a CAGR of 31.5% from 2017 to reach RMB573.6 billion in 2022 and account for 83.3% of the overall online gaming industry. The following chart sets forth the market size of China's mobile game industry in terms of gross billing for the periods indicated:

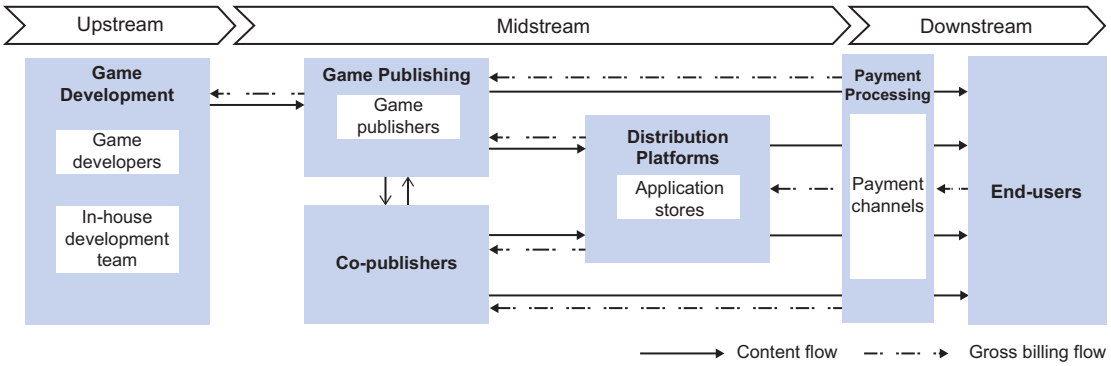
Market size of the mobile game industry by gross billing, PRC, 2013-2022E



Source: CIC

Value Chain

The following diagram illustrates major components of China's mobile gaming industry:



- *Game developers.* Game developers are primarily responsible for the research, design and coding process in game production as well as providing version updates and technical support based on feedback from users and the market.

- *Game publishers.* Game publishers are primarily responsible for game optimization, marketing, promotion, distribution, monetization, and other user-related services, as well as coordinating with game developers on updates and modifications based on user or market feedback. Game publishers essentially operate the games and conduct marketing activities and user support services.

- *Co-publishers.* Co-publishers are publishers other than main publishers that helped to expand distribution channels and attract new users. Co-publishers include Android app operators, which are entitled to modify the games distributed on such markets primarily for compatibility purposes and to promote games to their user base.

- *Distribution platforms.* Online game distribution platforms are primarily responsible for distributing the games and are key sources of user traffic. Distribution platforms also participate in the marketing and promotion of games distributed through their channels. Distribution platforms are not involved in the optimization or operation of the games.

- *Payment channels.* Payment channels are responsible for collecting proceeds from purchases of the mobile game and any in-game purchases of virtual items made by the game player.

During the recent years, the percentage of gross billings shared by the market participants in China's mobile gaming industry has remained relatively stable. Game developers, co-publishers, distribution platforms, and payment channels are generally entitled to 15-20%, 30-70%, 20%-40%, and 1-3% of the gross billings, respectively. There will not be any material change to such sharing percentage in the foreseeable future.

CHINA'S MOBILE GAME PUBLISHING INDUSTRY

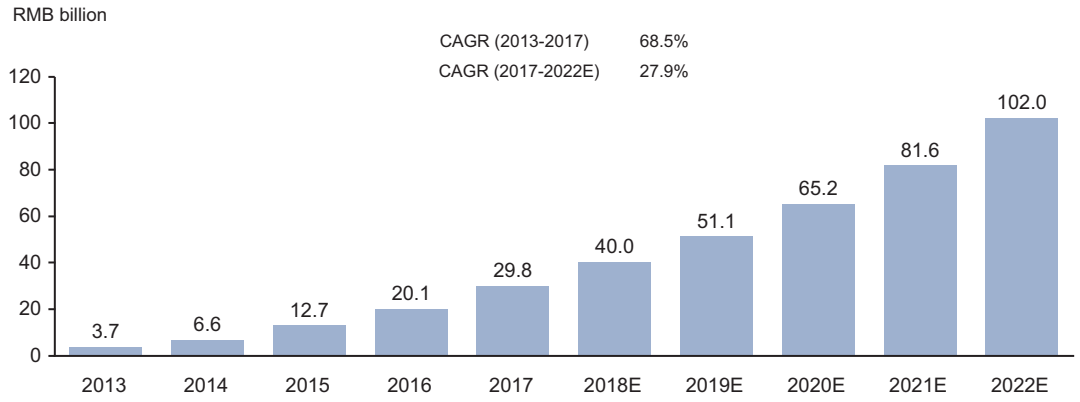
Mobile Game Publisher

Mobile game publishers are primarily responsible for publishing and distributing mobile games to the market. Some publishers may engage in marketing data analysis, user feedback collection and

product modification activities to enhance the gameplay experience. Game publishers are in charge of game publication, user acquisition, performance data collection, marketing and promotion, and other game operations.

Game publishers either source games from third-party game developers or maintain an in-house game development team to develop new games. As the number of independent game developers continues to grow, increasing the demands for third-party mobile game publishers, the market size of third-party mobile game publishing industry in China, in terms of gross billing, has experienced rapid growth from RMB3.7 billion in 2013 to RMB29.8 billion in 2017, representing a CAGR of 68.5%, and is expect to further increased to RMB102.0 billion in 2022, representing a CAGR of 27.9%. The following chart sets forth the market size of China's third-party mobile game publishing industry in terms of gross billing for the periods indicated:

Market size of the third-party mobile game publishing industry by gross billing, PRC, 2013-2022E



Source: CIC

Third-party game publishers source games primarily by licensing games or commissioning the development of games from game developers. The following table sets forth details of the two partnership models between game publishers and game developers:

Types of partnership between mobile game publishers and game developers, PRC

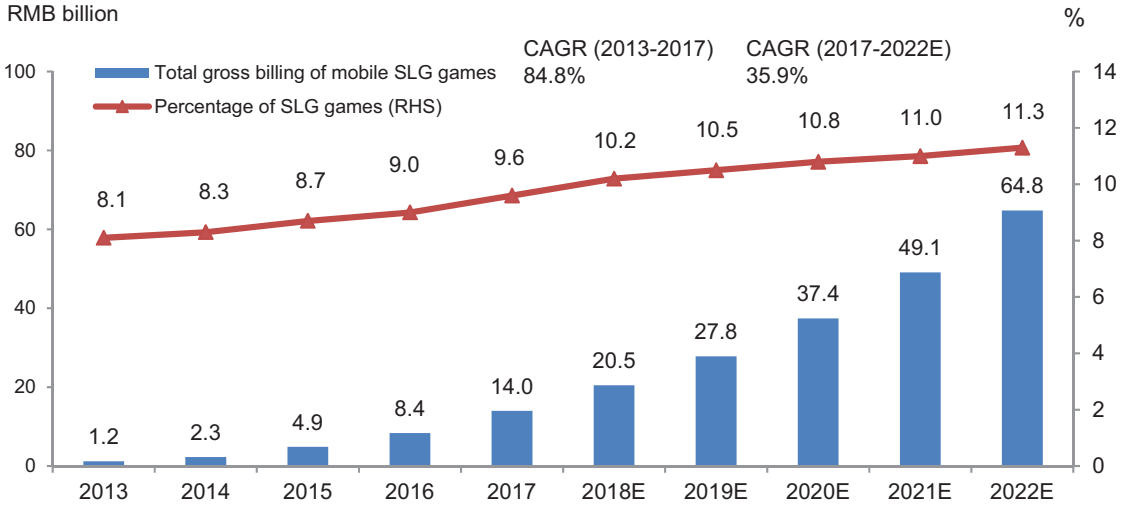
	Business model	Partnership description	Allocation of IP
Licensing	The publisher gets exclusive license from game developers to operate games in indicated market.	The publisher pays the game developers the license fee, and splits a share of gross billing to the game developers.	Game developers own the relevant IP of the games. Game publishers are licensed to publish the game.
Commissioned Development	The publisher engage third-party game developers to develop games based on the publisher's ideas and requests.	The publisher outsource developing projects to game developers teams and pay by projects or requests.	Game publishers own the relevant IP of the games. Game publishers engage game developers to develop the game.

SLG Game Publishing

China's mobile SLG gaming industry has experienced rapid growth that is attributable to the overall development of mobile gaming and the transition of existing SLG gamers from web browsers to mobile devices. Unlike in a number of overseas markets in North America and Europe where the SLG segment has already gained market shares of over 20%, China's mobile SLG gaming industry

began to grow rapidly in recent years, increasing from RMB1.2 billion in 2013 to RMB14.0 billion in 2017, representing a CAGR of 84.8%. In terms of mobile game genre, SLG games accounted for 9.6% of the overall mobile game market in terms of gross billings in 2017, increased from 8.1% in 2013, making SLG one of the fastest-growing segments among major game genres. Moreover, factors such as (i) a greater variety in charging items (including virtual items and time acceleration functions), (ii) longer game lifecycles and (iii) better compatibility with mobile devices as SLG games are better suited for play with smaller chunks of free time have fueled the significant increase in demand for SLG games in China's mobile game market, and the market size of the SLG segment is expected to continue growing from 2017 to reach approximately RMB64.8 billion to account for 11.3% of China's overall mobile game market by 2022, representing a CAGR of 35.9%. The following chart sets forth the historical and forecast market size of China's SLG gaming industry for the periods indicated:

Market Size of mobile SLG game industry by gross billing, PRC, 2013-2022E



Source: CIC

We focus primarily on SLG games. According to the CIC Report, SLG games are generally designed to closely simulate real world activities. Involving strategizing, planning and decision-making, a SLG game places the player in a virtual world and gives the player a limited set of resources with which such player must build, manage and expand a domain as well as acquire additional resources. In a SLG game, the players' own decision-making processes determine the outcomes in the game. Generally SLG games offer in-game purchases of: (i) virtual items for additional enhancements or effects used during games; and (ii) time acceleration, which enables users to the skip to a later stage, reduces the time required to collect resources or construct buildings.

In general, SLG games perform better financially due to their relatively longer game lifecycles, which is generally 18 to 24 months from official game launch. SLG games also tend to have greater potential for return on investment due to higher profitability generated by a more loyal user base, and a comparatively more stable income generation mechanism. The following illustrations sets forth details of different game genres within the mobile gaming industry:

Genre	Game lifecycle	Daily access frequency	ARPPU	Retention rate	Conversion rate
SLG	Long	Very frequent	High	High	High
Action	Medium	Medium	Medium	Medium	Medium
Adventure	Medium	Once or twice	Medium	Medium	Medium
Arcade	Short	Once or twice	Medium	Low	Low
Board and card	Long	Very Frequent	High	High	Medium
RPG	Medium	Frequent	High	High	High
Casual	Medium	Once or twice	Low	Medium	Medium
Sports	Short	Once or twice	Low	Low	Low
FPS	Medium	Once or twice	Medium	Medium	Medium
MOBA	Medium	Frequent	High	High	High

- Game lifecycle refers to the period of time that a game is operational in the market. Because it takes a long time for plots to develop and tactics to evolve in SLG games, SLG games typically have longer game lifecycles than most game genres.

- ARPPU represents the profitability of games by paying users. The higher the ARPPU, the more money is being spent by average paying users.

- Daily access frequency and retention rate both show users' loyalty to the game.

- Conversion rate refers to the percentage of active users that become paying users.

SLG games tend to garner a loyal player base that values the in-depth gaming experience. These players are willing to commit longer periods of time and devote continued efforts to planning and developing plots and characters within the game environment. Moreover, SLG game players are high-yield users because they are personally attached to each of the games they play, and thus have a greater tendency to purchase virtual items. SLG game players also typically have a higher spending rate and ARPPU compared to the industry average. In addition, SLG game players tend to develop strong bonds with in-game player communities sharing similar interests.

Market Drivers

The following factors are expected to drive the growth of China's mobile game publishing industry:

- *Increasing smartphone penetration.* Smartphone provides higher quality of graphic, sound, and control of a game for users, as compared to conventional mobile phones. The smartphone penetration rate is an important driver for the mobile game publishing industry in China.

- *Game users becoming increasingly accustomed to paying for online entertainment, including mobile games.* Online consumption pattern has a direct impact on the frequency

and amount of revenue generated by game developers. As people increasingly adopt various online payment methods such as through WeChat Pay and Alipay, users are becoming more accustomed to paying for online entertainment, leading to more frequent and larger payments in mobile games.

- *Quality content lengthening the lifecycle.* The quality and value of a game's content defines each game and determines its longevity. In the mobile game publishing industry, where virtual items are consumed, content is a key factor that dictates a game's operating performance. Quality content can ensure that games garner the requisite attention they need to retain players and remain profitable thus lengthening the lifecycle of mobile games.

- *Hardcore games starting to trend in the mobile gaming industry.* Hardcore games refer to games with a longer lifetime, relatively longer daily gameplay times for its users, and significant player engagement, such as SLG and MMORPG games. Reflecting continued developments in mobile technology and increasing access to the internet, market preferences for mobile gaming have begun shifting towards hardcore games.

Competition

Competitive Landscape

China's mobile game publishing industry has become increasingly concentrated, with the top 10 market players collectively holding a market share of 73.2% in 2017. We primarily compete against other mobile game publishers in China. As a result of the success of our mobile games, particularly our SLG games, we have been able to achieve high returns from our users and ranked tenth among over 900 mobile game publishers in China with a market share of 1.1% in terms of 2017 gross billings. The following chart sets forth the gross billings and market shares of the top 10 mobile game publishers in China:

Ranking	Company	Annual gross billing games (RMB billion), 2017	Market share in 2017
1	Company A	*61.20*	*42.0%*
2	Company B	*26.88*	*18.5%*
3	Company C	*3.06*	*2.1%*
4	Company D	*2.97*	*2.0%*
5	Company E	*2.68*	*1.8%*
6	Company F	*2.56*	*1.8%*
7	Company G	*2.14*	*1.5%*
8	Company H	*1.72*	*1.2%*
9	Company I	*1.71*	*1.2%*
10	**Our Company**	*1.64*	*1.1%*
	Subtotal	*106.56*	*73.2%*
	Others	*39.03*	*26.8%*
	Total	*145.59*	*100.0%*

An increasing number of small-scale game developers have been seeking third-party game publishers to publish their games because third-party game publishers have established gamer profiles and stronger data and analytics capabilities. As a result, third-party mobile game publishers enjoy

higher bargaining power over game developers. The total gross billings of China's third-party mobile game publishing industry reached RMB29.78 billion in 2017, with the top 10 market players collectively holding a market share of 79.6%. As a leading third-party mobile game publisher that sources game content from third-party game developers, we were ranked fifth among over 200 third-party mobile game publishers in China with a market share of 5.5% in terms of 2017 gross billings. The following chart sets forth the gross billings and market shares of the top 10 third-party mobile game publishers in China:

Ranking	Third-party game publisher	Annual gross billing (RMB billion), 2017	Market share in 2017
1	Company A	*7.34*	*24.7%*
2	Company B	*3.24*	*10.9%*
3	Company F	*2.56*	*8.6%*
4	Company C	*2.19*	*7.4%*
5	**Our Company**	*1.64*	*5.5%*
6	Company J	*1.52*	*5.1%*
7	Company K	*1.38*	*4.6%*
8	Company I	*1.33*	*4.5%*
9	Company L	*1.26*	*4.2%*
10	Company M	*1.23*	*4.1%*
	Subtotal	*23.69*	*79.6%*
	Other	*6.09*	*20.4%*
	Total	*29.78*	*100.0%*

As a pioneer in SLG mobile game publishing industry with extensive experience, we ranked first among all SLG mobile game publishers in China in terms of 2017 gross billings. The following chart sets forth the gross billings and market shares of the top 10 SLG mobile game publishers in China:

Ranking	SLG game publisher	Annual gross billing (RMB billion), 2017	Market share in 2017
1	**Our Company**	*1.37*	*9.8%*
2	Company A	*1.25*	*8.9%*
3	Company H	*0.87*	*6.2%*
4	Company N	*0.80*	*5.7%*
5	Company I	*0.66*	*4.7%*
6	Company B	*0.53*	*3.8%*
7	Company O	*0.51*	*3.6%*
8	Company E	*0.39*	*2.8%*
9	Company P	*0.12*	*0.9%*
10	Company Q	*0.11*	*0.8%*
	Subtotal	*6.61*	*47.2%*
	Others	*7.39*	*52.8%*
	Total	*14.00*	*100.0%*

Entry Barriers and Key factors to Success

The following are entry barriers and challenges in China's mobile game publishing industry:

- *Development of a loyal user base.* The success of SLG games depends on a loyal base of long-term users. Typically, SLG game players exhibit a high degree of loyalty and are devoted to one game over a period of time. After a player begins to play a particular SLG

game, such player is unlikely to switch over to other SLG games during the lifetime of that particular game. Accordingly, a new market entrant may face the challenge of developing an active user base for its games.

- *Sustainable partnerships with game developers.* Access to reliable game developers remains a key entry barrier for new players in the market. SLG games are highly dependent on the quality of game content to develop and maintain a loyal user base. Any problems with in-game content will have a negative effect on users within the first six months of operations, and will likely lead to player attrition.

- *High initial investment.* SLG games generally have a longer ramp-up period of approximately six months from the beginning of the operation as compared to other game genres. An SLG game publisher is therefore required to maintain sufficient working capital to continue investing in the game after the official launch. As game publishers are generally required to invest significantly in marketing and promotion, a new market entrant without sufficient working capital for initial game operations may not be able to launch SLG games with success.

- *Sufficient industry know-how.* Sufficient industry know-how is another entry barrier for new entrants because established publishers understand users' preferences and demands through strong user data analytics capabilities. Established publishers are proficient in identifying potential users, converting active users into long-term paying users, and responding keenly to industry changes and user behavior patterns.

Key Market Trends

The following are the key market trends in China's mobile game publishing industry:

- *Growing number of partnerships with third-party publishers.* The gaming industry is developing rapidly as roles played by various agents become progressively more defined. Game developers focus on game development while publishers focus on the administrative and marketing aspects of game publication. Third-party publishers have become increasingly important in the industry as more and more game developers choose to collaborate with professional publishers. The industry expects to see increased partnerships between game developers and professional third-party publishers for game publication.

- *Diversification within gaming genres.* Diversified development in niche markets can be attributed to vigorous exploit in the gaming industry. Gaming industry is booming with increasing attention and efforts from both developers and end-users. As competition filters market opportunities to leading players, publishers diversify into specialized categories and niche market. At the same time, to attract a wider range of players, game publishers also tend to publish cross-over games by incorporating features of different game genres.

- *Game publishers establishing in-house game development capabilities.* Mobile game publishers can enhance their in-house development capabilities by increasing focus in their existing in-house development team or acquiring certain third-party game developers. By combining game development and publishing, player data and market feedback game publishers collected by game publishers can be further utilized in game development.

- *Development of international operations and user base.* International expansion helps mobile game publishers to improve their brand recognition worldwide, laying the foundation for a potential future collaboration with reputable international game developers. Meanwhile, international distribution and promotion will help mobile game publishers acquire larger user bases with more player data and market feedback, which will further benefit their operations.

This section sets forth a summary of the most significant laws, rules and regulations that affect our business activities in the PRC and our shareholders' rights to receive dividends and other distributions from us.

Regulations Relating to Online Games and Cultural Products

Regulations Relating to Operating Permits for Online Games

The Provisional Regulations for the Administration of Online Culture （《互聯網文化管理暫行規定》） (the "**Online Culture Regulations**") which were issued by the MOC and took effect on April 1, 2011 and replaced the Provisional Regulations for the Administration of Online Culture which had been in effect since 2003, apply to entities engaging in activities related to "online cultural products," which include cultural products that are produced specifically for Internet use, such as online music and entertainment, online games, online plays, online performances, online works of art and web animation, and other online cultural products that through technical means, produce or reproduce music, entertainment, games, plays and other art works for Internet dissemination. Under the Online Culture Regulations, commercial entities are required to apply to the relevant local branch of the MOC for an Online Culture Operating Permit if they engage in the production, duplication, importation, release or broadcasting of online cultural products; the dissemination of online cultural products on the Internet or the transmission of such products via Internet or mobile phone networks to player terminals, such as computers, phones, television sets and gaming consoles, or Internet surfing service sites such as Internet cafés; or the holding of exhibition or contests related to online cultural products. The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture （《關於實施新修訂<互聯網文化管理暫行規定>的通知》） on March 18, 2011, which provides that the authorities will temporarily not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business).

The Interim Measures for the Administration of Online Games （《網絡遊戲管理暫行辦法》）(the "**Online Game Measures**"), issued by the MOC and which took effect on August 1, 2010, regulate a broad range of activities related to the online games business, including the development and production of online games, the operation of online games, the issuance of virtual currencies used for online games, and virtual currency trading services. The Online Game Measures provide that any entity that is engaged in online game operations must obtain an Online Culture Operating Permit（網絡文化經營許可證）, and require the content of an imported online game to be examined and approved by the MOC prior to the launch of the game and the content of a domestic online game must be filed within 30 days of its launch with the MOC. The Online Game Measures also request online game operators to protect the interests of online players and specify certain terms that must be included in the service agreements between online game operators and the players of their online games. The MOC has formulated the Mandatory Provisions for the Standard Agreement for Online Game Services（網絡遊戲服務格式化協定必備條款）. Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user must include all the mandatory provisions specified by the MOC. Other clauses in the service agreement shall not contravene the mandatory provisions.

The Notice of the Ministry of Culture on the Implementation of the Interim Measures for the Administration of Online Games（《文化部關於貫徹實施<網絡遊戲管理暫行辦法>的通知》）issued

by the MOC and which took effect in August 2010 specify entities regulated by the Online Game Measures and procedures related to the MOC's review of the content of online games, and emphasizes the protection of minors playing online games and requests online game operators to promote real-name registration by their players.

The Regulations on the Administration of Internet Publishing Services (《網絡出版服務管理規定》) (the "**Internet Publishing Regulations**"), jointly issued by the State Administration of SARFT and MIIT on February 4, 2016 and which took effect on March 10, 2016, regulate a broad range of activities related to the "internet publishing services" providing "internet publications", including online games, to the public through information networks. The Internet Publishing Regulations provides that any entity that is engaged in internet publishing services must obtain an Internet Publishing Service License (網絡出版服務許可證) and requires that prior to internet publishing of online games, an entity shall apply with the publishing authority of the province, autonomous region or centrally-administered municipality where it is situated, which shall, after its examination and consent, forward the same to the SARFT for examination and approval. According to the Internet Publishing Regulations, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and foreign entities shall not engage in internet publishing services.

On May 24, 2016, the General Office of the SARFT issued the Notice on Administration of Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》) (the "**Mobile Game Publishing Notice**"), which took effect on July 1, 2016. The Mobile Game Publishing Notice requests that the game publishing service entities shall, in accordance with requirements of Internet Publishing Regulations and other relevant regulations, fill out the Application for Publishing Domestic Mobile Game Works (《出版國產移動遊戲作品申請表》), and submit the application form together with the photocopy of relevant licenses/certificates (in duplicate) to the provincial level competent administrative department of publishing in the place where the game publishing service entity is located at least 20 working days prior to scheduled online publishing (open beta test) and operation. Under the Mobile Game Publishing Notice, the "game publishing service entities" refers to online publishing service entities that have obtained the Internet Publishing Service License from the SARFT within game publishing business included in the scope of business.

The Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions' jointly promulgated by the MOC, the State Administration of Radio Film and Television, or the SARFT, and the GAPP (《關於印發《中央編辦對文化部、廣電總局、新聞出版總署<"三定"規定>中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知》), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) which became effective on September 7, 2009, provides that the GAPP will have responsibility for the examination and approval of online games to be uploaded on the Internet and that, after such upload, online games will be administered by the MOC.

Regulations on Examination of Online Game Content

The Notice Regarding Improving and Strengthening the Administration of Online Game Content (《文化部關於改進和加強網絡遊戲內容管理工作的通知》) (the "**Online Game Content Notice**"), issued by the MOC in November 2009, requests online game operators to improve and adapt their game models by (i) mitigating the predominance of the "upgrade by monster fighting" model,

(ii) limiting the use of the "player killing" model (where one player's character attempts to kill another player's character), (iii) limiting in-game marriages among players, and (iv) improving their compliance with legal requirements for the registration of minors and game time limits.

The Notice Regarding the Strengthening of Online Game Content Censorship (《文化部關於加強網絡遊戲產品內容審查工作的通知》), issued by the MOC on May 14, 2004, mandates the establishment of a committee under the MOC to screen the content of imported online games and requires that the content of all imported online games be approved by the MOC.

The Notice Regarding Purifying Online Games (《關於淨化網絡遊戲工作的通知》), further promulgated by the MOC, the MIIT and other governmental authorities in June 2005, emphasize the prevention of online game products and relevant operations which contain illegal content such as obscenity, gambling, superstition, illegal transactions and information that threatens state security.

Regulations on Online Gambling and Virtual Currency

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

The Notice on the Reinforcement of the Administration of Internet Cafés and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》) (the "**Internet Cafés Notice**") jointly issued by the MOC, the People's Bank of China (the "**PBOC**") and other governmental authorities in February 2007 with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system, places strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafés Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

The Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the "**Virtual Currency Notice**") jointly issued by the MOC and the MOFCOM in June 2009, defines the meaning of the term "virtual currency" and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for players' cash or virtual money.

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

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education (教育部) jointly issued the

Notice on Protecting Minors Mental and Physical health and Implementation of Online Game Anti-fatigue System （《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》）requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy", three to five hours is deemed "fatiguing", and five hours or more is deemed "unhealthy." Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

The Notice of Ministry of Culture on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision （《文化部規範網絡遊戲運營加強事中事後監管工作的通知》）, issued by the MOC on December 1, 2016 and which took effect on May 1, 2017, provides that the online game publishers shall require online game users to register their real names with valid identity documents, and keep user registration information, and shall not provide recharge or consumer services in game for online game users who login as visitors and also requires that the online game publishers shall fully comply with the relevant provisions of the Parents' Guardian Project for Minors Playing Online Games, based on which, online game operators shall impose money and time limits for minor users in game and take technical measures to screen the scenes and functions not appropriate for minors.

Regulations Relating to Foreign Investment

Investment activities in the PRC by foreign investors are governed by the Guidance Catalog of Industries for Foreign Investment （《外商投資產業指導目錄》）(the "**Catalog**"), which was promulgated and is amended from time to time by the MOC and the National Development and Reform Commission (the "**NDRC**"). The latest version became effective from July 28, 2017. The Catalog divides industries into three categories in terms of foreign investment, which are "encouraged", "restricted" and "prohibited". The purpose of the Catalog is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted and prohibited categories is classified as a permitted industry for foreign investment.

Foreign investment in telecommunications companies in the PRC is governed by the Provisions for the Administration of Foreign-Invested Telecommunications Enterprises（《外商投資電信企業管理規定 》）(the "**Foreign-Invested Telecommunications Enterprises Provisions**"), which was promulgated by the State Council on December 11, 2001, and amended on September 10, 2008 and February 6, 2016, respectively. With certain exceptions to E-commerce, the VATS industry in the PRC is categorized as a "restricted" category under the Catalog and has been subject to restrictions on percentage of foreign ownership (not holding more than 50%). The Foreign-Invested

Telecommunications Enterprises Provisions further require (i) the major foreign investor in any VATS business in the PRC to demonstrate prior experience in providing VATS services and a good track record of business operations overseas (the "**Qualification Requirement**"); and (ii) foreign invested enterprises ("**FIEs**") intending to conduct VATS business to obtain approvals from the MIIT and MOFCOM or its competent local branches prior to investing. Currently, none of the applicable PRC laws and regulations provides clear guidance or interpretation on the Qualification Requirement. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested VATS enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's annual reports for the past three years, satisfactory proof of compliance with the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or documentation required to support the proof satisfying the Qualification Requirements. Further, the guidance memorandum does not purport to provide an exhaustive list on the application requirement. As such, our PRC Legal Advisers take the view that the details of the Qualification Requirements are subject to the discretion of MIIT or its provincial-level counterpart when it handles specific applications from foreign investors intending to set up a foreign-invested VATS business. The Group has started taking steps in an attempt to comply with the Qualification Requirements so as to be qualified to acquire the entire equity interests in the PRC Operating Entities when the foreign investment restrictions in the VATS businesses are lifted.

Regulations on Value-Added Telecommunication Services

Among all of the applicable laws and regulations, the Telecommunications Regulations of the People's Republic of China（《中華人民共和國電信條例》）(the "**Telecom Regulations**"), promulgated by the PRC State Council in September 25, 2000 and amended on July 29, 2014 and February 6, 2016 respectively, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations distinguish "basic telecommunications services" from "VATS." VATS are defined as telecommunications and information services provided through public networks. The Catalog of Telecommunications Businesses （電信業務分類目錄）(the "**Telecom Catalog**")was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added. In February 2003 and December 2015, the Telecom Catalog was updated respectively.

The Administrative Measures on Telecommunications Business Operating Licenses（《電信業務經營許可管理辦法》）, promulgated by the MIIT in 2009 and most recently amended in July 2017, which set forth more specific provisions regarding the types of licenses required to operate VATS, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. Under these regulations, a commercial operator of VATS must first obtain a VATS License, from the MIIT or its provincial level counterparts, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent administration authority, fines and confiscation of illegal gains and, in the case of significant infringements, the websites may be ordered to close.

In September 2000, the State Council issued the Administrative Measures on Internet Information Services （《互聯網信息服務管理辦法》）, which was amended in January 2011. Internet

information service is a kind of information service categorized as a VATS in the current Telecom Catalog attached to the Telecommunications Regulation as most recently updated in December 2015. Pursuant to these measures, "Internet information services" refers to the provision of information through the Internet to online users, and are divided into "commercial Internet information services" and "non-commercial Internet information services." A commercial Internet information services operator must obtain a VATS license for Internet information services, or the ICP license, from the relevant government authorities before engaging in any commercial Internet information services operations in China, while the ICP license is not required if the operator will only provide Internet information on a non-commercial basis. According to the Administrative Measures on Telecommunications Business Operating Licenses, the ICP license has a term of five years and can be renewed within 90 days before expiration.

In July 2006, the Ministry of Information Industry, the predecessor of the MIIT, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business （《關於加強外商投資經營增值電信業務管理的通知》）, which prohibits holders of these services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct such businesses in China.

All of our PRC Operating Entities have obtained the ICP licenses for provision of commercial Internet information service.

Regulation on Mobile Internet Applications Information Services

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services （《移動互聯網應用程序信息服務管理規定》）(the "**APP Provisions**"), which was promulgated by the Cyberspace Administration of China (the "**CAC**"), on June 28, 2016 and became effective on August 1, 2016. The APP Provisions regulate mobile application information service providers. According to the APP Provisions, the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local mobile application information, respectively.

Under the APP Provisions, mobile application information service providers are required to obtain relevant qualifications prescribed by laws and regulations and shall be responsible for the supervision and administration of mobile application information required by laws and regulations and implement the information security management responsibilities strictly, including but not limited to: (1) to authenticate the identity information of the registered users, (2) to protect user information, and obtaining the consent of users while collecting and using users' personal information in a lawful and proper manner, (3) to establish information content audit and management mechanism, and take against any information content in violation of laws or regulations depending on circumstances, and (4) record and keep users' log information the same for sixty (60) days.

We have implemented necessary programs in our mobile application to make sure the collection, protection and preservation of user information are in compliance with the APP Provisions in material aspects.

Regulations on Internet Security and Censorship

Internet information in China is regulated and restricted from a national security standpoint. The Standing Committee of the National People's Congress (the "**SCNPC**"), has enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000 and further amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. In 1997, the Ministry of Public Security has promulgated measures that prohibit use of the internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

The Network Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Network Security Law**" or "**Cyber Security Law**"), which was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017. Under this regulation, network operators, including mobile game publisher, shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services, and take all necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC. Their purchase of network products and services that may affect national security shall be subject to national cybersecurity review. On May 2, 2017, the CAC issued a trial version of the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effect on June 1, 2017, to provide for more detailed rules regarding cybersecurity review requirements..

We have, in accordance with relevant provisions on network security of the Sate and the requirements of the State's system for classified protection of information security, conducted the record-filing of class determination and class testing of information system, possessed proper network security facility and management system such as firewall, intrusion detection, data encryption and disaster recovery, etc.

Regulations on Privacy Protection

On December 13, 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**") which took effect on March 1, 2006. The Internet Protection Measures require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records.

Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

The Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT in December 2011, provide that, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of a user. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

In December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the Internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and Internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunication business operators and Internet service providers are required to constitute their own rules for the collecting and use of users' information and they cannot collect or use of user's information without users' consent. Telecommunication business operators and Internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and Internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

Pursuant to the Ninth Amendment to the Criminal Law issued by the SCNPC, in August 2015 and became effective in November, 2015, any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty.

On November 7, 2016, the SCNPC released the Cyber Security Law, which will take effect on June 1, 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of PRC.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, or the Interpretations, which became effective on June 1, 2017. The Interpretations provide more practical conviction and sentencing criteria for the infringement of citizens' personal information and mark a milestone for the criminal protection of citizens' personal information.

While we have taken measures to protect the confidential information that we have access to, our security measures could be breached. Any accidental or willful security breaches or other unauthorized access to our platform could cause game user information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. See "Risk Factors — Risk Relating to Our Business and Industry — Breaches of security measures of our website, games and third-party payment systems and unintended leakage of confidential information may materially and adversely affect our reputation and business."

Regulations Relating to Foreign Exchange

Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC（《中華人民共和國外匯管理條例》）(the "**PRC foreign exchange regulations**"), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment （《關於進一步改進和調整直接投資外匯管理政策的通知》） (the "**SAFE Notice 59**"), which substantially amends and simplifies the current foreign exchange procedure. Pursuant to SAFE Notice 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated another circular in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On February 13, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Notice 13**"). After SAFE Notice 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

On March 30, 2015, the SAFE promulgated The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), to expand the reform nationwide. Circular 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of international balance of payments. However, SAFE Circular 19 and another circular promulgated by SAFE in June 2016, The Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), continues to, prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by bank), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the "**SAFE Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75". SAFE Circular 37 requires PRC residents to register with local

branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released SAFE Circular 13, under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, starting from June 1, 2015.

Regulations on Employee Stock Incentive Plans of Overseas Publicly-Listed Company

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, issued by SAFE in February 2012, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our executive officers and other employees who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year and have been granted options will be subject to these regulations upon the completion of this **[REDACTED]**. Failure by these individuals to complete their SAFE registrations may subject us and them to fines and other legal sanctions. See "Risk Factors — Risks Related to Doing Business in China — Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the participants or us to fines and other legal or administrative sanctions."

The SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations on Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright

China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October, 1992, the Universal Copyright Convention in October, 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC(Revised in 2010)(《中華人民共和國著作權法》)(2010年修訂) (the "**Copyright Law**") and related rules and regulations. The Copyright Law provides that Chinese citizens, legal persons, or other organizations shall whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

Under the Regulation on Protection of the Right to Network Dissemination of Information (《信息網絡傳播權保護條例》) that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an Internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the Internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the Internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the "Software Copyright Measures"), promulgated by the National Copyright Administration on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (Revised in 2013) (《計算機軟件保護條例》(2013年修訂)).

Patent

The Patent Law provides for patentable inventions, utility models and designs, which must meet three conditions: novelty, inventiveness and practical applicability. The State Intellectual Property Office under the State Council is responsible for examining and approving patent applications. The duration of a patent right is either 10 years or 20 years from the date of application, depending on the type of patent right.

Trademark

The PRC Trademark Law and its implementation rules protect registered trademarks. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The PRC Trademark Law has adopted a "first-to-file" principle with respect to

trademark registration. The Trademark Office under the State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the initial or extended term. Trademark license agreements must be filed with the Trademark Office for record. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such 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. See "Risk Factors — Risk Relating to Our Business and Industry — Unauthorized use of our intellectual property by third parties, and the expenses that we may incur in protecting our intellectual property rights, may materially and adversely affect our business."

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names of the PRC (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and enacted on November 1, 2017. The MIIT is the major regulatory authority responsible for the administration of the PRC Internet domain names. The registration of domain names in PRC is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

Regulations on Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from Binyou Networks which is a wholly foreign-owned enterprise incorporated in China, to fund any cash and financing requirements we may have. The principal regulations governing distribution of dividends of foreign-invested enterprises include the Company Law of the PRC (《中華人民共和國公司法》), as amended in 2005 and in 2013, the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) promulgated in 1986 and last amended in 2016 and its implementation regulations promulgated in 1990 and subsequently amended in 2001 and 2014, the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) promulgated in 1979 and last amended in 2016 and its implementation regulations promulgated in 1983 and last amended in 2014, and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) promulgated in 1988 and last amended in 2017 and its implementation regulations promulgated in 1995 and amended in 2014.. Under these laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

Regulations on M&A and Overseas Listings

Six PRC regulatory agencies, including the MOFCOM and the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors(《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which became effective in September 2006 and revised on June 22, 2009. The M&A Rules, among other things, require offshore SPVs formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

Our PRC Legal Advisers are of the opinion that prior CSRC approval for this **[REDACTED]** is not required because Binyou Networks was incorporated as a wholly foreign-owned enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, which was in compliance with the M&A Rules. Other than Binyou Networks, all of our PRC Operating Entities have been wholly owned by PRC citizens since their dates of incorporation, and as such, the M&A Rules are not applicable. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented. See "Risk Factors — Risk Relating to Conducting Business in China — We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations."

Regulations Relating to Employment and Social Welfare

The Labor Law of the PRC (《中華人民共和國勞動法》) and The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "**Labor Contract Law**") require that employers must execute written employment contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. Violations of the PRC Labor Law and the Labor Contract Law may result in the imposition of fines and other administrative sanctions, and serious violations may result in criminal liabilities.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such

managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

We have not made adequate contributions to employee benefit plans, as required by applicable PRC laws and regulations. We have recorded accruals for the estimated underpaid amounts for the current employees in our financial statements.

Regulations Relating to Tax

Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law of the PRC（《中華人民共和國企業所得税法》）(the "**EIT Law**"）and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income（《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》）, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (the "**Circular 81**"), a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Circular 60, which became effective on November 1, 2015. Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary, may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81 and Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Enterprise Income Tax

The EIT Law and The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得税法實施條例》), which became effective on January 1, 2008, are the principal regulations governing enterprise income tax in the PRC. The EIT Law imposes a uniform

enterprise income tax rate of 25% on all resident enterprises in the PRC, including foreign-invested enterprises.

Uncertainties exist with respect to how the EIT Law applies to the tax residence status of our Company and our offshore subsidiaries. Under the EIT Law, an enterprise established outside China with its "de facto management bodies" located within China is considered a "resident enterprise", which means that it is treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies(the "**SAT Circular 82**") (《關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) was promulgated by the SAT on April 22, 2009 and amended on January 29, 2014.. According to SAT Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met:(a) the primary location of the day-to- day operational management is in China; (b) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (d) 50% or more of voting board members or senior executives habitually reside in China.

We do not believe that we meet all of the conditions outlined in the immediately preceding paragraph. We believe that we and our offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Circular 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income. We are actively monitoring the possibility of "resident enterprise" treatment for the applicable tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

In the event that we or any of our offshore subsidiaries is considered to be a PRC resident enterprise: We or our offshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income; dividend income that we or our offshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and interest paid to our overseas shareholders who are non-PRC resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of up to 10%, subject to any reduction or exemption set forth in relevant tax treaties, and similarly, dividends paid to our overseas shareholders who are non-PRC resident individuals, as well as gains realized by such shareholders from the transfer of our shares, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%, subject to any reduction or exemption set

forth in relevant tax treaties. See "Risk Factors — Risk Relating to Conducting Business in China — We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC withholding tax and enterprise income tax."

SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Resident Enterprises, or SAT Public Notice 7, on February 3, 2015, which replaced or supplemented certain previous rules under the Circular on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises, or SAT Circular 698. On October 17, 2017, SAT issued an Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Public Notice 37 to totally repeal SAT Circular 698 and the second paragraph of Section 8 of SAT Public Notice 7. Under SAT Public Notice 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to SAT Public Notice 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. According to SAT Public Notice 7, "PRC taxable assets" include assets attributed to an establishment in China, immoveable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immoveable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of SAT Public Notice 37 and SAT Public Notice 7. If SAT Public Notice 37 and SAT Public Notice 7 were determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with SAT Public Notice 37 and SAT Public Notice 7 or to establish that the relevant transactions should not be taxed under SAT Public Notice 37 and SAT Public Notice 7. See "Risk Factors — Risk Relating to Conducting Business in China — We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprise by their non-PRC holding companies."

Under applicable PRC laws, payers of PRC-sourced income to non-PRC residents are generally obligated to withhold PRC income taxes from the payment. In the event of a failure to withhold, the non-PRC residents are required to pay such taxes on their own. Failure to comply with the tax

payment obligations by the non-PRC residents will result in penalties, including full payment of taxes owed, fines and default interest on those taxes.

PRC Value-Added Tax

Pursuant to The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值税暫行條例實施細則》(2011年修訂)) promulgated by the Ministry of Finance of China and the SAT on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011, entities or individuals conducting business in the service industry are required to pay a valued-added tax, or VAT, at a rate of 6% with respect to revenues derived from the provision of online information services. A taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

OVERVIEW

We are a leading mobile game publisher in China with a focus on the high-growth segment of SLG games. Our business commenced in 2013 through the establishment of Youmin Networks by our two founders Mr. Liu and Mr. Zhu (the "**Founders**") and we have officially launched 40 games since then. In 2014, with the official launch of SLGs titled *Tank Frontline* (坦克前線) and *Three Heroes* (超級群英傳), we became a pioneer in China's SLG mobile games publishing industry. To diversify our game genres, we officially launched our first major MMORPG game, *Romance of Stars* (星辰奇緣) in 2016. Our product portfolio has since expanded to include *Super Fleet* (超級艦隊), *The Age of Rome* (羅馬時代), *Wartime* (戰爭時刻) *and My Duty* (我的使命), which are key contributors to our revenue during the Track Record Period.

To take advantage of the PRC market demands, in December 2013, our Founders, Mr. Liu, our executive Director and Controlling Shareholder and Mr. Zhu, our chief operating officer and our substantial Shareholder, established our PRC Operating Entity, Youmin Networks through Guangzhou Shengxia, a company which was then wholly-owned by Mr. Liu and Mr. Zhu as to 70% and 30%, respectively, with their own savings, to engage in mobile games publishing business in the PRC. For further details of the background and experience of our Founders, please refer to the "Directors and Senior Management" section in this document.

Our Company was incorporated in the Cayman Islands on January 9, 2018 as an exempted company with limited liability.

KEY MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Event
2013	Youmin Networks, our PRC Operating Entity, was established by our Founders in December
2014	Our flagship SLG game, *Tank Frontline* (坦克前線) was officially launched in July which established our leading position in the segment of SLG games
2014	Our SLG game, *Three Heroes* (超級群英傳) was officially launched in December
2015	Our SLG game, *Super fleet* (超級艦隊) was officially launched in July
2016	Our first major MMORPG game, *Romance of Stars* (星辰奇緣), was officially launched in January
2016	Monthly gross billings of our Group exceeded RMB100 million in February
2016	Became one of the first game publishers to use WeChat Moments as its marketing channel in March, which is now widely recognized as a highly effective marketing channel
2016	Monthly gross billings of our flagship SLG game, *Tank Frontline* (坦克前線) exceeded RMB60 million by the end of April

Year	Event
2016	Accumulative gross billings of our flagship SLG game, *Tank Frontline* (坦克前線), exceeded RMB1 billion by the end of December
2017	Our registered users exceeded 100 million in January
2017	Our MMORPG game, *Romance of Stars* (星辰奇緣), was granted "Top Ten Best Sellers" Award by Aligames (阿里遊戲) in March
2017	Our SLG game, *My Duty* (我的使命) was granted the "Most Anticipated Game" Award by Toutiao (今日頭條) in July
2017	Accumulative gross billings of our SLG game, *Tank Frontline* (坦克前線), exceeded RMB1.5 billion by the end of December
2018	We were granted the "Emerging Partner" Award by Tencent Myapp (騰訊應用寶) in January

OUR MAJOR PRC OPERATING ENTITIES

Our PRC Operating Entities are the entities which principally affected the results, assets or liabilities of our Group. The following table sets out the details of our major PRC Operating Entities which have actual operations and financial contributions to our Group as of the Latest Practicable Date:

PRC Operating Entities	Date of establishment	Principal business activities	Interest	Direct shareholder(s)
Youmin Networks	December 3, 2013	Internet culture operations	100%	Registered Shareholders
Miyuan Networks	December 24, 2013	Internet culture operations	100%	Youmin Networks
Guangzhou Langxianjing	December 30, 2013	Internet culture operations	100%	Youmin Networks
Binjie Networks	November 4, 2014	Internet culture operations	100%	Youmin Networks

Our business was primarily carried out by the above four PRC Operating Entities which were controlled by our Controlling Shareholders. Pursuant to the Contractual Arrangements in March 2018, the PRC Operating Entities were accounted for as our wholly-owned subsidiaries.

Youmin Networks

Youmin Networks was established by our Founders through their wholly-owned entity, Guangzhou Shengxia (which was then owned as to 70% by Mr. Liu and 30% by Mr. Zhu) on December 3, 2013.

Miyuan Networks

Miyuan Networks was established on December 24, 2013 and ultimately wholly-owned by Mr. Liu and Mr. Zhu, which was subsequently transferred to Youmin Networks on October 20, 2015 and has since been wholly-owned by Youmin Networks.

Guangzhou Langxianjing

Guangzhou Langxianjing was established on December 30, 2013 and ultimately wholly-owned by Mr. Liu and Mr. Zhu, which was subsequently transferred to Youmin Networks on October 20, 2015 and has since been wholly-owned by Youmin Networks.

Binjie Networks

Binjie Networks was established by Mr. Wu Junjie on November 4, 2014 which was subsequently transferred to Youmin Networks on October 14, 2015 and has since been wholly-owned by Youmin Networks.

SIGNIFICANT SHAREHOLDING CHANGES OF OUR PRC OPERATING ENTITIES DURING THE TRACK RECORD PERIOD

Since the incorporation of Youmin Networks, it has undergone the following significant shareholding changes.

Youmin Networks

In order to provide further capital to strengthen our development and support our capital needs and at the same time to incentivize certain key employees by allowing them to own equity interests in our Group, on October 15, 2015, pursuant to the share transfer agreements entered into between Guangzhou Shengxia and each of Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu, Guangzhou Shengxia as the then sole shareholder of Youmin Networks transferred 70%, 13%, 2%, 10% and 5% equity interests in Youmin Networks to Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu, at the consideration of RMB16,957,400, RMB3,149,200, RMB484,500, RMB2,422,500 and RMB1,211,200, respectively. The consideration was determined with reference to the then registered capital of Youmin Networks after arm's length negotiation and was fully settled by the respective parties in October, 2015. Upon completion of such transfers, Guangzhou Shengxia no longer held any equity interest in Youmin Networks.

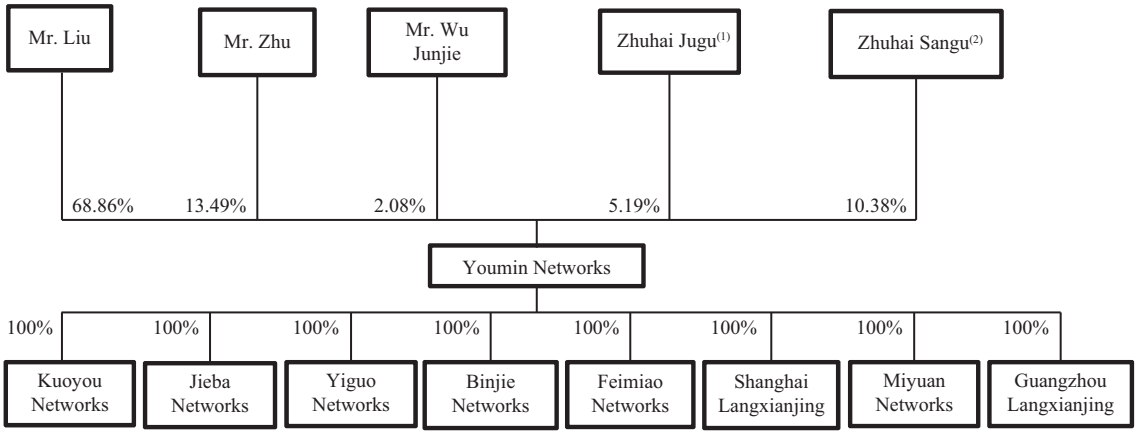
On January 12, 2017, Mr. Cai Wenhang, Aotuo Investment, Youmin Networks and all of its then shareholders entered into a capital increase and equity transfer agreement, pursuant to which the registered capital of Youmin Networks was increased from RMB20,000,000 to RMB20,942,408. Mr. Cai Wenhang and Aotuo Investment injected RMB54,000,000 and RMB81,000,000, respectively into Youmin Networks and upon completion of such capital injection, Mr. Cai Wenhang and Aotuo Investment were interested in 1.80% and 2.70% interest of Youmin Networks. On the same date, Mr. Liu also transferred 1.40% and 2.10% of his equity interest in Youmin Networks to Mr. Cai Wenhang and Aotuo Investment at the consideration of RMB42,000,000 and RMB63,000,000, respectively. The consideration was determined with reference to the future prospects of Youmin Networks and based on arm's length negotiation, and was fully settled by the respective parties on February 22, 2017. Upon completion of such transfers, Youmin Networks was held as to 63.35% by Mr. Liu, 12.41% by Mr. Zhu, 1.91% by Mr. Wu Junjie, 9.55% by Zhuhai Sangu, 4.78% by Zhuhai Jugu, 4.80% by Aotuo Investment and 3.20% by Mr. Cai Wenhang. Mr. Cai Wenhang and Aotuo Investment are Independent Third Parties and as far as our Directors are aware and save as disclosed above, they do not have any past or present relationship (other than being shareholders of Youmin Networks at the time) among themselves.

Mr. Cai Wenhang and Aotuo Investment (the "**Exit Shareholders**") subsequently decided to divest their interest in Youmin Network in early 2018 due to their personal financial needs. On January 13, 2018, a capital reduction agreement was entered into by Youmin Networks and all of its then shareholders (including the Exit Shareholders). Since January 25, 2018, the Exit Shareholders had ceased to be shareholders of Youmin Networks. Accordingly, the registered capital of Youmin Networks was reduced from RMB20,942,408 to RMB19,267,015 which was achieved by way of repurchase by Youmin Networks from the Exit Shareholders at the consideration of RMB105,630,726 to Mr. Cai Wenhang and RMB158,185,206 to Aotuo Investment, respectively. The said consideration of the repurchase represented the fair value of the interests held by the Exit Shareholders. As a result of the capital reduction, Youmin Networks was held as to 68.86% by Mr. Liu, 13.49% by Mr. Zhu, 2.08% by Mr. Wu Junjie, 10.38% by Zhuhai Sangu and 5.19% by Zhuhai Jugu. According to our PRC legal advisers, the PRC aspects of the repurchase and capital reduction were in full compliance with the laws and regulations of the PRC and the articles of association of Youmin Networks.

CORPORATE REORGANIZATION

Corporate structure immediately before the Reorganization

Upon completion of shareholding changes above, the corporate structure of our Group immediately prior to the Reorganization is set out in the following chart.



Notes:

1. Zhuhai Jugu is held as to 50% by Mr. Liu, 30% by Mr. Zhu and 20% by Feidian Game, which in turn is held as to 6.67% by Feidian Investment and 93.33% by 11 natural persons who are Independent Third Parties.
2. Zhuhai Sangu is held as to 50% by Mr. Wu Junjie, our executive Director and vice president, 30% by Ms. Li Nini, our vice president, 10% by Mr. Cui Lei, our employee, and 10% by Mr. Wang Zaicheng, our executive Director.

To optimize the management of our business and in preparation for the **[REDACTED]**, we have undertaken various steps for the Reorganization. The Reorganization involved the following major steps:

1. Incorporation of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 9, 2018. At the time of its incorporation, our Company had an authorized share capital of US$50,000 divided into 1,000,000,000 shares of US$0.00005 each, a total of 95,000,000 shares were fully paid up, and issued to each of the then shareholders of Youmin Networks (except the

Exit Shareholders) through their 100% owned BVI holding companies. The Company was then held as to 71.45% by LJ Technology, 15.05% by ZYB Holding, 7.27% by ACERY Holding, 3.11% by LNN Holding, 1.04% by CuiL Holding, 1.04% by KW Technology, and 1.04% by LY Technology.

2. Incorporation of other Offshore Holding Companies

FT Entertainment was incorporated in the BVI on January 10, 2018, as a direct wholly-owned subsidiary of our Company.

Finger Tango Hong Kong was incorporated in Hong Kong on January 17, 2018, as a direct wholly-owned subsidiary of FT Entertainment.

3. Establishment of the RSU Scheme

With a view of formalizing our grant and our proposal to grant share incentives to eligible management and employees of our Group, we approved and adopted a RSU Scheme on February 28, 2018, pursuant to which, 5,000,000 Shares of US$0.00005 each ("**RSU Shares**") (representing 5% of the capital of our Company immediately before the completion of the **[REDACTED]** or **[REDACTED]** of the capital of our Company immediately following the completion of the **[REDACTED]**) were issued to the RSU Nominee on March 22, 2018, who held the RSU Shares for the benefit of eligible management and employees pursuant to the RSU Scheme. Upon completion of the issue and allotment of the RSU Shares, the total issued shares of our Company was increased to 100,000,000, and our Company was held as to approximately 67.88% by LJ Technology, 14.30% by ZYB Holding, 6.90% by ACERY Holding, 2.95% by LNN Holding, 0.99% by CuiL Holding, 0.99% by KW Technology, 0.99% by LY Technology and 5.00% by the RSU Nominee.

As of the Latest Practicable Date, the RSUs in respect of an aggregate of 36,000,000 Shares, representing approximately 1.80% of the total issued share capital of the Company immediately following the completion of the **[REDACTED]** (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the Share Option Scheme), had been granted pursuant to the RSU Scheme. For details and principal terms of the RSU Scheme, please refer to "Appendix IV — Statutory and General Information — D. RSU Scheme and Share Option Scheme".

4. Establishment of WFOE

On March 16, 2018, Binyou Networks was established in the PRC as a wholly-foreign owned enterprise with a registered capital of RMB15,000,000 and wholly-owned by Finger Tango Hong Kong.

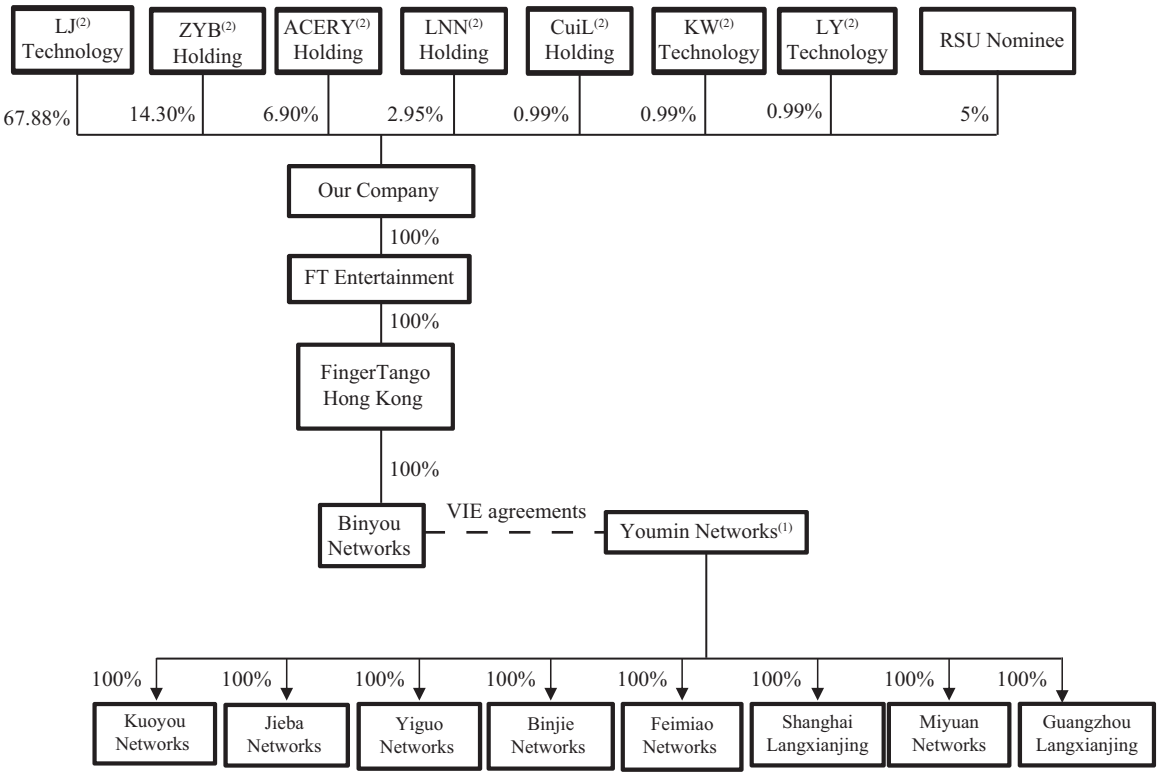
5. Entering into of the Contractual Arrangements

In order to comply with relevant PRC laws and regulations and maintain effective control over all of our operations, on March 24, 2018, Binyou Networks entered into various agreements which constitute the Contractual Arrangements with the PRC Operating Entities and their direct shareholders, pursuant to which our Group is able to gain effective control over, and receive all economic benefits arising from the business of our PRC Operating Entities. Please refer to the section headed "Contractual Arrangements" in this document for further details of the Contractual Arrangements.

CORPORATE STRUCTURE

Corporate structure after Reorganization and before the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganization and prior to the completion of the **[REDACTED]**:



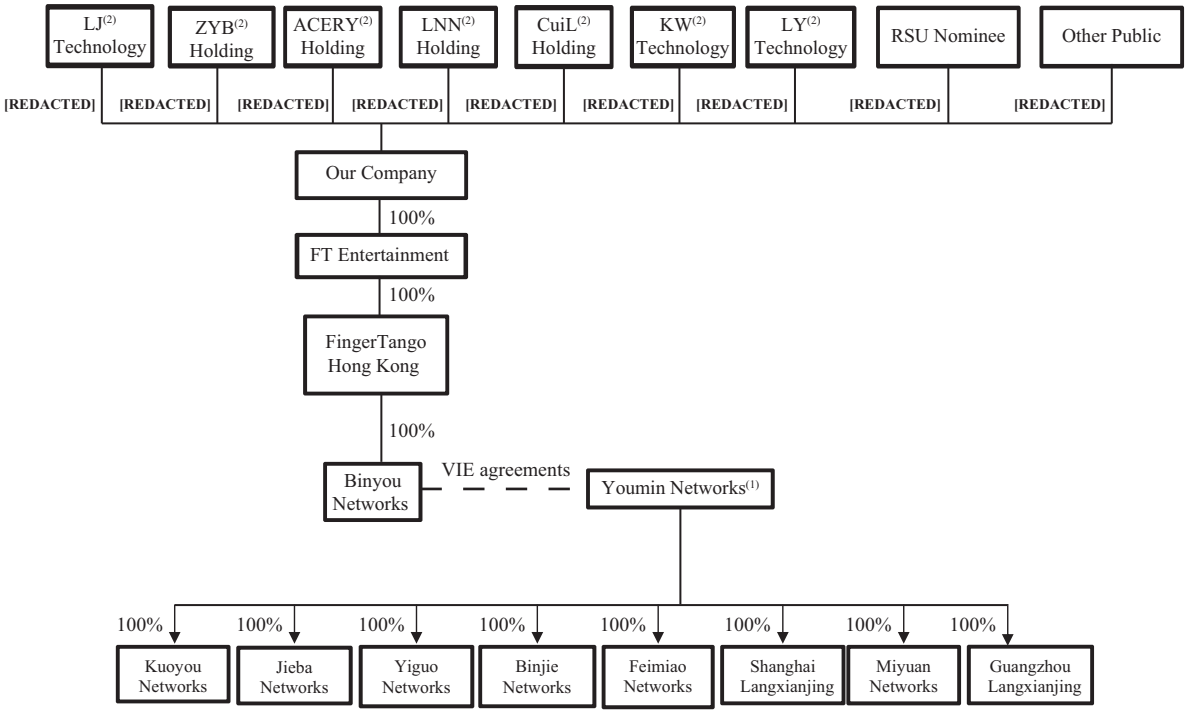
Notes:

1. For shareholding structure of Youmin Networks, please refer to "Corporate structure immediately before the Reorganization" in this section.

2. LJ Technology, ZYB Holding, ACERY Holding, LNN Holding, CuiL Holding, KW Technology and LY Technology are wholly owned by Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Ms. Li Nini, Mr. Cui Lei, Mr. Wang Zaicheng and Ms. Lu Yan, respectively.

Corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** Option is not exercised and without taking into account of any Shares which may be issued under the Share Option Scheme:



Notes:

1. For shareholding structure of Youmin Networks, please refer to "Corporate structure immediately before the Reorganization" in this section.
2. LJ Technology, ZYB Holding, ACERY Holding, LNN Holding, CuiL Holding, KW Technology and LY Technology are wholly owned by Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Ms. Li Nini, Mr. Cui Lei, Mr. Wang Zaicheng and Ms. Lu Yan, respectively.

PRC LEGAL COMPLIANCE

M&A Rules

Our PRC legal advisers have confirmed that the share transfers, the Reorganizations, acquisitions and disposals in respect of the PRC Operating Entities in our Group as described above have been properly and legally completed and all regulatory approvals have been obtained in accordance with PRC laws and regulations.

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the

domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisers are of the opinion that prior CSRC approval for this **[REDACTED]** is not required because Binyou Networks was incorporated as a wholly foreign-owned enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, which was in compliance with the M&A Rules. Other than Binyou Networks, all of our PRC Operating Entities have been wholly owned by PRC citizens since their dates of incorporation, and as such, the M&A Rules are not applicable.

SAFE Circular 37

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, our shareholders (as PRC Residents as defined under the applicable provisions under SAFE Circular 37) have completed the registration under the SAFE Circular 37 on February 22, 2018.

Background

We currently conduct our mobile game publishing business through our PRC Operating Entities in the PRC. As PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit foreign ownership in the mobile game publishing industry in the PRC, our Company is unable to own or hold any direct or indirect equity interest in our PRC Operating Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our PRC Operating Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The PRC Operating Entities in our Group are Youmin Networks and its subsidiaries, each of which was incorporated under the PRC laws. To comply with the relevant PRC laws, our mobile game publishing business is directly conducted by the PRC Operating Entities. Binyou Networks in turn supervises the business operations of each of the PRC Operating Entities and derives the economic benefits from the PRC Operating Entities. The PRC Operating Entities have obtained the Online Culture Operating Permit, which is essential to the operation of all our business, and the ICP License. In addition, most of our intellectual property rights, including software copyrights, trademarks, patents and domain names, are held by Youmin Networks.

PRC laws and regulations relating to foreign ownership in the mobile game industry

Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the "**Catalog**"), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Catalog divides industries into four categories in terms of foreign investment, including "encouraged," "restricted" and "prohibited," and all industries not listed under any of these categories are deemed to be "permitted." As confirmed by our PRC Legal Advisers, Beijing Dacheng Law Offices, LLP, according to the Catalog, the mobile game publishing business that our Company currently operates falls into the internet cultural business which is considered "prohibited", and relates to the value-added telecommunications services which is considered "restricted".

Internet cultural business is classified as "prohibited" under the Catalog. According to the consultation with the Shanghai Culture, Radio, Film and Television Administration (上海市文化廣播影視管理局) and Guangdong Provincial Department of Culture (廣東省文化廳), being the competent authorities to confirm matters relating to the operation of game publishing business in Shanghai and Guangdong, respectively, we were given to understand that the Online Culture Operating Permit (網絡文化經營許可證), the permission to operate mobile game publishing business, has not been and will not be granted to any foreign-fund enterprise.

Value-added telecommunications services are classified as "restricted" under the Catalog. On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess

prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("**Qualification Requirement**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. The MIIT has issued the latest guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC on March 1, 2017. According to this guidance memorandum, an applicant is required to provide, among other things, the foreign investor's satisfactory proof of Qualification Requirement and the project proposal plan of the applicant. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirement. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

On July 13, 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (《關于加强外商投資經營增值電信業務管理的通知》) (the "**MIIT Notice**"). The MIIT Notice further strengthened regulation over foreign investment in value-added telecommunication services, including prohibiting domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or requiring domain names and trademarks used by any value-added telecommunication service providers to be held by either the holder of the ICP License or shareholders of such ICP License holder. Furthermore, domestic telecommunication service providers are prohibited from providing any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications businesses in China. If the ICP License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its ICP License.

According to the consultation with the Shanghai Communications Administration (上海市通信管理局), being the competent authority to confirm matters relating to the operation of ICP services and application for ICP License as confirmed by our PRC Legal Advisers, we were given to understand that (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirement and (ii) foreign investor's fulfillment of Qualification Requirement remains ultimately subject to substantive examination of the MIIT. Our PRC Legal Advisers have advised us that obtaining such approval and the ICP License by a sino-foreign equity joint venture is subject to substantial uncertainties.

Given that the (i) foreign investment in the mobile game publishing business is prohibited under current PRC laws and regulations, (ii) the Online Culture Operating Permit will not be granted to any foreign invested enterprise, and (iii) there are substantial uncertainties for a sino-foreign equity joint venture to obtain the ICP License, as confirmed by our PRC Legal Advisers, it is not viable for the Company to hold the PRC Operating Entities directly or indirectly through equity ownership. Instead, in line with common practice in the game publishing industry in the PRC subject to foreign investment restrictions, the Company could gain effective control over, and receive all the economic benefits generated by the business currently operated by the PRC Operating Entities through a series of Contractual Arrangements between Binyou Networks, the Company's wholly-owned subsidiary on the one hand, and the Youmin Networks and the Registered Shareholders on the other hand. The Contractual Arrangements allow the PRC Operating Entities' financials and results of operations to be

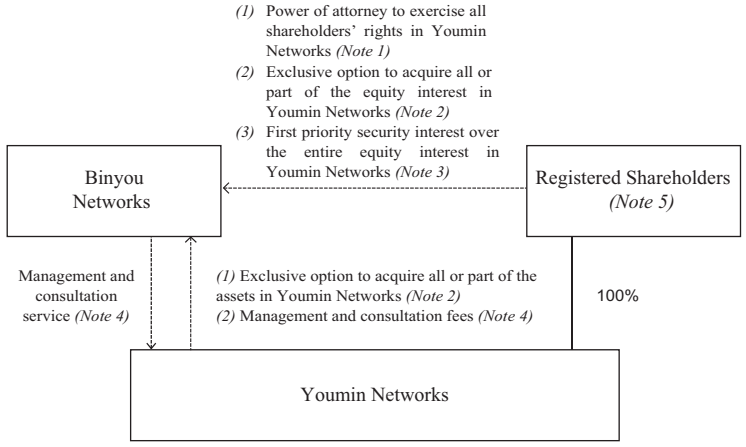
consolidated into our financials and results of operations under IFRS as if they were wholly-owned subsidiaries of our Group.

Circumstances in which we will unwind the Contractual Arrangements

In the event that foreign restrictions under current PRC laws and regulations are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Binyou Networks will exercise the call option under the Exclusive Option Agreement in full to unwind the Contractual Arrangements so that we are able to directly operate our mobile game business without using the Contractual Arrangements or include only the domestic interests under the Contractual Arrangements.

Contractual Arrangements

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



1. Please refer to the sub-section headed "— Powers of Attorney" of this section for details.
2. Please refer to the sub-section headed "— Exclusive Option Agreement" of this section for details.
3. Please refer to the sub-section headed "— Share Pledge Agreement" of this section for details.
4. Please refer to the sub-section headed "— Exclusive Business Cooperation Agreement" of this section for details.
5. Please refer to the section headed "Definitions" of this document for details of the Registered Shareholders.
6. "——————" denotes direct legal and beneficial ownership in the equity interest and "---------->" denotes contractual relationship.

Exclusive Option Agreement

Youmin Networks and the Registered Shareholders entered into an exclusive option agreement with Binyou Networks on March 24, 2018 (the "**Exclusive Option Agreement**"), pursuant to which Binyou Networks (or its designee) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Youmin Networks, and an irrevocable and exclusive right to purchase from Youmin Networks all or any part of its assets, at a nominal price, unless the relevant government authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount. Where the purchase price is required by the relevant government authorities to be an amount other than a nominal amount, the Registered Shareholders and/or Youmin Networks shall return the amount of purchase price they have received in full to Binyou Networks. At Binyou Networks' request, the Registered Shareholders and/

or Youmin Networks will promptly and unconditionally transfer their respective equity interests and/or assets to Binyou Networks (or its designee within our Group) after Binyou Networks exercises its purchase right. The Exclusive Option Agreement will not terminate until the purchased equity interests and/or the acquired assets have been transferred to Binyou Networks (or its designee within our Group) in accordance with the Exclusive Option Agreement. However, Binyou Networks has the right to unilaterally and unconditionally terminate the Exclusive Option Agreement at any time in written notice.

In order to prevent the flow of the assets and value of Youmin Networks to the Registered Shareholders, during the terms of the Exclusive Option Agreement, none of the assets of Youmin Networks are to be sold, transferred, pledged or otherwise disposed of without the prior written consent of Binyou Networks.

In addition, Youmin Networks is not allowed to make any distributions to the Registered Shareholders. In the event that the Registered Shareholders receive any profit distribution or dividend from Youmin Networks, the Registered Shareholders must immediately pay or transfer such amount to Binyou Networks (or its designee within our Group). If Binyou Networks exercises this option, all or any part of the equity interests of Youmin Networks acquired would be transferred to Binyou Networks and the benefits of equity ownership would flow to the Company and our shareholders.

Exclusive Business Cooperation Agreement

Youmin Networks entered into an exclusive business cooperation agreement with Binyou Networks on March 24, 2018 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which Youmin Networks agreed to engage Binyou Networks as its exclusive provider of business support, technical and consulting services, including technology services, network support and maintenance, research and development, employee training, business and management consultancy, intellectual property licensing, equipment leasing, market research and other services, in exchange for service fee. Under these arrangements, the service fee, subject to Binyou Networks' adjustment, is equal to 100% of the net income of Youmin Networks and may also include retained earnings and/or losses of Youmin Networks from previous financial periods, deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year, at the sole discretion of Binyou Networks.

Intellectual property rights are developed during the normal course of business of the PRC Operating Entities since their daily operations involve, among other things, research and development and game development. Pursuant to the Exclusive Business Cooperation Agreement, Binyou Networks has the exclusive and proprietary rights to all intellectual properties developed by Youmin Networks, given Binyou Networks provides consulting services to the Youmin Networks. In addition, Youmin Networks agreed to ensure that other PRC Operating Entities undertake the same obligations it bears under the Exclusive Business Cooperation Agreement, where necessary. The service provided by Binyou Networks typically includes designing the overall structure of the game and providing core technical services, such as programming, while Youmin Networks executes the ideas and supplement with details, such as art designing and text editing, and intellectual properties are developed in the process. Though we do not intend to transfer any existing intellectual property rights held by Youmin Networks to Binyou Networks, Youmin Networks is required under the Contractual Arrangements to obtain Binyou Networks' prior written consent before it transfers, assigns or disposes of any of its

intellectual properties to any third party. Our PRC Legal Advisers, are of the opinion that (i) such provision relating to the intellectual properties will not result in these agreements being challenged by the relevant government authorities in the PRC; (ii) it is legal for Youmin Networks to hold the intellectual property rights in relation to the Group's business; and (iii) that the PRC Operating Entities are in full compliance with the requirements of the Administrative Measures for the Licensing of Telecommunication Business Operations (《電信業務經營許可管理辦法》) and the Circular of the Ministry of Information Industry on Intensifying the Administration of Foreign Investment in Value-added Telecommunications Services (《關于加强外商投資經營增值電信業務管理的通知》). The Exclusive Business Cooperation Agreement is for an initial term of 10 years and may be extended by Binyou Networks for a term determined by Binyou Networks.

Share Pledge Agreement

Youmin Networks, the Registered Shareholders and Binyou Networks entered into a share pledge agreement on March 24, 2018 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the Registered Shareholders pledged all of their equity interests in Youmin Networks to Binyou Networks as collateral security for all of their payments due to Binyou Networks and to secure performance of all obligations of Youmin Networks and the Registered Shareholders under the Contractual Arrangements. The Share Pledge Agreement will not terminate until (i) all obligations of Youmin Networks and the Registered Shareholders are satisfied in full; (ii) Binyou Networks (or its designee) exercises its exclusive options to purchase the entire equity interests of the Registered Shareholders and/or the entire assets of Youmin Networks pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws; (iii) Binyou Networks exercises its unilateral and unconditional right of termination; or (iv) the agreement is required to be terminated in accordance with applicable PRC laws and regulations.

In addition, under the Exclusive Option Agreement, none of the Registered Shareholders may transfer or permit the encumbrance of any of his equity interests in Youmin Networks without Binyou Networks' prior written consent. Furthermore, under the Exclusive Business Cooperation Agreement, Binyou Networks is entitled to retain and exercise physical control of company seals and certificates that are crucial to the daily operations of Youmin Networks, which further strengthens the protection of Binyou Networks' interests over Youmin Networks under the Contractual Arrangements. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to Binyou Networks' satisfaction within 30 days of notice, Binyou Networks may demand that the Registered Shareholders immediately pay all outstanding payments due under the Exclusive Business Cooperation Agreement, repay any loans and make all other payments due to it, and/or dispose of the pledged equity interests and use the proceeds to repay any outstanding payments due to Binyou Networks. We will register the Share Pledge Agreement as soon as practicable and our PRC Legal Advisers have confirmed that there is no legal impediment to completing the registration of the Share Pledge Agreement with the relevant PRC legal authorities.

Powers of Attorney

Each of the Registered Shareholders executed an irrevocable power of attorney on March 24, 2018 (the "**Powers of Attorney**"), appointing Binyou Networks, or any person designated by it, as its exclusive agent and attorney to act on their behalf on all matters concerning Youmin Networks and to exercise all of their rights as registered shareholders of Youmin Networks.

These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to sell, transfer, pledge or dispose of shares; (iii) the right to exercise shareholders' voting rights; and (iv) the right to appoint the legal representative (chairperson), the director, supervisor, the chief executive officer (general manager) and other senior management members of Youmin Networks. Binyou Networks (or its designee) is entitled to sign minutes, file documents with the relevant authorities and exercise voting rights on the winding up of Youmin Networks on behalf of the Registered Shareholders. The Registered Shareholders have each undertaken to transfer all assets obtained after the winding up of Youmin Networks to Binyou Networks at nil consideration or the lowest price allowed under the PRC laws and regulations at the time of transfer. As a result of the Powers of Attorney, the Company, through Binyou Networks, is able to exercise management control over the activities that most significantly impact the economic performance of the PRC Operating Entities.

Spouse Undertaking

The spouse of each of the Registered Shareholders, where applicable, signed the spouse undertaking on March 24, 2018 (the "**Spouse Undertaking**"). Under the Spouse Undertaking, each of the spouses unconditionally and irrevocably undertakes:

(i) the spouse has been made fully aware of the Contractual Arrangements and consented the execution of the Contractual Arrangements by such Registered Shareholder;

(ii) all the equity interests held by such Registered Shareholder in Youmin Networks shall be deemed as assets solely owned by such Registered Shareholder and she will not claim any equity interest in Youmin Networks;

(iii) no claims or actions against the Contractual Arrangements will be taken by the spouse and she will take all necessary actions to ensure the proper performance of the Contractual Arrangements; and

(iv) in the event that the spouse obtains any interests in Youmin Networks, she will be subject to and abide by the terms of the Contractual Arrangements as if she was a signing party to such Contractual Arrangements, and at the request of Binyou Networks she will sign any documents in the form and substance consistent with the Contractual Arrangements.

Dispute Resolution

Each of the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

They also provide that the arbitral tribunal may award remedies over the shares or land assets of Youmin Networks, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Youmin Networks; and the courts of Hong Kong and the Cayman Islands (being the place of incorporation of the Company) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Youmin Networks.

However, our PRC Legal Advisers, have advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of the Youmin Networks under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Youmin Networks pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Binyou Networks can enforce its right against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their death, as if the inheritor was a signing party to such Contractual Arrangements.

According to the Exclusive Option Agreement, each of the Registered Shareholders has undertaken, in the event of death or any other event which causes the inability of the shareholder to perform their day-to-day obligations, to transfer all of the equity interests, including rights and obligations in Youmin Networks held by them without consideration to an individual or legal entity designated by Binyou Networks under applicable PRC law. The undertaking further provides that in the event of divorce of the shareholder (i) any equity interests held by the Registered Shareholders over Youmin Networks do not fall within the scope of his community properties; (ii) any management decisions made by the Registered Shareholders are not subject to the influence of his spouse; (iii) the Registered Shareholders shall take any and all appropriate actions to ensure the implementation of the Contractual Arrangements; and (iv) the Registered Shareholders shall not take any actions that are in conflict with the purpose and intention of the Contractual Arrangements or the instructions of Binyou Networks.

In addition, the spouse of each of the Registered Shareholders, if applicable, has provided irrevocable undertakings which stipulate certain matters to succession of the rights and obligations under the Contractual Arrangements. See "— Spouse Undertakings."

Therefore, our PRC Legal Advisers, are of the view that (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy (if applicable) of

the such shareholders would not affect the validity of the Contractual Arrangements, and Binyou Networks can enforce its right under the Contractual Arrangements against the successors of such shareholders.

Arrangements to Address Potential Conflicts of Interests

The Registered Shareholders undertake that during the period that the Contractual Arrangements remain effective,

(i) unless otherwise agreed to by Binyou Networks in writing, the Registered Shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Youmin Networks or any of its affiliates; and

(ii) any of his actions or omissions would not lead to any conflict of interest between him and Binyou Networks (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Binyou Networks has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Binyou Networks.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that the Company or Binyou Networks, is obligated to share the losses of Youmin Networks. Further, Youmin Networks is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or Binyou Networks, is not expressly required to share the losses of Youmin Networks or provide financial support to Youmin Networks. Despite the foregoing, given that the Group conducts its businesses in the PRC through the PRC Operating Entities which hold the requisite PRC licenses and approvals, and that the PRC Operating Entities' financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the PRC Operating Entities suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Binyou Networks, Youmin Networks (i) shall not sell, transfer, pledge or dispose of in any manner any of its assets, business and economic rights; (ii) execute any contract, except the contracts in the ordinary course of business or contracts entered into with subsidiaries of our Company; (iii) merge, consolidate with, acquire or invest in any entity; (iv) provide any loan, credit or guarantees in any form to any party, or allow any party create any other security interest on its assets or equity; (v) shall not incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; and (vi) shall not increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Binyou Networks and the Company in the event of any loss suffered from the PRC Operating Entities can be limited to certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the laws of PRC, Youmin Networks shall sell all of its assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of PRC to Binyou Networks or another qualifying entity designated by Binyou Networks, at the lowest selling price permitted by applicable laws of the PRC. Any obligation for Binyou Networks to pay Youmin Networks as a result of such transaction shall be waived by Youmin Networks or any proceeds from such transaction shall be paid to Binyou Networks or the qualifying entity designated by Binyou Networks in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then current laws of the PRC. Accordingly, in a winding up of Youmin Networks, a liquidator may seize the assets of Youmin Networks through Binyou Networks based on the Contractual Arrangements for the benefit of the Company's creditors/shareholders.

Termination

Pursuant to the Contractual Arrangements, Binyou Networks has the unilateral right to terminate these agreements at any time by providing written notice to the Registered Shareholders and/or Youmin Networks. The Contractual Arrangements shall terminate once Binyou Networks holds the entire equity interests in Youmin Networks and/or the entire assets of Youmin Networks in the event that Binyou Networks or its subsidiaries are allowed to conduct the prohibited business that Youmin Networks operates under the then PRC laws.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Operating Entities under the Contractual Arrangements.

Legality of the Contractual Arrangements

Binyou Networks' right to deal with the pledged equity interest in Youmin Networks under the Share Pledge Agreement and its option to acquire the equity interest in Youmin Networks and/or the assets of Youmin Networks under the Exclusive Option Agreement are confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledge created under the Share Pledge Agreement shall only become effective upon such pledge having been duly registered with the relevant Administration for Industry and Commerce of the PRC. Based on the above, our PRC Legal Advisers, are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Legal Advisers, are also of the opinion that:

(a) each of Binyou Networks and Youmin Networks is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with

the relevant PRC laws; each of Binyou Networks and Youmin Networks has also obtained all necessary approvals and completed all registration procedures as required by the applicable PRC laws and regulations;

(b) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto;

(c) each of the agreements under the Contractual Arrangements does not violate any provisions of the articles of association of the PRC Operating Entities;

(d) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that the pledges under the Share Pledge Agreement are subject to registration requirement with the relevant Administration of Industry and Commerce, registration of which will be completed prior to the **[REDACTED]**;

(e) no approvals or confirmation on the validity and legality of the agreements under the Contractual Arrangements was required from any authorities in the PRC;

(f) the Contractual Arrangements are in full compliance with and enforceable under applicable PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of Youmin Networks, injunctive relief and/or winding up of Youmin Networks, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Youmin Networks in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China;

(g) the consummation of the contemplated listing of the Company's shares on the Exchange is not a violation of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was adopted by six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, and effective since September 2006 and amended on June 22, 2009.

Notwithstanding the foregoing, the Sole Sponsor, assisted by our PRC Legal Advisers, conducted an interview with Shanghai Culture, Radio, Film and Television Administration (上海市文化廣播影視管理局) on January 17, 2018, an interview with Shanghai Communications Administration (上海市通信管理局) on January 17, 2018, an interview with Shanghai Press and Publication Bureau (上海市新聞出版局) on January 17, 2018 and an interview with Guangdong Provincial Department of Culture (廣東省文化廳)March 6, 2018 in respect of our Contractual Arrangements, all of which confirmed that: (i) the Contractual Arrangements are not subject to any approvals from them; and (ii) the execution of the Contractual Arrangements are not subject to any penalties.

In accordance with Article 3 of Online Game Measures and Article 2 of Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the 'Three Provisions'

jointly promulgated by the MOC, the State Administration of Radio Film and Television (SARFT) and the General Administration of Press and Publication of the PRC (GAPP) (《中央編辦對文化部、廣電總局、新聞出版總署<"三定"規定>中有關動漫、網絡游戲和文化市場綜合執法的部分條文的解釋》) (the "**Interpretation**") issued by the State Commission Office for Public Sector Reform (a division of the State Council) effective from September 7, 2009, MOC is the competent government authority for the administration of online games in the PRC. Articles 6 and 7 of Online Game Measures provide that a company engaged in online game business shall be equipped with certain conditions and obtain the Online Culture Operating Permit (網絡文化經營許可證) from the relevant provincial level branch of MOC. Articles 29-35 of Online Game Measures and Article 2 of the Interpretation also provide that the county-level and upper-level branches of the MOC, together with their affiliates, have the authority to enforce online game regulations and impose penalties on online game companies that violate the relevant regulations or rules.

Binyou Networks and our PRC Operating Entities are all registered in Shanghai and Guangdong and engage in the mobile game publishing businesses. Therefore, according to the aforementioned regulations, Shanghai Culture, Radio, Film and Television Administration (上海市文化廣播影視管理局) and Guangdong Provincial Department of Culture (廣東省文化廳)are the competent government authorities to administer the mobile game publishing business of the Company in the PRC. As confirmed by our PRC Legal Advisers, Shanghai Culture, Radio, Film and Television Administration (上海市文化廣播影視管理局) and Guangdong Provincial Department of Culture (廣東省文化廳) are responsible for the review, approval and issuance of the Network Cultural Business Permits and the general administration of mobile game companies in Shanghai and Guangdong respectively.

On September 28, 2009, the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued the Notice Regarding the Consistent Implementation of the "Regulation on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre- examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關于貫徹落實國務院<"三定"規定>和中央編辦有關解釋，進一步加强網絡游戲前置審批和進口網絡游戲審批管理的通知》), or the GAPP Notice. Article 4 of the GAPP Notice provides that foreign investors are not permitted to invest or engage in online game operations in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by establishing other joint venture companies, establishing contractual arrangements or providing technical support.

Our PRC Legal Advisers, interviewed Shanghai Press and Publication Bureau (上海市新聞出版局), the local branch of the GAPP, on January 17, 2018 in respect of our Contractual Arrangements. Based on the interview, our PRC Legal Advisers, are of the view that the adoption of the Contractual Arrangements does not constitute a breach or violation of the GAPP Notice and will not result in any administrative proceedings or penalties on us based on the following reasons:

(i) according to the Regulation on the Main Functions, Internal Organization and Staffing of the GAPP ("三定"規定) issued by the General Office of the State Council on July 11, 2008, the GAPP is authorized to review and approve publication of online games before launch

on the Internet, while the MOC is authorized to administer and regulate the overall online gaming industry;

(ii) according to the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the "Three Provisions" jointly promulgated by the MOC, the State Administration of Radio Film and Television, or the SARFT, and the GAPP (《關于印發＜中央編辦對文化部、廣電總局、新聞出版總署＜"三定"規定＞中有關動漫、網絡游戲和文化市場綜合執法的部分條文的解釋＞的通知》), which was issued by the State Commission Office for Public Sector Reform (a division of the State Council) and became effective on September 7, 2009, after an online game is launched on the Internet, the MOC has the sole regulatory authority, and that even if an online game is launched on the Internet without prior approval of the GAPP, the MOC (instead of the GAPP) has the direct authority for investigation and enforcement; and

(iii) Shanghai Press and Publication Bureau (上海市新聞出版局) confirmed to our PRC Legal Advisers, during an interview on January 17, 2018 that (a) the Contractual Arrangements are not subject to confirmation or approval of Shanghai Press and Publication Bureau (上海市新聞出版局) or registration with it; (b) the execution of the Contractual Arrangements are not subject to any penalties; and (c) they have never imposed and administrative proceedings or penalties on any domestic company adopting the Contractual Arrangements.

Please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements — If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our PRC Operating Entities."

Based on the above analysis and advice from our PRC Legal Advisers, our Directors are of the view that the Contractual Arrangements are not likely to be challenged by the relevant authorities in the PRC. Our PRC Legal Advisers are of the view that Shanghai Culture, Radio, Film and Television Administration (上海市文化廣播影視管理局), Guangdong Provincial Department of Culture (廣東省文化廳), Shanghai Communications Administration (上海市通信管理局), Shanghai Press and Publication Bureau (上海市新聞出版局) and the personnel consulted in the interviews are competent and authorized to interpret the relevant laws, regulations and rules of the PRC in respect of the Contractual Arrangements for the industry in which the Company operates its business and make the abovementioned oral confirmation.

We engaged Beijing Anshen Tax Agent Co., Ltd. (北京安審税務師事務所有限責任公司), a qualified PRC tax expert, which confirmed that: (i) the Contractual Arrangements are legal, valid and binding commercial contracts under PRC laws, and do not constitute an attempt to conceal illegal intentions, nor fall within the definition of "tax evasion" under Article 63 of the PRC Administrative Law on Tax Collection (中華人民共和國税收徵收管理法); and (ii) the service fee arrangement under the Contractual Arrangements will not nullify the preferential tax treatment currently enjoyed by our PRC Operating Entities or subject our Group to additional tax liabilities or penalties. We are also

advised by our PRC Legal Advisers, that the transfer of economic benefits from Youmin Networks to Binyou Networks, and the pledging of the entire equity interest in Youmin Networks to Binyou Networks under the Contractual Arrangements would not be deemed a violation of the relevant PRC laws and regulations. Our PRC Legal Advisers, are of the opinion that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Binyou Networks and Youmin Networks implement the Contractual Arrangements in accordance with the terms therein, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis. Please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements — Our contractual arrangements may not be as effective in providing operational control as direct ownership. Our PRC Operating Entities may fail to perform their obligations under our contractual arrangements."

We are aware that there were a Supreme People's Court ruling made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 have invalidated certain agreements which were deemed to be for the intention of circumventing foreign investment restrictions in the PRC, holding that the agreements violated the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of PRC operational entities under such contractual structures to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers, are of the view that the relevant terms of our Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law.

Please refer to the section headed "Business — Legal proceedings and non-compliance" for details of the compliance history of our Group.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Connected Transactions."

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of the PRC Operating Entities

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the PRC Operating Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over the PRC Operating Entities.

Under the Exclusive Business Cooperation Agreement entered into by and among Binyou Networks and Youmin Networks, it was agreed that, in consideration of the services provided by Binyou Networks, Youmin Networks will pay quarterly service fees to Binyou Networks. The service fee, subject to Binyou Networks' adjustment, is equal to 100% of the net income of Youmin Networks and may also include retained earnings of Youmin Networks from previous financial periods. Binyou Networks may adjust the service fee at its sole discretion and allow Youmin Networks to retain sufficient working capital to carry out any growth plans. Youmin Networks shall deliver to Binyou Networks its management accounts and operating statistics on Binyou Networks' request. Accordingly, Binyou Networks has the ability, at its sole discretion, to extract substantially all of the economic benefit of Youmin Networks through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Option Agreement among the parties, Youmin Networks is not allowed to make any distributions to the Registered Shareholders.

Further, under the Powers of Attorney, Binyou Networks assumes all rights as shareholder and exercises control over Youmin Networks, including the right to propose, convene and attend shareholders' meetings, the right to sell, transfer, pledge or dispose of shares, the right to exercise shareholders' voting rights and to appoint the legal representative (chairperson), the director, supervisor, the chief executive officer (general manager) and other senior management members of Youmin Networks. As a result of these agreements, our Company has obtained control of the PRC Operating Entities through Binyou Networks and, under our Company's sole discretion, can receive substantially all of the economic interest returns generated by the PRC Operating Entities. Accordingly, the PRC Operating Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Reporting Accountant, PricewaterhouseCoopers, has issued unqualified opinion on our Group's combined financial information for the years ended December 31, 2015, 2016 and 2017, which include the financial results of the PRC Operating Entities being combined into our Group's financial information as if they were our Group's subsidiaries, is included in the Accountant's Report in Appendix I of this document.

Development in PRC Legislation on Foreign Investment

Draft New Foreign Investment Law

The MOFCOM published a discussion draft of the proposed Foreign Investment Law (《中華人民共和國外國投資法》) (the "**Draft FIL**") in January 2015 aiming to, upon its enactment, replace the

major existing laws and regulations governing foreign investment in the PRC. The MOFCOM has solicited comments on this draft and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in the PRC.

Among other things, the Draft FIL purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity (the "**FIE**").

The Draft FIL stipulates restrictions of foreign investment in certain industry sectors. The "negative list" set out in the Draft FIL classifies the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

However, the Draft FIL does not specify the businesses to be included in the Catalog of Restrictions and the Catalog of Prohibitions.

The Draft FIL specifically provides that entities established in the PRC but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

- holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but
  - (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies; or
  - (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies; or
  - (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the FIE. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defines "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

If an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within the "negative list" to be separately issued by the State Council in the future, market entry clearance by the authority in charge of foreign investment would be required.

The "variable interest entity" structure ("**VIE structure**"), has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control over Youmin Networks by Binyou Networks, through which we operate our mobile game publishing business in PRC. Under the Draft FIL, where the FIE under the actual control of PRC investors (either by way of PRC state-owned enterprises or agencies or PRC citizens) invests in a sector set out in the Catalog of Restriction, when applying for access permission they may submit documentary evidence to apply for identification as an investment by PRC entities and/or citizens. However, our PRC Legal Advisers are of the view that the Contractual Arrangements will be deemed legitimate and effective if the ultimate controlling person(s) is/are of PRC nationality or they take other measures as required by the foreign investment law then in force. Despite the content and the classification of the categories in the "negative list" being unclear and unpredictable at this stage, we will take any reasonable measures and actions under the foreign investment law then in force to minimize the adverse effect of such laws on the Contractual Arrangements.

The Draft FIL has not been enacted and our Contractual Arrangements were established before the enactment of the Draft FIL. Notwithstanding that the accompanying explanatory notes to the Draft FIL (the "**Explanatory Notes**") do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, which were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the "negative list":

1. requiring them to make a filing (申報) to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;

2. requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification (認定) by the competent authority, the VIE structures may be retained; and

3. requiring them to apply to the competent authority for permission (進入許可) to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

To further clarify, under the first possible approach, "making a filing" is simply an information disclosure obligation, which means the enterprise does not have to receive any confirmation or permission from the competent authorities, while for the second and third approaches, the enterprise has to receive either the confirmation or the access permission from the competent authorities. For the

latter two approaches, the second approach focuses on the nationality of the controller, whereas the third approach may take factors in addition to the nationality of the controller (which are not clearly defined in the Draft FIL and the Explanatory Notes) into consideration.

The three possible approaches above are set out in the Explanatory Notes to solicit public opinion on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation. The Draft FIL also stipulates that investors from Hong Kong, Macau and Taiwan who control a domestic enterprise may attract special treatment and recommends the State Council to separately issue regulations to this effect.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holding, trust, multilevel re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalog of Prohibitions, make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the central government at the place where the investments are made shall order them to make rectifications within a prescribed time limit, if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

As of the Latest Practicable Date, there was no definite timeline when the new Foreign Investment Law will come into effect, and more importantly, whether it is to be promulgated in the current draft form, and MOFCOM has neither issued any definite rules or regulations to govern existing contractual arrangements, nor any regulations concerning the treatment of investors from Hong Kong, Macau and Taiwan who control a domestic enterprise.

Potential impact on our Company if the Contractual Arrangements are not treated as domestic investment

According to the Draft FIL, "actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-

making arrangements. Under the Draft FIL if an entity is organized in a foreign jurisdiction but cleared by the relevant PRC government authority in charge of foreign investment in the PRC as "controlled" by PRC citizens, it would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued, subject to the examination of the relevant authority in charge of foreign investment. If the Draft FIL is promulgated in the current draft form, our PRC Legal Advisers are of the view that we can apply for the recognition of the Contractual Arrangements as a domestic investment and it is likely that the Contractual Arrangements will be considered as legal on the following basis:

(i) Mr. Liu, who is of Chinese nationality, will control an aggregate of **[REDACTED]** of the issued share capital of our Company upon completion of the **[REDACTED]** (assuming the **[REDACTED]** are not exercised), and is therefore the "actual controller" of the Company;

(ii) our Company through Binyou Networks exercises effective control over our Youmin Networks pursuant to the Contractual Arrangements.

Based on the foregoing, the PRC Legal Advisers are of the view, and the Sole Sponsor concurs, that our Company is considered to be ultimately "controlled" by a PRC investor (i.e. Mr. Liu) under the Draft FIL.

If the operation of our mobile game publishing business is no longer on the "negative list" and we can legally operate such business under PRC Laws, Binyou Networks will exercise the call option under the Exclusive Option Agreement to acquire the equity interest of in Youmin Networks and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our mobile game publishing business is on the "negative list" and the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we will not be able to operate our business through the Contractual Arrangements and would lose our rights to receive the economic benefits of Youmin Networks. As a result, the financial results of Youmin Networks would no longer be consolidated into our Group's financial results and we would have to de-recognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the mobile game industry, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove or otherwise unwind the contractual arrangements.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisers' understanding. See the section headed "Risk Factors — Risks relating to our Contractual Arrangements" in this document for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential measures to maintain control over and receive economic benefits from our PRC Operating Entities

As mentioned above, our PRC Legal Advisers are of the view that the Contractual Arrangements are likely to be deemed as a domestic investment if the Draft FIL were to become effective in its current form and content.

To ensure the Contractual Arrangements are likely to continue to be viewed as a domestic investment so that our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities, Mr. Liu has given an undertaking (the "**Undertaking**") to our Company, and our Company has agreed with the Stock Exchange to enforce such Undertaking, that during the subsistence of the Contractual Arrangements, Mr. Liu will use his best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of our PRC Operating Entities as a result of any impact due to the promulgation and implementation of the new Foreign Investment Law and other future laws and regulations relating to foreign investment and in particular the following:

(i) Mr. Liu maintaining his Chinese nationality and citizenship while he remains as our Controlling Shareholder; and

(ii) in the event of any transfer or disposal by Mr. Liu of a shareholding that may result in the transferee(s) acquiring "control" over the Company (as defined in the Draft FIL or the new Foreign Investment Law (as enacted), as the case may be), he will (as may be relevant) (a) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the Undertaking and (b) demonstrate to the reasonable satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft FIL or the New Foreign Investment Law (as enacted), as the case may be.

The Undertaking will become effective from the date of the **[REDACTED]** of our Shares on the Stock Exchange and will remain effective until the earlier of the occurrence of the following events: (i) Mr. Liu ceasing to be a Controlling Shareholder and an actual controller of our Company or Youmin Networks; (ii) compliance with the relevant requirements under the new Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iii) compliance with the Undertaking is no longer required, as advised by the Stock Exchange, or (iv) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination. To the extent that only part of the Undertaking above is no longer required as a result of any of the events in (ii), (iii), (iv) of the preceding sentence occurring, only such part of the Undertaking that is no longer required shall cease to be effective. To the extent that the Undertaking (or any part thereof) is no longer effective, our Company will issue an announcement as soon as practicable.

Taking into account that Mr. Liu can only transfer his interests in our Company in circumstances where the transfer is in compliance with the new Foreign Investment Law as finally enacted, such arrangement will ensure that the control of our Company will at all times be in accordance with the

requirements of the new Foreign Investment Law as finally enacted. For the avoidance of doubt, as advised by our PRC Legal Advisers, there are no legal restrictions under the current PRC laws and regulations for Mr. Liu to transfer his interests in our Company.

Based on the view of our PRC Legal Advisers and the aforesaid Undertaking given by Mr. Liu, our Directors and the Sole Sponsor are of the view that (i) the Contractual Arrangements are likely continue to be in compliance with applicable PRC laws; and (ii) our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our PRC Operating Entities alone may not be effective in ensuring compliance with the new Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective).

See the section headed "Risk Factors — Risks Relating to our Contractual Arrangements" in this document.

OVERVIEW

We are a leading mobile game publisher in China. We ranked tenth among all mobile game publishers, and fifth among third-party mobile game publishers, in China as measured by 2017 gross billings, according to the CIC Report.[1] As a pioneer in China's SLG game publishing industry, we ranked first among all SLG mobile game publishers in China with a market share of 9.8% as measured by 2017 gross billings, and we had six titles among the top 20 SLG mobile games in 2017 in terms of average monthly gross billings, according to the same source.

Capitalizing on our accumulated SLG publishing experience and amassed user data, we continue to build on our extensive and diversified collection of 40 officially launched mobile games since our inception in December 2013. As of the Latest Practicable Date, our game portfolio included seven major titles, which collectively accounted for approximately 96.2% of our total revenue for the year ended December 31, 2017. Among these seven titles, six generated average monthly gross billings of RMB10 million or above, and three generated average monthly gross billings of RMB20 million or above, in 2017. *My Duty* (我的使命), a more recent SLG title officially launched in January 2017 and still in its growth stage, already generated RMB20 million in monthly gross billings in December 2017. Moreover, *Romance of Stars* (星辰奇緣), an MMORPG that was officially launched in January 2016 and is currently in the mature stage of its lifecycle, still generated more than RMB20 million in monthly gross billings in December 2017, demonstrating our ability to lengthen game lifecycles beyond the SLG genre. We continue to invest significant resources in the expansion of our game portfolio. As of the Latest Practicable Date, we had a robust pipeline of games, of which we expect to officially launch eight new titles in 2018 (one of which was already officially launched in March 2018) and an additional six to eight new titles in 2019.

We believe that our key success factors include our ability to publish games with high retention over long periods and to prolong the lifecycle of a game, reflecting our significant know-how and expertise as a game publisher. Game longevity is critical as it allows us to increase our ability to monetize a game's player base. Our flagship SLG title, *Tank Frontline* (坦克前線), which has achieved a total player base of more than 20 million users and cumulative gross billings of more than RMB1.5 billion since its official launch in July 2014, remains one of our most popular games to date. As of the Latest Practicable Date, *Tank Frontline* (坦克前線) continued to generate significant revenue for us despite the fact that the game is almost in its fourth year after its official launch, which is substantially longer than the industry average lifecycle of six to 12 months for all mobile games and 18 to 24 months for SLG mobile games, according to the CIC Report. In addition, notwithstanding that we have been operating for only four years, among our 40 officially launched mobile games as of the Latest Practicable Date, 27 have enjoyed long lifecycles of more than two years, of which 12 have enjoyed lifecycles of more than three years. Moreover, supported by our data volume and analytics capabilities, we have been able to convert a significant number of active users into paying users. Our overall conversion rate for all games in operation was 5.9% in 2017, significantly higher than the industry average for all game genres of 3.3% for the same year, according to the CIC Report.

We work closely with carefully selected game developers at every stage of the game development process to launch exciting and enduring games. This close partnership with a number of

(1) In China's highly fragmented mobile game publishing industry, we had an overall 1.1% market share among over 900 mobile game publishers, and a 5.5% market share among over 200 third-party mobile game publishers.

developers has led to strong and stable relationships as well as multiple collaborative projects. As of the Latest Practicable Date, three new titles that we expect to officially launch before the end of 2018 are being developed by game developers with whom we have collaborated on previous games, including the third-party game developer that developed *Enthroned* (任我為王), an SLG game that we officially launched in March 2018. In addition to distributing games on our self-operated platform, we have forged relationships with major marketing channels over the years to facilitate the widespread distribution of our games. Our primary marketing channels are some of China's leading internet service platforms, including Tencent and Toutiao, which provide us with access to a massive user base. Through our significant marketing and game promotion efforts, we have been granted a preferred status on some of these blue chip marketing channels. We also publish our games through approximately 90 co-publishers, including Huawei and Xiaomi, to further broaden our market coverage and access.

We experienced significant growth during the Track Record Period, which we believe was primarily attributable to our ability to achieve strong player retention over long game lifecycles, high conversion rates and effective monetization. Our revenue increased from RMB275.8 million in 2015 to RMB984.8 million in 2016, and further to RMB1,197.2 million in 2017, representing a CAGR of 108.4%. Our profit for the year in 2015, 2016 and 2017 amounted to RMB3.4 million, RMB216.6 million and RMB240.8 million, respectively. Our adjusted net profit for the year in 2015, 2016 and 2017 amounted to RMB31.5 million, RMB216.6 million and RMB246.5 million, respectively, representing a CAGR of 179.7%.

COMPETITIVE STRENGTHS

A leading mobile game publisher in China focused on the fast-growing SLG segment

We are a leading mobile game publisher in China. According to the CIC Report, as measured by 2017 gross billings, we ranked tenth among all mobile game publishers in China with a 1.1% market share, and fifth among third-party mobile game publishers in China with a 5.5% market share. As a pioneer in China's SLG game publishing industry, we ranked first among all SLG mobile game publishers in China with a market share of 9.8% in terms of 2017 gross billings, and we had six titles among the top 20 SLG mobile games in 2017 in terms of average monthly gross billings, according to the CIC Report.

In terms of mobile game genre, the SLG game publishing market reached RMB14.0 billion in terms of 2017 gross billings to account for 9.6% of the overall mobile game market in China in 2017, increasing at a CAGR of 84.8% from RMB1.2 billion in 2013, making SLG one of the fastest-growing segments among major game genres. According to the CIC Report, a number of factors in recent years have fueled the significant increase in demand for SLG games in the mobile game market. As a result of (i) a greater variety in charging items (including virtual items and time acceleration functions), (ii) longer game lifecycles and (iii) better compatibility with mobile devices as SLG games are better suited for play with smaller chunks of free time, the market size of SLG games as measured by gross billings is expected to reach approximately RMB64.8 billion to account for 11.3% of China's overall mobile game market by 2022, based on the CIC Report. Anticipating this growth, we were one of the earliest major players to focus on this space. With more than four years of accumulated SLG publishing experience and amassed user data, we believe that our experience and expertise in this genre has provided us with a competitive advantage in sourcing high-quality game

content and extending the lifecycles of our SLG games well beyond the industry average, which we believe has contributed to our success and propelled our rapid growth.

Extensive and diversified portfolio with a robust pipeline

Over the four years since our inception in December 2013, we have officially launched 40 games, which is considerable compared to the average number of games published by our peers in China. As of December 31, 2015, 2016 and 2017, and the Latest Practicable Date, we had a total of 30, 33, 29 and 29 games in operation. As of the Latest Practicable Date, our portfolio had seven major titles, consisting of six SLGs and one MMORPG. Among our seven major titles, six generated average monthly gross billings of RMB10 million or above, and three generated average monthly gross billings of RMB20 million or above, in 2017. *My Duty* (我的使命), an SLG game officially launched in January 2017 and still in its growth stage, already generated RMB20 million monthly gross billings per month in December 2017, and was awarded the "Most Anticipated Game" in 2017 by Toutiao, one of the largest mobile News Apps in China. Furthermore, we have successfully demonstrated our ability to expand beyond the SLG genre. *Romance of Stars* (星辰奇緣), an MMORPG that was officially launched in January 2016 and is currently in the mature stage of its lifecycle, still generated more than RMB20 million in monthly gross billings in December 2017. This ability is becoming increasingly important as we continue to diversify our game portfolio and, consistent with industry trend, launch more games in cross-over categories such as SLG/card games.

We consider our pipeline in 2018 and 2019 to be the most robust in our history. In March 2018, we officially launched a new SLG game titled *Enthroned* (任我為王). Overall in 2018, we expect to officially launch eight new titles, including six SLG and SLG cross-over games, with an additional six to eight new titles expected to be officially launched in 2019.

Proven ability to lengthen game lifecycles and monetize players

We have a proven record for launching games with high retention over long periods, and a keen ability to leverage high online and mobile traffic for our games to lengthen game lifecycles and increase monetization of our strong user base. According to the CIC report, SLG mobile games generally have longer lifecycles and more predictable and steady revenue streams than genres such as ARPG and MMORPG games. Notwithstanding that we have been operating for only four years, among our 40 officially launched mobile games as of the Latest Practicable Date, 27 have enjoyed long lifecycles of more than two years, of which 12 have enjoyed lifecycles of more than three years. Generally, the overall industry average lifecycle is six to 12 months for all mobile game genres and 18 to 24 months for SLG mobile games, according to the CIC Report.

The following table sets forth details of our seven major games in operation in 2017.

	As of and for the year ended December 31, 2017					
Title	**Official launch date**	**Average MAU**	**Average MPU**	**Revenue**	**Conversion rate**	**Lifecycle stage**
				(RMB'000)	*(%)*	
Tank Frontline (坦克前線)	July 2014	1,377,926	68,334	414,817	5.0	Mature
Three Heroes (超級群英傳)	December 2014	594,843	36,290	103,089	6.1	Mature
Super Fleet (超級艦隊)	July 2015	452,261	28,422	176,282	6.3	Mature
Romance of Stars (星辰奇緣)	January 2016	610,746	41,238	191,278	6.8	Mature
Wartime (戰爭時刻)	April 2016	280,031	18,014	86,287	6.4	Mature
The Age of Rome (羅馬時代)	June 2016	197,675	14,685	63,408	7.4	Late
My Duty (我的使命)	January 2017	603,320	36,348	116,716	6.0	Growth

As illustrated in the table above, our flagship SLG title, *Tank Frontline* (坦克前綫), which was officially launched in July 2014 and remains in the mature stage of its lifecycle, continues to generate significant revenue for us. As of the Latest Practicable Date, *Tank Frontline* (坦克前綫) had achieved a total player base of more than 20 million users and cumulative gross billings of more than RMB1.5 billion since its official launch, as well as an ARPPU of RMB506 for the year ended December 31, 2017. *Three Heroes* (超級群英傳) and *Super Fleet (*超級艦隊*),* which continue to maintain a strong player base far beyond the industry average lifespan for SLG mobile games of 18 to 24 months, achieved an ARPPU of RMB237 and RMB783, respectively, for the year ended December 31, 2017. The table above also demonstrates our ability to convert active users into paying users for a number of our games. Our overall conversion rate for all games in operation was 5.9% in 2017, significantly higher than the industry average for all game genres of 3.3% for the same periods, according to the CIC Report.

We believe that our ability to extend the lifecycle of a game is critical as it allows us to continue generating stable revenue over a longer term. Game longevity also provides predictable profit during late or mature lifecycle stages, when games tend to be relatively lower maintenance and the majority of remaining users are long-term social players who spend a significant amount of money on in-game virtual items and other extras.

Robust operating experience enabled by data and analytics

Our ability to prolong the life of a game is predicated on our significant expertise as a game publisher. To better understand our users' in-game consumption and behavioral patterns, we have focused on user data and analytics over the years, collecting valuable information such as player profiles, playing time, levels achieved, amount of in-game purchases and user attrition rates. Equipped with mass data collection and analytics capabilities, particularly with respect to the SLG market segment, we believe that we have gained the following competitive advantages:

- *Sourcing of high-quality games*. Our ability to analyze current market trends provides us with a sound understanding of player preferences and tastes. We are able to capitalize on

this information to source high-quality game content that we believe shows significant potential for success;

- *Cost-effective and targeted marketing*. Backed by our captured data, we are able to select the optimal marketing channels and social networking platforms through which we can most effectively market and promote our games in order to reach specific audiences. Moreover, we are able to gain insight into player habits, including the effect that each discount offered based on game, timing of offer, and type of virtual items has on user behavior and in-game spending, which helps us determine when to release promotions to generate recurring player interest and trigger in-game purchases; and

- *Strong player engagement and retention*. We believe we are able to enhance the allure of our games in order to captivate users and improve player retention over time. By analyzing habits of play and specific player activity, we have continued to optimize our games by launching new features and frequent fixes, introducing new in-game content, levels and characters with added social and game features, and offering enticing virtual items to enhance player engagement.

We believe that our accumulated industry expertise and understanding of behavioral habits and gameplay patterns through the use of data and analytics has made us particularly adept at optimizing games that we bring to market, which in turn has allowed us to increase retention, achieve high conversion rates, and enhance revenue generation.

Symbiotic partnership with reputable developers, preferred treatment on blue chip marketing channels and broad range of co-publishers

We believe that our symbiotic partnership with our game developers has been a key factor behind the successful launch of a number of exciting and enduring games. As the market leader and one of the earliest entrants into the SLG space, we believe our significant operating experience and data and analytics capabilities make us attractive to game developers. In return, we seek to work with developers that trust us and are receptive to involving us at every stage of the game development process.

As of the Latest Practicable Date, three new titles that we expect to officially launch before the end of 2018 are being developed by game developers with whom we have collaborated on previous games. Moreover, the majority of these developers have granted us exclusive licenses to publish their games.

In addition, we believe that the relationships we have developed with major marketing channels over the years have been critical to facilitating the widespread distribution of our games. Our primary marketing channels include some of China's leading internet service platforms such as Tencent and Toutiao. Through our significant marketing and game promotion efforts, we have been granted a preferred status on some of these blue-chip marketing channels. The benefits of attaining such status, according to the CIC Report, include priority access to prominent advertising spots to increase the visibility of our advertisements, and tailored services, including a dedicated service team to work closely with us on targeted marketing strategies so that we can more effectively and efficiently reach and engage our intended audiences as well as build brand awareness. In addition, because of our

founders' in-depth experience in advertising technology, we believe that we are better-positioned to identify cost-effective marketing opportunities. For example, in early 2016, according to the CIC Report, we became one of the first game publishers to identify and select WeChat Moments, which is now widely recognized as a highly effective marketing channel, to market our games. We also publish our games through approximately 90 co-publishers, including Huawei and Xiaomi, to further broaden our market coverage and access.

Experienced and stable core management team with proven track record

We attribute our success to our stable core management team, which has an average of over ten years in the mobile internet industry and is led by our founders Mr. Liu and Mr. Zhu. Both of our founders have been working together for more than ten years and began their professional careers in the advertising technology business, through which they gained significant expertise in user experience and traffic, including knowledge of how to generate user volume across multiple marketing channels and distribution platforms as well as to monetize user data. Our founders' market insights continue to provide them with a keen ability to anticipate trends in the gaming space and capitalize on the latest developments in the broader online entertainment markets in China. In addition, Ms. Li Nini, who serves as our vice president of advertising strategies and has worked together with Mr. Liu and Mr. Zhu prior to joining our company, contributing to our cohesive core management team. With the collective and complementary experiences of its members, our core management team has spearheaded our growth from a start-up to one of the leading players in China's mobile game publishing market and the leader in SLG mobile games within a short period of approximately four years.

BUSINESS STRATEGY

Further strengthen our current leadership position in mobile game publishing

We plan to further solidify our overall leadership position in mobile game publishing, and in particular in the SLG segment, by pursuing the following initiatives:

- *Increase efficiency in marketing and promotional activities.* In the mobile game publishing industry, marketing and promotional expenses represent a significant percentage of a game publisher's revenue. We intend to work with our marketing channel partners to better tie our advertising expenditure with results through alternative pricing models (such as CPC, CPM and CPA) in order to improve the efficiency and effectiveness of our marketing and promotional activities.

- *Increase monetization*. As we have already generated high volumes of active user traffic for our games, we will continue to expand our methods of monetizing our existing user base. Leveraging our data volume and analytics capabilities, we seek to optimize the designs, appeal, and timing of our in-game virtual items and to price these items competitively to promote in-game spending.

- *Continue to enhance interactive community features and player experience.* To attract new players and promote player loyalty, we plan to add a range of new features and additional tools both inside and outside of the game environment to further facilitate interactive gameplay and enhance the appeal of our games to create rich multiplayer communities. To

that end, we plan to strengthen the communication and social interaction within our player base. We will also improve our capacity for collection and analysis of player feedback, game reviews and other user data to provide our players with a more immersive and dynamic gaming experience.

- *Continue to strengthen data analytics and technology infrastructure*. In order to remain in the forefront of mobile SLG, we plan to allocate additional resources to improve on our data collection and analysis capabilities and bolster our market research and analytics. We believe this is essential to enhancing our ability to identify high quality game content, executing our marketing strategies, optimizing our games and improving the overall gameplay experience. We will also continue to upgrade our content delivery infrastructure technology which will enable us to improve the operating quality and stability of our games to deliver a superior player experience.

- *Continue to develop our self-operated platform.* We continue to promote our self-operated mobile gaming platform with a view to developing our self-operated platform into a preeminent mobile game brand in China, and one that is synonymous with SLG gaming. We believe that our existing platform and user base established over the years provide us with a strong foundation on which we can deliver a greater variety of game content.

Strengthen our game sourcing capabilities

To date, our game development efforts have been primarily conducted through commissioned development arrangements. Going forward, we plan to strengthen our game sourcing capabilities through the following two-prong strategy:

- *Strengthen relationship with game developers through strategic investments*. We will continue to identify and evaluate opportunities to invest in third-party game developers that have a record for developing good game content. We believe that such investments will provide us with a competitive advantage in sourcing quality games. In December 2017, we acquired an 8% equity interest in Xin'ai Networks, a third-party game development company, for RMB10 million. Through this minority investment, we have obtained the right of first refusal on all games developed by such game developer.

- *Establish our in-house game development capabilities*. We seek to build an in-house game development team which will enable us to launch our own games and strengthen our overall market position. Establishing an in-house game development team is critical to our continued growth as it will provide us with greater control over the design and development of games, in-game content, in-game sales and promotional offers, and pricing of virtual items. We believe that the ability to develop our own game content will enhance our ability to monetize our user base. We intend to invest significant resources to build up our own game development capabilities by actively exploring potential acquisition targets with strong prospects.

Expand game portfolio

We will continue to expand our game portfolio to maintain and strengthen our active user base. Our initiatives include the following:

- *Acquire third party content*. We acquire rights to develop games based on popular or mainstream content licensed from third parties, including online soap operas, literature, anime and manga which have generated a devoted following and are highly lucrative markets in China, according to the CIC Report. To that end, we recently acquired an exclusive license in December 2017 to develop and publish games based on "*Deep in the Realm of Conscience*" (宮心計2) a prominent web drama distributed by Tencent, and will actively explore other similar opportunities that we believe have significant potential.

- *Develop content in-house*. We plan to create our own original and proprietary manga content that can be adapted into online anime and later into mobile games, thereby developing our own content sources, fan base and intellectual property in this respect.

- *New games for new targeted demographics*. We will seek to expand our user base to include players from different demographics and appeal to a more diverse audience. For example, we have licensed a number of HTML5, or H5, games. H5 games are often "indie games", i.e. developed by individuals, small teams or small independent companies, and are known for the games' innovation, creativity and artistic experimentation. Although many of the H5 games will be free to play, they represent, we believe, an effective channel through which we will be able to attract the wider range of players to our paying games. We have a pipeline of over ten H5 games which we plan to launch when deemed suitable.

- *Launch crossover game genres*. While SLG games generally have longer lifecycles, MMORPG games tend to generate higher ARPPU, according to the CIC Report. As we continue to focus primarily on SLG games, we plan to increasingly launch crossover genres, such as SLG/card games, to include a more diversified game genre mix in our game portfolio.

Selectively expand into international markets and build international player base

As of the Latest Practicable Date, all of our games were available only to the China market. As part of our strategy to grow our business and increase our market share, we are exploring opportunities to expand into markets outside of China to capture growth opportunities. In 2017, we hired a team leader with international game publishing experience to lead our overseas expansion strategy. We intend to partner with leading game publishers in overseas markets to localize and adapt our game content and designs to the language, styles and player preferences of the local markets that we seek to enter, including countries in Southeast Asia. Furthermore, we plan to enable cross-border in-game events, such as real-time battles among players located in different countries, to foster the establishment of an international virtual community for our games and enable us to expand our international player base.

GAME PORTFOLIO

During the Track Record Period, we officially launched 40 mobile games, and as of the Latest Practicable Date, we had seven major games in operation, of which six were SLG games and one was

an MMORPG game. We generated all of our revenue from mobile game publishing during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, our revenue generated from mobile game publishing amounted to RMB275.8 million, RMB984.8 million and RMB1,197.2 million, respectively.

We focus primarily on SLG games. According to the CIC Report, SLG games are generally designed to closely simulate real world activities. Involving strategizing, planning and decision-making, a SLG game places the player in a virtual world and gives the player a limited set of resources with which such player must build, manage and expand a domain as well as acquire additional resources. As of the Latest Practicable Date, most of our SLG games were war-games that simulate real warfare at a strategic or tactical level. War SLG games task players with building their own base and army using the resources gained within the game by attacking other players or through mining or in-game purchases. See "Industry Overview — China's Mobile Game Publishing Industry — SLG Publishing". We also publish MMORPG games, in which a very large number of players interact with one another within a virtual world.

Existing Game Portfolio

As of Latest Practicable Date, our game portfolio consisted of 29 mobile games in operation. We generally obtain our games by entering into licensing agreements with game developers. During the Track Record Period, we also published one major mobile game, *My Duty* (我的使命), that was commissioned to a third-party game developer for development. The following table sets forth certain information relating to our major games that are currently in operation with average monthly gross billings of more than RMB5 million:

Title	Source	Genre	Official Launch Date	Lifecycle Stage as of December 31, 2017
Tank Frontline (坦克前線)	Exclusive license	SLG	July 2014	Mature
Three Heroes (超級群英傳)	Exclusive license	SLG	December 2014	Mature
Super Fleet (超級艦隊)	Exclusive license	SLG	July 2015	Mature
Romance of Stars (星辰奇緣)	Exclusive license	MMORPG	January 2016	Mature
Wartime (戰爭時刻)	Exclusive license	SLG	April 2016	Mature
The Age of Rome (羅馬時代)	Exclusive license	SLG	June 2016	Late
My Duty (我的使命)	Commissioned development	SLG	January 2017	Growth

Historically, most of our games experienced in their lifecycles (1) a growth stage during which the user number and the revenue generated from the game tend to increase, (2) a mature stage during which the user number and the revenue generated from the game tend to be stable and (3) a late stage during which the user number and the revenue generated from the game tend to decrease. As we test

the viability and build up the user base for a new game during the growth stage and gradually phase out an old game during the late stage when an increasing number of existing users begin to lose interest, we strive to maintain a game at the mature stage within its lifecycle during which we are able to generate steady revenue from its paying users.

SLGs

As of the Latest Practicable Date, we had six major SLG games in operation, as described below:

Tank Frontline (坦克前線)

Tank Frontline (坦克前線) is a tank themed SLG game that was officially launched in July 2014. In *Tank Frontline* (坦克前線), users utilize resources to develop and build up their military force with tanks, armored cars and other weapons. Users may interact with each other through both military and diplomacy methods. The game offers in-game purchases of virtual items to enhance military power and accelerate military base construction and expansion process. At its peak, *Tank Frontline* (坦克前線) achieved a MAU of more than 3 million and monthly gross billings of RMB50 million. In 2016, *Tank Frontline* (坦克前線) was awarded *"Most Popular SLG Game"* by Mobile Hardcore Alliance (硬核聯盟), a mobile game platform in China.

Three Heroes (超級群英傳)

Three Heroes (超級群英傳) is a Three Kingdoms themed SLG game that was officially launched in December 2014. In *Three Heroes* (超級群英傳), users collect champion warriors, which are based on historical and fictional figures from the historical period of the Three Kingdoms. Users may expand territories by attacking and conquering other users. In *Three Heroes* (超級群英傳), users can engage in player versus player fights, or guild versus guild fights. The game offers in-game purchases of virtual items to recruit champions, purchase weapons and accelerate the training of champion warriors as well as weapons manufacturing.

Super Fleet (超級艦隊)

Super Fleet (超級艦隊) is a naval warfare themed SLG game that was officially launched in July 2015. In *Super Fleet* (超級艦隊), users play as a commander of a fleet, utilizing resources to develop and build up their fleets to battle against or along with other users. The game offers in-game purchases of virtual items to enhance fleet power and accelerate the building and manufacturing process.

*Wartime (*戰爭時刻*)*

Wartime (戰爭時刻) is a modern war-themed SLG game that was officially launched in April 2016. In *Wartime* (戰爭時刻), users play as a commander of a legion and may develop their legions by collecting resources, expanding military bases, recruiting armies, and developing technologies, among others. In *Wartime* (戰爭時刻), users can engage in player versus player fights as well as guild versus guild fights. The game offers in-game purchases of virtual items to enhance legions and accelerate the building and developing process of military units.

The Age of Rome (羅馬時代)

The Age of Rome (羅馬時代) is an epic, ancient Roman themed SLG game that was officially launched in June 2016. In *The Age of Rome* (羅馬時代), users recruit soldiers to fight other users. There are three classes of soldiers, namely, knights, mages and archers, with different attributes and fighting schemes. In addition, users may develop ancient weapons such as catapults, ballistae and trebuchets to enhance their armies. In *The Age of Rome*, users engage in player versus player fights and also guild versus guild fights. The game offers in-game purchases of virtual items to enhance the performance and prowess of soldiers.

My Duty (我的使命)

My Duty (我的使命) is a modern war-themed SLG game that was officially launched in January 2017. The background is set as "World War III". In *My Duty* (我的使命), users develop their military bases by recruiting armies, manufacturing weapons and attacking others to gain resources. Users may develop their army, navy and air force at the same time to fight against other users. The game offers in-game purchases of virtual items to recruit generals, enhance military power and accelerate the construction and expansion of military bases. In 2017, *My Duty* (我的使命) was awarded the "Most Anticipated Game" by Toutiao, one of the largest mobile news applications in China.

MMORPG

As of December 31, 2017, we had one major MMORPG game in operation, which is described below:

*Romance of Stars (*星辰奇緣)

Romance of Stars (星辰奇緣) is a turn-based MMORPG game that was officially launched in January 2016. In *Romance of Stars* (星辰奇緣), users play as a student of a magical institution to fight against evil. Users may choose and personalize their avatars from distinct classes such as swordsman, sorcerer, archer, warrior, hunter, priest or prophet. The game offers in-game purchases of virtual items to enhance the features of avatars. As a result of its success, *Romance of Stars* (星辰奇緣) was awarded "Top Ten Best Sellers in 2017" by Aligames (阿里遊戲).

GAME PIPELINE

As of the Latest Practicable Date, we had a robust pipeline of eight titles (including one already officially launched in March 2018) that we expect to officially launch in 2018. The following table sets forth information regarding our new mobile games for official launch in 2018 in chronological order:

Title[1]	Source	Genre	Development Stage[2]	Expected/Actual Official Launch Date
Enthroned (任我為王)	Exclusive license	SLG	Officially launched	March 2018
Dawn at Battlefield (戰地黎明)	Exclusive license	SLG	Under development	May 2018
Windy World (風色世界)	Exclusive license	MMORPG	Under development	May 2018
Wings to Heaven (神翼天堂)	Commissioned development	SLG	Under development	June 2018
Young Ghost Hunter (少年禦靈師)	Exclusive license	SLG	Under development	August 2018
God's Punishment (神罰領域)	Exclusive license[3]	MMORPG	Under development	September 2018
Civilization War (文明戰爭)	Exclusive license	SLG	Under development	October 2018
Deep in the Realm of Conscience (宮心計2：深宮計)	Exclusive license	SLG/card	Under development	December 2018

(1) Games titles are subject to change.

(2) Our current game pipeline is indicative of our games under development for which we have expected official launch dates as of the Latest Practicable Date. However, the games we actually officially launch and the expected official launch date may differ from those presented.

(3) We invested in Xin'ai Networks, the third-party game developer of this game, in December 2017 and hold an 8% equity interest.

We also have a pipeline of over ten H5 games which we plan to officially launch when deemed suitable. In addition, we currently have certain other game projects at more preliminary development stages, which may be modified, delayed or canceled in light of our ongoing development process and further market research and feedback. See "Risk Factors — Risks Relating to Our Business and Industry — We may fail to launch new games according to our timetable, and our new games may not be commercially successful, or may attract game players away from our existing games."

GAME PERFORMANCE

The performance of our games is affected by two key metrics: (1) average monthly paying users, or average MPUs; and (2) ARPPU. These metrics are largely affected by the number of games in operation in the relevant period and the popularity of these games. The following table sets forth key metrics of our games for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
Average MPUs	122,474	275,156	252,543
ARPPU (*RMB*)	188	298	395
Revenue (*RMB'000*)	275,789	984,777	1,197,230

The following table sets forth a breakdown of our revenue by our games for the periods indicated:

	For the year ended December 31,					
	2015		**2016**		**2017**	
	Amount	**% of Revenue**	**Amount**	**% of Revenue**	**Amount**	**% of Revenue**
	(in thousands of RMB, except percentages)					
Tank Frontline (坦克前綫)	131,161	47.6	453,117	46.0	414,817	34.6
Romance of Stars (星辰奇緣)(1)	–	–	119,954	12.2	191,278	16.0
Super Fleet (超級艦隊)	19,290	7.0	191,722	19.5	176,282	14.7
My Duty (我的使命)(2)	–	–	–	–	116,716	9.7
Three Heroes (超級群英傳)	31,440	11.4	101,673	10.3	103,089	8.6
Wartime (戰爭時刻)(3)	–	–	16,158	1.6	86,287	7.2
The Age of Rome (羅馬時代)(4)	–	–	17,407	1.8	63,408	5.4
Others(5)	93,898	34.0	84,746	8.6	45,353	3.8
Total	**275,789**	**100.0**	**984,777**	**100.0**	**1,197,230**	**100.0**

(1) *Romance of Stars* (星辰奇緣) was officially launched in January 2016.

(2) *My Duty* (我的使命) was officially launched in January 2017.

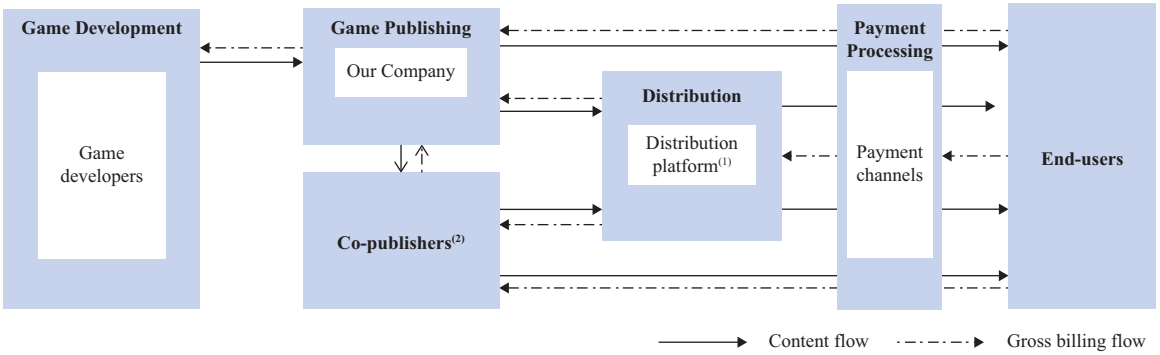
(3) *Wartime* (戰爭時刻) was officially launched in April 2016.

(4) *The Age of Rome* (羅馬時代) was officially launched in June 2016.

(5) Include 27, 30 and 30 games for the respective periods. In 2015, 2016 and 2017, none of the games in "others" individually accounted for more than 3.0% of our total revenue for the respective period, except that in 2015, we generated RMB 28.2 million from *Red Tank* (坦克風雲), RMB15.0 million from *The Legend of Cao Cao* (蜂鳥五虎將) and RMB14.0 million from *Fantasy Westward Journey* (夢幻西遊), which accounted for 10.2%, 5.4% and 5.1% of our total revenue for the same year, respectively.

BUSINESS MODEL

We are a leading mobile game publisher in China. All of our games are free to play and we generate revenue primarily from the in-game sale of virtual items. We generally share gross billings from such sale with (i) third-party game developers, (ii) co-publishers, (iii) distribution platforms, and (iv) payment channels. The following chart illustrates the structure of our business model:



(1) iOS App Store.

(2) Our co-publishers include primarily Android app operators and other game publishers. For our standard terms of agreement with our co-publishers, see "— Game Publishing — Publishing."

- *Game development.* We source new games primarily from third-party game developers. We review and select qualified and competent third-party providers for the development of our games. For details, see "— Game Development." for the major games that we publish. During the Track Record Period, we also published one major mobile game, *My Duty* (我的使命), through commissioned development.

- *Game publishing/co-publishing.* As a game publisher, we are primarily responsible for game optimization, marketing, promotion, distribution, monetization, and other user-related services, as well as coordinating with game developers on updates and modifications based on user or market feedback. Where we publish games through our co-publishers, we generally grant the co-publisher the right to publish, promote and operate our games as well as to make modifications to our games primarily for compatibility purposes. Our co-publishers primarily include Android app operators and other game publishers like us. For details, see "— Game Publishing."

- *Game distribution*. Our games are distributed through our distribution platform and co-publishers, which introduce user traffic, provide user access and collect and track user data. For further details, see "— Game Publishing — Distribution." For iOS systems, the iOS App Store is our only distribution platform. For Android systems, we publish our games directly through our self-operated platform as well as through Android app operators and other game publishers, which we deem as co-publishers that also provide distribution platform services.

- *Payment processing.* We generate revenue primarily from the in-game sale of virtual items. Accordingly, we partner with online payment channels including Alipay, and WeChat and Unionpay to facilitate and collect the proceeds from in-game purchases for

self-published games distributed through our self-operated platform. For self-published games distributed through iOS App Store and co-published games, iOS App Store and our co-publishers are responsible for collecting proceeds.

GAME DEVELOPMENT

During the Track Record Period, we sourced our games from third-party game developers through licensing or commissioned development. We have maintained stable and close relationships with a number of reputable game developers. As of the Latest Practicable Date, three new titles that we expect to launch before the end of 2018 are being developed by game developers with whom we have collaborated on previous games, including the third-party game developer that developed *Enthroned* (任我為王), an SLG game that was officially launched in March 2018. In addition, in December 2017, we invested RMB10 million to acquire an 8% equity interest in Xin'ai Networks, a third-party game developer, which investment provides us with the right of first refusal on all games developed by such game developer in accordance with the terms of the investment agreement.

Since our inception, we made the strategic decision to focus our game publishing efforts primarily on the SLG game segment. As the market leader and one of the earliest entrants in the SLG space, we believe that we have the publishing and operating experience as well as user data to identify and source high-quality games with strong potential for monetization.

Licensing

Our product committee is responsible for seeking and reviewing new games from third-party game developers. When reviewing a game, we assess its commercial viability and other potential benefits considering the metrics including themes, game art and design and player interactive features. If a game passes our internal assessment, we approach its developer with a business proposal, and our operation department communicates our plans for game optimization, distribution and operation. If we reach an agreement on the publishing plan with the game developer, we initiate content distribution negotiations. After we acquire the game license, we conduct an in-depth feasibility study and formulate a detailed optimization plan. See "— Game Publishing — Game Optimization." We then put the new game into trial operations, which include close testing and beta testing, as well as soft launches. We continue to monitor and analyze user behavior through our data analytics and optimize the game content on a real-time basis. Generally, a game needs to go through several rounds of close testing and beta testing prior to its official launch, which is a mass launch across all different channels, in connection with which we devote significant resources to market and promote the game. The complete development cycle usually spans from six to twelve months, depending on the complexity and novelty of the relevant project.

As of the Latest Practicable Date, we had acquired most of our games through licensing from third-party game developers. We enter into legally binding licensing agreements with these game developers, major terms of which are set forth below:

- *Exclusivity.* We typically obtain exclusive rights for the major games that we publish. As of the Latest Practicable Date, we had obtained the exclusive rights to publish all of our major games in operation.
- *Technical support and game updates.* Game developers are generally required to provide us with technical support including server maintenance, user support services training,

game data, subsequent research and development and maintenance of the licensed games. Game developers are responsible for all updates of the licensed games.

- *Game publishing.* We are generally responsible for game optimization, marketing, promotion and distribution, as well as handling regulatory issues, customer services and other related services.

- *Licensing fee and revenue sharing.* We are generally required to pay game developers a fixed licensing fee upon the official launch of the games. We also generally pay game developers approximately 15% to 20% of the gross billings, which is settled on a monthly basis.

- *Contract term and renewal.* Our licensing agreements generally have a term of three years and may be renewed through negotiations between both parties one month prior to expiration. We reserve the right to renew the agreement under the same terms and conditions.

- *Termination.* In general, either party is entitled to terminate the licensing agreement if the other party does not or is not able to fulfill its contractual obligations.

Commissioned Development

During the Track Record Period, we commissioned third-party game developers to develop a number of games based on our ideas and requirements, particularly in 2016 when our commissioned game development projects increased. Based on the testing results of these games, we officially launched one of our major games, *My Duty* (我的使命) in January 2017. As of the Latest Practicable Date, we owned all intellectual property rights related to *My Duty* (我的使命). Pursuant to the contract terms for *My Duty* (我的使命), we paid the game developer a development fee of RMB4 million upon receiving a demo of the game, and we agree to pay 15% of the gross billings, which is settled on a monthly basis.

GAME PUBLISHING

We offer one-stop solutions to game developers, which includes game optimization, marketing, promotion, distribution, monetization and other user-related services. Leveraging our extensive publishing experience, amassed data volume and technical know-how, and in particular, our first-mover advantage in the SLG segment, we are better positioned to identify and source new as well as optimize existing SLG game content based on our in-depth understanding of user profiles, preferences, tastes and playing habits in SLG games. Moreover, we are better positioned to allocate game marketing and promotion resources more efficiently and effectively, with insights into the effect that each discount offered based on game, timing of offer, and type of virtual items has on user behavior and in-game spending. As of December 31, 2017, we had approximately 129.4 million cumulative total registered users. We believe our massive user base will benefit us as we continue to launch new games.

Game Optimization

We typically provide the following game optimization services:

- optimize the creation, deployment and pricing of virtual items to meet the expectations and preferences of users based on our operating experience and our data and analytics;
- suggest improvements on graphic and art redesign;
- conduct trial operations, including close testing and beta testing, as well as soft launches of the games on various distribution platforms and mobile devices; and
- monitor and analyze user data on an ongoing basis to gain insight into habits of play and specific player activity in order to facilitate strategizing on content updates and new edition releases designed to enhance user engagement, retention and monetization.

Publishing

We publish our games independently and through co-publishers. The following table sets forth a breakdown of our revenue by method of publication for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Self-publishing	76,930	27.9	427,461	43.4	571,325	47.7
Co-publishing	198,859	72.1	557,316	56.6	625,905	52.3
Total	**275,789**	**100.0**	**984,777**	**100.0**	**1,197,230**	**100.0**

Self-publishing

We currently self-publish mobile games on iOS App Store and on our self-operated platform. We are responsible for game optimization, marketing, promotion and distribution, as well as handling user support services and other related services. We are subject to the standard terms and conditions of the iOS App Store, under which we are responsible for hosting and delivering the games to our users and the iOS App Store is responsible for marketing the games to the platform users at the prices we designate.

Co-publishing

We use co-publishers to publish mobile games where we determine that the game will benefit from a co-publisher's resources and user bases. Our co-publishers include other game publishers like us and Android app operators. We select our co-publishers based on factors including industry experience, scale of user base, and market resources. We typically enter into legally binding

co-publishing agreements with our co-publishers that authorizes our co-publishers to publish, market and operate our games, major terms of which are set forth below:

- *Non-exclusivity.* We typically grant non-exclusive rights to co-publishers for publishing our games.
- *Co-publishing*. Co-publishers are typically required to provide platform-related services, including but not limited to marketing, user account log in and payment processing, as well as to make modifications to our games primarily for compatibility purposes.
- *Customer service*. We are generally responsible for responding to and resolving our user's technical inquiries and complains.
- *User data*. Our co-publishers shall provide unmodified user data to us per our request, and are responsible for the truthfulness, accuracy and completeness of such data.
- *Credit term*. We generally grant credit terms of up to 60 to 90 days for our co-publishers.
- *Contract terms and renewal*. Our co-publishing agreements generally have a term of one year and may be renewed automatically or through negotiations between both parties.
- *Termination.* In general, either party is entitled to terminate the co-publishing agreement if the other party does not or is not able to fulfill its contractual obligations.

Monetization and Pricing

To monetize our large and active user base and achieve better financial returns for both our business partners and ourselves, we seek to convert active users into paying users and increase each paying user's in-game spending. We offer our games on a free-to-play basis and generate substantially all of our revenues from the in-game sale of virtual items. Virtual items include items, avatars, skills, privileges or other in-game consumables, features or functionalities. Users are able to extend their play, enhance or personalize their game environments and accelerate their progress in our games. Most of our virtual items can be purchased conveniently and speedily processed through our payment channels. See "— Payment Processing." By offering quick and convenient payment options through payment channels for suitably-priced virtual items, we are able to cultivate within our users a habit of paying for fun. The release of new editions with new functions and improved game design and graphics also stimulates user spending.

The creation, deployment and pricing of our virtual items also significantly impact user monetization. We have accumulated a large amount of user data which helps us to determine the type of virtual item offered, the timing of the offer, or the offer price, that is more likely to trigger an in-game purchase. We, together with our game developers, price each virtual item based primarily on an analysis of certain benchmarks, including market prices, the benefits or advantages associated with the virtual item, the level of demand for the virtual item, the consumption habit in the local markets and the price of similar virtual items offered in other games. The prices of our virtual items vary from game to game. We maintain a database that tracks the number and price of each virtual item sold as well as user behavior in response to the launch of a virtual item. Accordingly, we are able to adjust the pricing of certain virtual items based on consumption patterns and provide discounts under certain

circumstances such as during a promotional event. We will continue to optimize our virtual items merchandising strategy to maximize monetization. As a result of our effective monetization strategies, our average MPUs per game increased from 4,082 in 2015 to 8,338 in 2016, and further to 8,708 in 2017.

Marketing and Promotion

Our marketing team consisted of 25 members as of the Latest Practicable Date. We market our games primarily through advertisements on a diversified range of marketing channels, including social networking websites and application marketplaces, as well as our self-operated platform. In early 2016, we became one of the first game publishers to market our games through WeChat moments. We have formulated various marketing and promotional strategies to sustain user interest, enhance playability and gameplay experience, extend game lifecycles and stimulate game downloads, activations and in-game spending.

DISTRIBUTION

For iOS users, we distribute our games on iOS App Store, which attracts user traffic, provide user access and collect and track user data. Our games are distributed to Android users by Android app operators, which are our co-publishers, or directly through our self-operated platform. Through iOS App Store and these Android app operators, we can reach a wide audience and take advantage of the popularity of them as well as their social and sharing network.

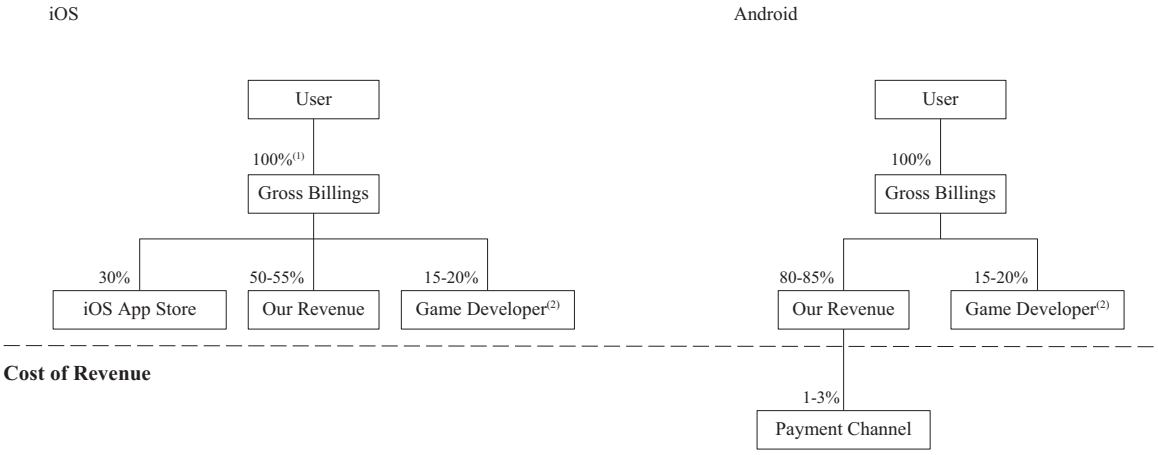
PAYMENT PROCESSING

We offer users all major online payment methods available in China to collect proceeds from in-game purchases of virtual items. We partner with all the major payment channels to facilitate in-game purchases. For self-published games distributed through our self-operated platform, our users can purchase virtual items within the game through third-party online payment channels, including Alipay, WeChat and Unionpay, among others. These payment channels offer our users safe and convenient payment methods. These payment channels generally settle payment with us within 30 days. For self-published games distributed through iOS App Store and co-published games, iOS App Store and our co-publishers are responsible for collecting proceeds.

REVENUE SHARING

Self-publishing

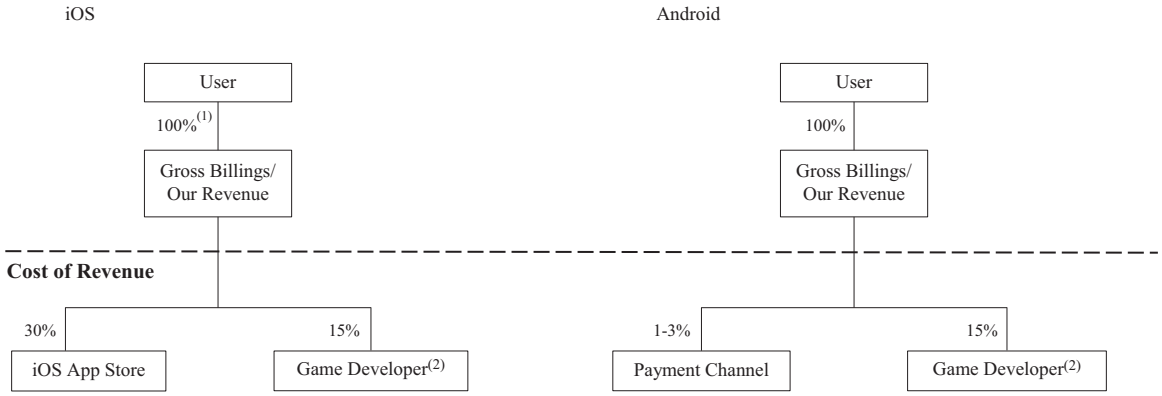
Licensing



(1) All percentages in the charts are calculated based on the gross billings generated from users.

(2) Only include gross billing sharing with game developers and does not include the fixed licensing fees paid to them.

Commissioned Development

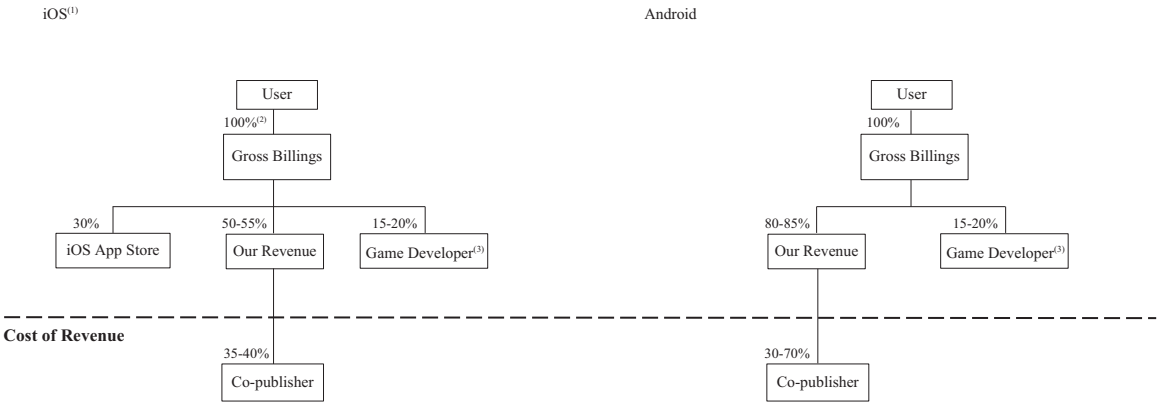


(1) All percentages in the charts are calculated based on the gross billings generated from users.

(2) Only include gross billing sharing with game developers and does not include the fixed licensing fees paid to them.

Co-publishing

Licensing

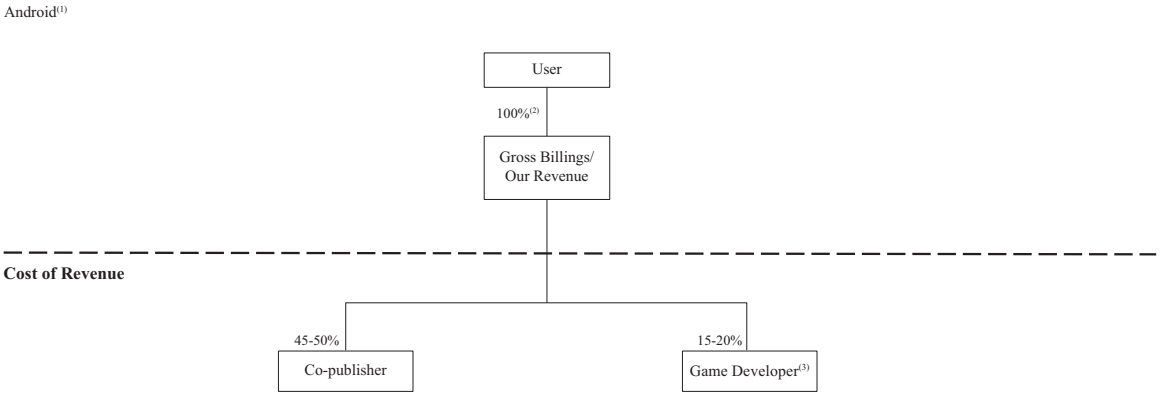


(1) For iOS system, we only engage co-publishers for *Tank Frontline* (坦克前綫).

(2) All percentages in the charts are calculated based on the gross billings generated from users.

(3) Only include gross billing sharing with game developers and does not include the fixed licensing fees paid to them.

Commissioned Development



(1) We did not engage co-publishers for commission developed games on iOS.

(2) All percentages in the charts are calculated based on the gross billings generated from users.

(3) Only include gross billing sharing with game developers and does not include the fixed licensing fees paid to them.

We share the gross billings generated from our games with our game developers, co-publishers, distribution platform and payment channels. Co-publishers are generally entitled to 30% to 70% of the gross billings, depending on the terms of agreements with these co-publishers. The percentage of gross billings sharing entitled to co-publishers of *Tank Frontline* (坦克前綫), our first major game, is higher than co-publishers of other of our games because we were at the early stages of our operations and had less bargaining power over co-publishers. Game developers, our distribution platform (iOS App Store), and payment channels are generally entitled to 15% to 20%, 30%, and 1% to 3% of the gross billings, respectively.

Both our customers and suppliers are determined by the flow of revenue stream and are presented from the financial perspective. In the event of co-publishing, we recognize commission

charges pre-deducted by co-publishers as cost of revenue, and accordingly our co-publishers are regarded as both our customers and suppliers. In the event of self-publishing on our self-operated platform, we recognize commission charges pre-deducted by payment channels as cost of revenue, and accordingly our payment channels are regarded as both our customers and suppliers. In the event of commission developed games, we recognize commission charges pre-deducted by our distribution platform, iOS App Store, as cost of revenue, and accordingly iOS App Store is regarded as both our customer and supplier.

OUR USERS AND USER SUPPORT SERVICES

Our Users

We have established a massive and loyal user base in China. During the Track Record Period, we did not rely on any single user. As of December 31, 2015, 2016 and 2017, we had cumulative registered users of approximately 49.8 million, 97.1 million and 129.4 million, respectively.

We offer our games on a free-to-play basis and generate revenue from the in-game sale of virtual items. Our users are able to enjoy our games without discretionary in-game purchases to enhance their gameplay experience, and consistent with the industry norms, paying users only account for a relatively small portion of our total users. We continue to optimize in-game content and virtual item designs to stimulate in-game spending and maximize monetization, without compromising the overall gameplay experience that we seek to offer all of our players, regardless of whether they are paying users.

User Support Services

We have a dedicated user support services team, consisting of 32 members as of December 31, 2017, to provide customer support to our users. Users can reach our user support services specialists 24-hours, seven days a week, by calling our user support services hotline, or via our in-game ticketing system. We have adopted internal procedures to promptly respond to and resolve our users' technical inquiries and complaints, most of which are related to payment processing, account log-in, game features and bugs.

Upon receipt of inquiries or complaints from our users relating to functions and features of our games, our user support services team will respond promptly and provide detailed explanations and instructions to guide the users to resolve their issues. Complaints relating to in-game delivery of virtual items, programming errors or technical issues are reported to the relevant project teams for handling.

We believe that good user support services can play a significant role in user retention and differentiate us from our competitors. In serving our users, our user support services team also collects valuable first-hand user feedback, which enables us to better understand user preferences, tastes and demands as well as market trends to improve our game operations. As of the Latest Practicable Date, we had not received any material complaints from our users that results in material adverse effect on our business.

OUR TECHNOLOGY

We have developed a proprietary platform with robust data analysis capabilities that integrates and tracks our business operation, which also have significantly contributed to our success.

Server Infrastructure

Our online game portfolio and user base are supported by our stable and powerful server infrastructure with high capacity. All of our games feature real-time interaction, which require our server network to respond promptly with low latency.

In addition, we implement network-based caches to promptly respond to massive data access triggered by a large number of concurrent users, which minimizes the access to server database. In addition, our large capacity server centers ensure the data synchronization in order to speed up access to data and reduce demand on bandwidth.

We believe that our current server infrastructure provides us with sufficient capacity to carry out our current operations and is able to scale up relatively quickly to meet additional capacity needs.

Multi-dimensional Data Analysis Engine

We process large volumes of data related to gameplay and related activities. Our proprietary multi-dimensional data analysis engine collates and structures our data in a variety of ways so it can be used for ad-hoc analysis, real time in-line analysis and standardized reports. Our data analysis generates results filterable based on numerous performance metrics, which enables us to identify key performance drivers and non-performing virtual items or cross-promotion advertisements. As a result, we are able to gain invaluable insights on user needs, preferences and behaviors, through which we improve our games and user experience, enhance cross-promotion effectiveness and discover hidden opportunities for improving user retention and increasing user lifetime value.

RESEARCH AND DEVELOPMENT

We had a strong in-house research and development team of 97 personnel as focus on game publishing of the Latest Practicable Date. We are committed to investing in our in-house research and development activities which are focused on mobile game publishing. We seek to enhance the gaming experience for our users by focusing on technology upgrades with respect to our content delivery infrastructure and improving our game testing and quality control systems. We conduct extensive beta tests on all of our games to optimize game mechanics and ensure smooth game flow using player feedback.

For the years ended December 31, 2015, 2016 and 2017, our research and development expenses amounted to RMB25.8 million, RMB59.0 million and RMB42.0 million, respectively. See "Financial Information — Description of Key Components of Results of Operations — Research and Development Expenses."

OUR CUSTOMERS

The following table sets forth details of our major customers during the Track Record Period:

Customer[(1)]	Transaction amount	% of total transaction amount	Approximate length of relationship	Principal business
	RMB'000	*%*	*Years*	
2017				
Customer A	273,474	22.8	3	Game distribution
Customer B	202,062	16.9	3	Payment processing
Customer C	116,529	9.7	3	Game publishing
Customer D	98,178	8.2	3	Game publishing
Customer E	97,656	8.2	3	Payment processing
Total	787,899	65.8		
2016				
Customer A	216,037	21.9	3	Game distribution
Customer F	136,348	13.8	3	Game publishing
Customer C	127,148	12.9	3	Game publishing
Customer B	116,698	11.9	3	Payment processing
Customer E	90,520	9.2	3	Payment processing
Total	686,751	69.7		
2015				
Customer E	39,006	14.1	3	Payment processing
Customer F	38,594	14.0	3	Game publishing
Customer G	37,001	13.4	4	Payment processing
Customer H	22,474	8.1	4	Game publishing
Customer I	18,616	6.9	4	Game publishing
Total	155,691	56.5		

Although we also provide services to our end users, because we do not collect sales proceeds directly from end users, our customers are determined based on the flow of revenue collection stream. Specifically, our counterparties from which we collect sales proceeds, including distribution platform, co-publishers and payment channels, are deemed as our customers. As of December 31, 2017, we had maintained business relationships with our five largest customers, which include our distribution platform, co-publishers and payment channels, for three to four years. Our credit terms typically are up to 60 to 90 days for co-publishers, negotiated on a case-by-case basis. For the iOS App Store, our credit term is up to 45 days. For the years ended December 31, 2015, 2016 and 2017, our revenue generated through our five largest customers, all of whom were independent third parties, amounted to RMB155.7 million, RMB686.8 million and RMB787.9 million, respectively, accounting for approximately 56.5%, 69.7% and 65.8% of our total revenue for the same years, respectively. For the same years, our revenue generated through our single largest customer for each year amounted to RMB39.0 million, RMB216.0 million and RMB273.5 million, respectively, accounting for approximately 14.1%, 21.9% and 22.8% of our total revenue for the same years, respectively. Save as otherwise disclosed in this document, none of our Directors, their respective associates or any Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest customers during the Track Record Period.

PROCUREMENT AND SUPPLIERS

Our suppliers include primarily co-publishers, game developers and payment channels.

Co-publishers

We engage co-publishers from time to time, including leading China-based game publishers, including Android app operators such as Huawei and Xiaomi to operate and market our games, for details, see "— Game Publishing."

Game Developers

We source games from third-party game developers by licensing games originally developed by them or by commissioning the development of games based on our game concept. In the case of licensed games, the third-party game developers are considered suppliers only to the extent that they are paid a fixed licensing fee upon the official launch of the games. In the case of commissioned games the third-party game developers receive a share of the gross billing which is then recognized in our cost of revenue. For details, see "— Game Development."

Payment Channels

We partner with a number of third-party online payment channels, including Alipay, WeChat and Unionpay, to collect proceeds from in-game purchases. For details, see "— Payment Processing."

Distribution Platform

For iOS users, we distribute our games on iOS App Store, which attracts user traffic, provide user access and collect and track user data. In the case of commission developed games, iOS App Store receive a share of the gross billing which is recognized in our cost of revenue. For details, see "— Distribution."

As of December 31, 2017, we had maintained business relationships with our five largest suppliers, which primarily include co-publishers and our distribution platform, for three to four years. For the years ended December 31, 2015, 2016 and 2017, procurement from our five largest suppliers amounted to RMB65.9 million, RMB 274.0 million and RMB 301.1 million, respectively, accounting for 50.5%, 69.8% and 63.7% of our total cost of revenue for the same periods, respectively. For the years ended December 31, 2015, 2016 and 2017, procurement from our single largest supplier amounted to RMB19.9 million, RMB 105.8 million and RMB 98.0 million, respectively, accounting for 15.2%, 27.0% and 20.7% of our total cost of revenue for the same periods, respectively. Save as otherwise disclosed in this document, none of our Directors, their respective associates or any Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest suppliers during the Track Record Period. The following table sets forth details of our major suppliers during the Track Record Period:

Supplier[1]	**Transaction amount**	**% of total transaction amount**	**Approximate length of relationship**	**Principal business**
	RMB'000	*%*	*Years*	
2017				
Supplier A[2]	97,963	20.7	3	Game publishing
Supplier B[3]	62,095	13.1	3	Game publishing
Supplier C[4]	53,335	11.3	3	Game publishing
Supplier D[5]	46,245	9.8	3	Game distribution
Supplier E	41,443	8.8	4	Game publishing
Total	301,081	63.7		
2016				
Supplier A[2]	105,762	27.0	3	Game publishing
Supplier C[4]	81,975	20.9	3	Game publishing
Supplier B[3]	38,355	9.8	3	Game publishing
Supplier E	26,447	6.7	4	Game publishing
Supplier F[6]	21,450	5.4	4	Game publishing
Total	273,989	69.8		
2015				
Supplier C[4]	19,869	15.2	3	Game publishing
Supplier G[7]	14,758	11.3	4	Game publishing
Supplier F[6]	11,234	8.6	4	Game publishing
Supplier E	10,053	7.7	4	Game publishing
Supplier A[2]	9,974	7.7	3	Game publishing
Total	65,888	50.5		

(1) Our suppliers are categorized by the flow of revenue collection stream. Specifically, we categorize as suppliers those counterparties whose pre-deducted commission charges or payments collected from us are recognized as our cost of revenue. Accordingly, our five largest suppliers include primarily co-publishers and our distribution platform.

(2) Same as Customer C

(3) Same as Customer D

(4) Same as Customer F

(5) Same as Customer A

(6) Same as Customer I

(7) Same as Customer H

COMPETITION

We are a leading mobile game publisher in China. The market in which we operate is highly competitive, According to the CIC Report, there were over 900 mobile game publishers and over 200 third-party mobile game publishers in China as of December 31, 2017. We mainly compete on the basis of a number of factors, including user base, game portfolio, brand awareness and reputation. We view other large-scale China-based mobile game publishers possessing a massive user base, such as Tencent and NetEase, as our current or potential competitors. We expect the competition in the game publishing market to persist and intensify. We expect that we will continue to face challenges in acquiring and retaining players as a result of rising user acquisition as well as marketing and advertising costs. See "Risk Factors — Risks Relating to Our Business and Industry — The mobile game publishing industry is highly competitive. Failure to compete effectively could reduce our market share and have a material adverse effect on our business, financial conditions and results of operations." For details relating to competition within our industry, see "Industry Overview — Competitive Landscape."

INTELLECTUAL PROPERTIES

Our business is significantly based on the acquisition, creation, use and protection of intellectual properties. Some of our intellectual properties are in the form of software code, patents and trade secrets that we license from game developers or create to allow our games to run properly on multiple platforms. We also create audio-visual elements, including graphics and transcripts, as we optimize games to meet the differentiated gameplay needs and preferences of our users. We rely on local laws and contractual restrictions to protect our intellectual properties. We enter into confidentiality, proprietary rights assignment, non-compete and non-assignment agreements with our employees, and have confidentiality arrangements with our business partners. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual properties by third parties. As of the Latest Practicable Date, we had two registered patents, 120 registered copyrights and 302 registered trademarks in China, and had submitted the application for the registration of 273 trademarks in China. We also had eight registered trademarks in Taiwan and one registered trademark in Europe. We have registered our trademarks, "指尖悦動" and "FingerTango" in Hong Kong. In addition, we had registered certain domain names that are material to our business, including **www.3k.com** and **www.fingertango.com**.

While we actively take steps to protect our proprietary rights, we cannot be certain that our measures are adequate to prevent the infringement or misappropriation of the intellectual properties

created by or licensed to us. Moreover, we cannot be certain that the games that we license, our optimization of these games or our services do not or will not infringe valid patents, copyrights or other IPs held by third parties. See "— Legal Proceedings and Non-Compliance." We may be subject to legal proceedings and claims from time to time relating to third parties' intellectual properties. See "Risk Factors — Risks Relating to Our Business and Industry — Third parties may claim that we infringe their proprietary rights, which could cause us to incur significant legal expenses and prevent us from promoting our products and services."

LICENSES AND PERMITS

Our PRC Legal Advisers have advised that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the material licenses, permits, approvals and certificates necessary to conduct our operations and such licenses, permits, approvals and certificates remained in full effect.

The table below sets forth details of our material licenses and permits:

License/Permit	Holder	Granting authority	Grant date	Expiry date
Network Culture Operation License (網絡文化經營許可證)	Youmin Networks	Shanghai Municipal Administration of Culture, Radio, Film and TV	July 2017	July 2020
Network Culture Operation License (網絡文化經營許可證)	Binjie Networks	Shanghai Municipal Administration of Culture, Radio, Film and TV	August 2016	August 2019
Network Culture Operation License (網絡文化經營許可證)	Feimiao Networks	Shanghai Municipal Administration of Culture, Radio, Film and TV	October 2017	October 2020
Network Culture Operation License (網絡文化經營許可證)	Shanghai Langxianjing Networks	Shanghai Municipal Administration of Culture, Radio, Film and TV	January 2017	January 2020
Network Culture Operation License (網絡文化經營許可證)	Yiguo Networks	Shanghai Municipal Administration of Culture, Radio, Film and TV	September 2017	September 2020
Network Culture Operation License (網絡文化經營許可證)	Jieba Networks	Department of Culture of Guangdong Province	August 2016	August 2019
Network Culture Operation License (網絡文化經營許可證)	Kuoyou Networks	Department of Culture of Guangdong Province	July 2016	July 2019
Network Culture Operation License (網絡文化經營許可證)	Guangzhou Langxianjing Networks	Department of Culture of Guangdong Province	December 2015	December 2018

License/Permit	Holder	Granting authority	Grant date	Expiry date
Network Culture Operation License (網絡文化經營許可證)	Miyuan Networks	Department of Culture of Guangdong Province	December 2015	December 2018
Value-added Telecommunications Operation License (增值電信業務營業許可證)	Youmin Networks	MIT	August 2017	December 2020
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Youmin Networks	Shanghai Communications Administration	September 2017	February 2020
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Binjie Networks	Shanghai Communications Administration	February 2017	February 2022
Value-added Telecommunications Operation License (增值電信業務營業許可證)	Feimiao Networks	Shanghai Communication Administration	January 2018	January 2023
Value-added Telecommunications Operation License (增值電信業務營業許可證)	Yiguo Networks	Shanghai Communication Administration	January 2018	January 2023
Value-added Telecommunications Operation License (增值電信業務營業許可證)	Shanghai Langxianjing Networks	Shanghai Communication Administration	January 2018	January 2023
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Jieba Networks	Guangdong Communications Administration	May 2017	May 2022
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Kuoyou Networks	Guangdong Communications Administration	May 2017	May 2022
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Guangzhou Langxianjing Networks	Guangdong Communications Administration	December 2016	December 2021
Value-added Telecommunications Operation License(增值電信業務經營許可證)	Miyuan Networks	Guangdong Communications Administration	December 2016	December 2021

AWARDS

We have received several awards and recognitions since our establishment in recognition of the success of our game publishing business. The following table sets forth some of the major awards and recognitions we have received:

Year	Award / Accreditation	Awarding Organization	Awarded Entity
2018	Emerging Partner Award	Tencent Myapp (騰訊應用寶)	Youmin Networks
2017	Most Anticipated Game — *My Duty* (我的使命)	Toutiao.com (今日頭條)	Youmin Networks
2017	Top Ten Best Sellers — *Romance of Stars* (星辰奇緣)	Aligames (阿里遊戲)	Youmin Networks
2017	Most Popular Game of the Year — *Romance of Stars* (星辰奇緣)	Meizu Flyme (魅族 Flyme)	Youmin Networks
2017	Best Pioneer Award	Toutiao (今日頭條)	Youmin Networks
2016	Most Popular SLG Game — *Tank Frontline* (坦克前線)	Mobile Hardcore Alliance (硬核聯盟)	Youmin Networks
2016	Innovative Marketing Award	Sohu (搜狐)	Youmin Networks
2015	Golden Whale Award	Yoyou.com (優遊網)	Youmin Networks

EMPLOYEES

We recruit employees primarily through internal and external recommendations, placing online recruitment advertisements and holding school presentations. We provide training programs to our employees, including new hire training for new employees and continuing technical training primarily for our research and development team and game operation team to enhance their skill and knowledge. As of the Latest Practicable Date, we had 260 employees in China. The following table sets forth the number of our employees by functions as of the Latest Practicable Date:

Function	Number of Employees
Research and development	97
Game operation	95
Administrative and management	43
Sales and marketing	25
Total	260

As required by PRC laws and regulations, we contribute to various social security and housing provident funds for our employees. As advised by our PRC Legal Advisers, we were in compliance with applicable laws and regulation related to labor and employee benefit plans in material aspects during the Track Record Period.

None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties and we operated our businesses through 15 leased properties in China with a total gross floor area of approximately 4,625 square meters, and the lease agreements of which have a term ranging from one year to three years. These properties are used as office premises. Our servers facilities for providing services to our users are not kept in any of our aforementioned leased properties.

As of the Latest Practicable Date, lessors of two of our leased properties, with a total gross floor area of 785 square meters, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to sublease properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased properties and we are required to move, we can find suitable alternative properties within the same region, without imposing any material adverse effect on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to our Business and Industry — Our legal rights to certain leased properties may be challenged and we did not register certain lease agreements."

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not registered for five of our leased properties, with a total gross floor area of 1,812 square meters. Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB50,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements.

INSURANCE

We do not maintain any property insurance policies covering network infrastructure for losses due to fire, earthquake, flood or any other disaster. Consistent with customary industry practice in China, we do not maintain business interruption insurance or key employee insurance for our executive officers. Damage to any of our uninsured facilities or network infrastructure could have a material adverse effect on our results of operations. See "Risk Factors — Risks Relating to our Business and Industry — Our lack of insurance could expose us to significant costs and business disruption." During the Track Record Period, we did not submit any material insurance claims, nor did we experience any business interruptions that had a material adverse effect on our business or financial position.

OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

Our business does not involve significant occupational health and safety and environmental matters, other than being in compliance with applicable PRC laws and regulations. During the Track

Record Period, our PRC Legal Advisers have advised that we did not experience any material occupational health and safety and environmental incidents and were in compliance with relevant laws and regulations in all material respects.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising from the ordinary course of our business from time to time. We may also initiate legal proceedings in order to protect our intellectual property and other rights. In March 2017, we conducted beta testing for one mobile game licensed from a third party game developer. In June 2017, Hangzhou NetEase Leihuo Technology Co., Ltd. ("NetEase Leihuo") brought a copyright infringement and unfair competition claim against us and two other co-defendants in China, alleging that we, together with two other co-defendants, infringed upon the copyright of one of its online games. In its claim, NetEase Leihuo is seeking an aggregate amount of RMB5.0 million in damage, an injunction against further infringement and a public apology from all co-defendants. In response this legal proceeding, we promptly halted beta testing of the mobile game in dispute, which had generated approximately RMB87,000 of gross billings from users in total. As of the Latest Practicable Date, we were in settlement negotiations with NetEase Leihuo. According to our PRC Legal Advisers, our maximum potential compensation of RMB5 million will not have a material and adverse effect on our business operations and financial conditions. See "Risk Factors — Risks Related to Our Business and Industry — Third parties may claim that we infringe their proprietary rights, which could cause us to incur significant legal expenses and prevent us from promoting our products and services." To minimize the risk of similar future legal proceedings, we have adopted internal control procedures in relation to intellectual property rights. See "—Risk Management and Internal Control—Internal Control."

In January 2018, we brought a breach of contract claim against Wuhu Yiwan Networks Limited ("Yiwan Networks"), one of our co-publishers, in China, as Wuhu Yiwan did not duly perform its contractual obligations to pay us our share of the gross billings. In our claim, we are seeking an aggregate amount of RMB3.7 million in compensation. In February, Yiwan Networks filed a counterclaim against us, alleging that we breached the co-publishing agreements by shutting down servers of the licensed game. In its claim, Yiwan Network is seeking an aggregate amount of RMB4.7 million in compensation. As of the Latest Practicable Date, we were in settlement negotiations with Yiwan Networks. According to our PRC Legal Advisers, our maximum potential compensation of RMB4.7 million will not have a material and adverse effect on our business operations and financial conditions.

None of our Directors was listed as a defendant in the legal proceedings as disclosed above. Save as disclosed above, as of the Latest Practicable Date, we were not involved in any pending litigation or arbitration proceedings.

Material Non-Compliances

As advised by our PRC Legal Advisers, we had complied with the relevant PRC laws and regulations in all material respects during the Track Record Period and as of the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. For details, see "Risk Factors — Risks Relating to our Business and Industry." Our Directors oversee and manage the overall risks associated with our operations. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three members, namely Ms. Yao Minru, who serves as chairman of the committee, Mr. Guo Jingdou and Mr. Du Geyang. For the qualifications and experience of these committee members, see "Directors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations; and

- attend training session by our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Internal Control

We have engaged an independent internal control consultant to conduct an assessment of our internal control system in connection with the Listing. The internal control consultant has conducted review procedure on our internal control system in certain aspects, including sales, procurement, human resources, financial management and information technology. The internal control consultant conducted its work in January 2018 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The internal control consultant performed follow-up procedures on our internal control system with regard to those actions taken by us in March 2018 and have not identified any material deficiencies in our internal system. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

We have designated responsible personnel to monitor the on-going compliance of our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition to the general internal control measures mentioned above, we also adopted a series of measures to prevent future infringement of intellectual property rights owned by third parties. Prior to entering into content distribution agreement with game developers, our legal department will: (i) conduct comprehensive intellectual property rights search based on public domain information to avoid potential infringement upon third parties' existing trademark, copyright or patent rights; (ii) conduct reviews as to the qualifications and required licenses of the game developers. The head of our in-house legal department, who is experienced in intellectual property practice and has been in gaming industry for more than six years, supervises our legal department in carrying out the above-mentioned intellectual property compliance and risk control responsibilities. Our operation department then reviews the decision of the legal department and accesses the legal risks of every game prior to official launch. We take measures to measure that we do not launch any games that: (i) plagiarize source codes, game titles, trademarks, maps, plots, figures, descriptions, dialogues and background music from game owned by others, or (ii) are similar to games/manga owned by others that may cause confusion to consumers.

OVERVIEW

Immediately upon the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised and without taking into account any Shares to be issued upon exercise of the Share Options, Mr. Liu will, through LJ Technology, be entitled to control the exercise of voting rights of approximately **[REDACTED]**% of the enlarged issued share capital of our Company. Accordingly, Mr. Liu and LJ Technology are regarded as our Controlling Shareholders under the Listing Rules. For further background of Mr. Liu, please refer to the section headed "Directors and Senior Management" in this document.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition or likely to compete with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business or undertaking (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice ("**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who

has an actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board shall, within 30 business days of receipt of the Offer Notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;

- each of our Controlling Shareholders has undertaken to us, and will procure his/its relevant close associates that he/it or any of his/its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;

- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report in compliance with the requirements of the Listing Rules;

- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Management Independence

Our Board comprises seven Directors, being four executive Directors and three independent non-executive Directors. Other than Mr. Liu who is also our Controlling Shareholder, none of the other Directors, who forms the majority of our Board, is a Controlling Shareholder, or a party acting in concert with our Controlling Shareholder. Our day-to-day management and operational decisions are made by our executive Directors and senior management, most of whom have served us for more than three years and have substantive industry experience. Please refer to the section headed "Directors and Senior Management" in this document.

Each of our Directors is aware of his fiduciary duties as a director that require, among other things, that he or she acts for the benefit and in the interests of our Company and does not allow any conflict between his or her duties as our Director and his or her personal interests. 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 towards 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 our Controlling Shareholders and their respective close associates following the completion of the **[REDACTED]**.

Operational Independence

We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers in possession of all relevant licenses, trademarks and intellectual property right and an independent management team necessary carry on and to operate our business. To the best knowledge of our Directors, all our suppliers are Independent Third Parties. Thus, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have an independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, any of our Controlling Shareholders or their respective associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the **[REDACTED]**.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the **[REDACTED]**, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself or herself from the meetings of the Board on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this document; and

(d) we have appointed Messis Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

CONTINUING CONNECTED TRANSACTIONS

We have entered into and expect to continue the Contractual Arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, such transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this document, the business operations of our PRC Operating Entities constituted a business prohibited to foreign ownership in the PRC, therefore, we do not hold any equity interests in our PRC Operating Entities which are held by the Registered Shareholders, namely, Mr. Liu, Mr. Zhu, Mr. Wu Junjie, Zhuhai Jugu and Zhuhai Sangu. Rather, through the Contractual Arrangements, we effectively control these PRC Operating Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among Binyou Networks, the Registered Shareholders and Youmin Networks enable us to (i) receive substantially all of the economic benefits from our PRC Operating Entities in consideration of the services provided by Binyou Networks; (ii) exercise effective control over our PRC Operating Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in the PRC Operating Entities when and to the extent permitted by PRC laws.

The Contractual Arrangements consist of five types of agreements: (a) the Exclusive Option Agreement; (b) the Exclusive Business Cooperation Agreement; (c) the Share Pledge Agreement; (d) the Powers of Attorney (as such terms are defined in the section headed "Contractual Arrangements" in this document); and (e) the undertakings executed by spouses of each of the shareholders of Youmin Networks, as applicable. Please refer to the section headed "Contractual Arrangements" in this document for detailed terms of these agreements.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationship
Mr. Liu	Mr. Liu is our Controlling Shareholder, our chairperson, chief executive officer and an executive Director and is therefore our connected person pursuant to Chapter 14A of the Listing Rules.
Mr. Zhu	Mr. Zhu is our substantial Shareholder and is therefore our connected person pursuant to Chapter 14A of the Listing Rules.
Mr. Wu Junjie	Mr. Wu Junjie is our executive Director and vice president and is therefore our connected person pursuant to Chapter 14A of the Listing Rules.

Views of our Directors on the Non-exempt Continuing Connected Transaction

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the PRC Operating Entities and any member of our Group ("**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual

Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Binyou Networks thereunder) will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent shareholders. Once independent shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities through (i) our Group's right (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in Youmin Networks for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the Binyou Networks by Youmin Networks under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Youmin Networks.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group, which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the PRC Operating Entities has been substantially retained by the Binyou Networks, (ii) no dividends or other distributions have been made by Youmin Networks to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Youmin Networks to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Operating Entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- The PRC Operating Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the PRC Operating Entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions. In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group

to/from the PRC Operating Entities in any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the PRC Operating Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the Contractual Arrangement is fundamental to our Group's legal structure and business operations. With respect to the term of the Contractual Arrangement being of a duration longer than three years, the Sole Sponsor is of the view that it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by Binyou Networks, (ii) Binyou Networks can obtain the economic benefits derived from the PRC Operating Entities, and (iii) possible leakages of assets and values of the PRC Operating Entities can be prevented. Further, the Sole Sponsor is of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
LIU Jie (劉傑)	36	Executive Director, chairman of the Board and chief executive officer	December 3, 2013	January 9, 2018	Strategic development, overall operation and management and major decision-making
WU Junje (吳俊傑)	40	Executive Director and vice president	December 3, 2013	March 16, 2018	Strategic development and daily management
WANG Zaicheng (王在成)	39	Executive Director and joint company secretary	December 1, 2016	March 16, 2018	Strategic development and investor relationship management
LIU Zhanxi (劉展喜)	39	Executive Director and chief financial officer	May 17, 2017	March 16, 2018	Strategic development and overseeing financial operations
GUO Jingdou (郭靜鬥)	40	Independent non-executive Director	[●]	[●]	Supervising and providing independent judgement to the Board
YAO Minru (姚敏茹)	40	Independent non-executive Director	[●]	[●]	Supervising and providing independent judgement to the Board
DU Geyang (杜戈陽)	38	Independent non-executive Director	[●]	[●]	Supervising and providing independent judgement to the Board

Executive Directors

Mr. LIU Jie (劉傑), aged 36, is the co-founder of our Group and was appointed as our Director on January 9, 2018. He was appointed as our chairman, chief executive officer and has been re-designated as an executive Director on March 16, 2018. Mr. Liu has served as the president of Youmin Networks since December 2013. With more than 14 years of experience in the mobile internet industry and profound expertise in user experience and traffic, Mr. Liu has been the key driver of our business strategies and achievements to date. He is mainly responsible for the strategic development, overall operation and management and major decision-making of our Group.

From December 2004 to February 2005, Mr. Liu worked as a product manager at Shenzhen Xuntian Communication Technology Company Limited (深圳市訊天通信技術有限公司). From

December 2004 to February 2005, he worked as a product manager at Shenzhen Haotian Investment Company Limited (深圳市浩天投資有限公司). From October 2006 to December 2012, he served as the general manager at Shenzhen Dongrun Information Consultation Company Limited (深圳市東潤資訊諮詢有限公司), an advertising and consulting company, and was mainly responsible for corporate operation and management.

Mr. Liu obtained a graduate certificate in computer science and application from Guangdong University of Foreign Studies in July 2003.

Mr. WU Junjie (吳俊傑), aged 40, was appointed as an executive Director on March 16, 2018. He is also a vice president of our Company, mainly responsible for strategic development and daily management of our Group. He has served as the vice president of Youmin Networks since December 2013.

From December 2000 to April 2002, Mr. Wu served as a human resources supervisor at San Miguel Shunde Brewery Co., Ltd (生力順德啤酒有限公司). From February 2003 to March 2004, he served at Guangdong Vtron Rixin Electronics Company Limited (廣東威創日新電子有限公司). From April 2004 to May 2006, he served as a human resource manager at Guangzhou Hangxin Electronics Company Limited (廣州航新電子有限公司). From January 2007 to September 2010, he served as the vice head of human resources at Aspire Holdings Limited (卓望控股有限公司).

Mr. Wu graduated from Wuhan University of Science and Technology with a bachelor degree in business administration in June 2000. He graduated from Sun Yat-sen University with an EMBA degree (part time degree) in December 2012.

Mr. WANG Zaicheng (王在成), aged 39, was appointed as an executive Director and joint company secretary of our Company on March 16, 2018, responsible for strategic development and investor relationship management of our Group. He joined Youmin Networks in December 2016 as the secretary to the Board.

From June 2002 to December 2005, Mr. Wang served successively as an associate and a senior associate at PricewaterhouseCoopers, where he was principally responsible for the assurance and advisory business. From February 2006 to October 2016, he held various positions including internal auditor, manager, deputy general manager of overseas sales department of the operation center, chief operating officer and a director at Jinming Machinery (Guangdong) Co., Ltd (a company listed on Shenzhen Stock Exchange, stock code: 300281).

Mr. Wang graduated from South China University of Technology with a bachelor degree in international finance and a bachelor degree in English in July 2002.

Mr. LIU Zhanxi (劉展喜), aged 39, was appointed as an executive Director on March 16, 2018. He is also the chief financial officer of our Company, responsible for strategic development and overseeing financial operations of our Group. He joined Youmin Networks in May 2017 as the chief financial officer.

Mr. Liu has over 15 years of experience in the field of financial management. From September 2001 to September 2006, he successively served as an auditor and a senior auditor at Ernst & Young in China and was principally responsible for the assurance and advisory business. From September

2006 to December 2010, he severed as a senior consultant at Deloitte Touche Tohmatsu and was primarily responsible for financial advisory. From January 2012 to May 2017, he served as the deputy general manager of the finance department at YY Inc. (a company listed on NASDAQ, stock code: YY) and was mainly responsible for financial management and listing application.

Mr. Liu graduated from Guangdong University of Foreign Studies with a bachelor degree in English in June 2001. He has been a member of CPA Australia since July 2016.

Independent Non-executive Director

Mr. GUO Jingdou (郭靜鬥), aged 40, was appointed as an independent non-executive Director on [●]. Mr. Guo is primarily responsible for supervising and providing independent judgement to the Board.

From May 2010 to October 2010, Mr. Guo served as the senior manager of assets management at Foshan Jiachuang Real Estate Co., Ltd, and was primarily responsible for real estate investment management. From October 2010 to September 2017, he worked as the investment director of the strategic investment department of Alpha Group (a company listed on the Shenzhen Stock Exchange, stock code: 002292), where he was mainly responsible for the investment and acquisition and merger of listed companies. Since September 2017, Mr. Guo has served as the managing director at Guangzhou Chengfa Capital Company Limited, where he is mainly responsible for the management of Guangzhou Culture Investment Fund.

Mr. Guo graduated from Shijiazhuang College of Ecomonics (currently known as Hebei GEO University) with a bachelor degree in economics in July 1999. He graduated from Euromed Marseille Ecole de Management (currently known as KEDGE Business School) in France with a master of international business in September 2003. Mr. Guo was qualified as an intermediate economist (中級經濟師) by Guangzhou Municipal Bureau of Human Resources and Social Security in December 2014.

Ms. Yao Minru (姚敏茹), aged 40, was appointed as an independent non-executive Director on [●]. Ms. Yao is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Yao has over 15 years of experience in the field of audit. From October 2000 to September 2002, she served as a staff auditor at Ernst &Young in China. From October 2002 to April 2005, Ms. Yao served as a senior internal auditor of Amway in China. From August 2007 to February 2012, she served as an assurance senior at Ernst &Young in the United States. Ms. Yao joined YY Inc. (a company listed on NASDAQ, stock code: YY) as an audit manager in June 2012 and was promoted to her current position as the director of the internal control department in November 2016.

Ms. Yao graduated from Sun Yat-Sen University with a bachelor degree in English in June 2006. She graduated from Suffolk University with a master of science in accounting in the United States in May 2007. Ms. Yao has been qualified as a licensed U.S. certified public accountant since September 2008.

Mr. Du Geyang (杜戈陽), aged 38, was appointed as an independent non-executive Director on [●]. Mr. Du is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Du has 15 years of experience in the field of audit, financing and real estate development. From August 2002 to June 2010, Mr. Du served as a manager at the audit department of PricewaterhouseCoopers in Guangzhou. From June 2010 to November 2014, he served as the general manager of the financial management department and investment department at Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. From October 2014 to January 2018, Mr. Du served as the head of finance at a subsidiary of Galaxy Entertainment Group (a company listed on the Hong Kong Stock Exchange, stock code: 27). Since January 2018, Mr. Du has served as the senior investment director of Fusheng Group Company Limited (福晟集團有限公司), a real estate company, in Hong Kong.

Mr. Du graduated from South China University of Technology in July 2002 with a bachelor degree in business administration. He qualified as a Certified Public Accountant (non-practicing) in the PRC in March 2006.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold other positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (3) 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; and (4) 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 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The senior management team of our Group is comprised of the following:

Name	Age	Position	Date of joining our Group	Date of appointment as the senior management	Roles and responsibilities
ZHU Yanbin (朱炎彬)	37	Chief operating officer	December 3, 2013	March 16, 2018	business operation and development
LI Nini (李妮妮)	35	Vice president	December 3, 2013	March 16, 2018	business operation and project management

Mr. ZHU Yanbin (朱炎彬), aged 37, is the co-founder of our Group and the chief operating officer of our Company, mainly responsible for business operation and development our Group. He has served as the vice president of Youmin Networks since December 2013.

From June 2003 to December 2004, Mr. Zhu worked as a product manager at Shenzhen Xuntian Communication Technology Company Limited (深圳市訊天通信技術有限公司). From May 2005 to April 2006, he worked as a product manager at Shenzhen Haotian Investment Company Limited (深圳市浩天投資有限公司). From May 2006 to September 2007, he worked as a operation manager at

Guangzhou Rock Mobile Networks Company Limited (廣州滾石移動網絡有限公司). From September 2007 to December 2012, he worked as the vice president of operation at Shenzhen Dongrun Information Consultation Company Limited (深圳市東潤資訊諮詢有限公司), an advertising and consulting company, where he was mainly responsible for operation management.

Mr. Zhu obtained a graduate certificate in electronic commerce from Jinan University (暨南大學) in July 2003.

Ms. LI Nini (李妮妮), aged 35, is vice president of our Company, mainly responsible for the business operation and project management. She has served as vice president of Youmin Networks since December 2013.

From July 2009 to December 2012, she served as an operation manager at Shenzhen Dongrun Information Consultation Company Limited (深圳市東潤資訊諮詢有限公司), an advertising and consulting company.

Ms. Li graduated from Guangdong Ocean University with a bachelor degree in food science and engineering in June 2006 and graduate from Guangdong University of Technology with a master degree in food science and engineering in June 2009.

Each of senior management team members confirms with respect to himself/herself that he/she 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.

Joint Company Secretaries

Mr. **WANG Zaicheng (王在成)** was appointed as our joint company secretary on March 16, 2018. For details of her background, please refer to "Executive Directors" in this section.

Ms. KO Nga Kit (高雅潔), was appointed as one of our joint company secretaries on March 16, 2018. Ms. Ko currently serves as vice president of SW Corporate Services Group Limited, a professional services provider specializing in corporate services. She has over 25 years of experience in corporate services field. Ms. Ko is currently the company secretary of Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司) (Stock code: 1551), Bank of Gansu Co., Ltd. (甘肅銀行股份有限公司) (Stock Code: 2139), Digital Hollywood Interactive Limited (遊萊互動集團有限公司) (Stock Code: 2022), China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司) (Stock code: 2188), Zhejiang RuiYuan Intelligent Control Technology Company Limited (浙江瑞遠智控科技股份有限公司) (Stock code: 8249) and Changhong Jiahua Holdings Limited (長虹佳華控股有限公司) (Stock code: 8016).

Ms. Ko obtained a bachelor's degree in laws from the University of London, and a postgraduate diploma in corporate compliance from the University of Hong Kong School of Professional and Continuing Education. Ms. Ko is a fellow member of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to

the Listing Rules. The Audit Committee consists of three members, namely Ms. Yao Minru, Mr. Guo Jingdou and Mr. Du Geyang. Ms. Yao Minru has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director holding the appropriate professional qualifications. 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, risk management and internal control systems 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.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Mr. Guo Jingdou, Mr. Wu Junjie and Mr. Du Geyang. Mr. Guo Jingdou has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Liu, Mr. Guo Jingdou and Du Geyang. Mr. Liu has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of members of our Board.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Liu is our Chairman and chief executive officer. With extensive experience in the mobile internet industry and mobile game publishing industry, Mr. Liu is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since our establishment in 2013. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises four executive Directors (including Mr. Liu) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIRECTORS' REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information — C. Further Information about Our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V of the Document.

The aggregate amount of fees, salaries, allowances and retirement benefit scheme contributions we paid to our Directors in respect of the financial years ended December 31, 2015, 2016 and 2017 was RMB19.3 million, RMB1.9 million and RMB1.9 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Note 33 in the Accountant's Report set out in Appendix I to the Document.

During the Track Record Period, no remuneration was paid to our Directors by our Group as an inducement to join or upon joining our Group. No compensation was paid or payable to our Directors or past Directors during the Track Record Period for the loss of office as 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. None of our Directors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2018 is expected to be approximately RMB1.5 million.

The five highest paid individuals of our Group for the financial years ended December 31, 2015, 2016 and 2017 included two, two and nil Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended December 31, 2015, 2016 and 2017, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining three, three and five highest paid individuals who are neither Directors nor chief executives of our Group were RMB11.9 million, RMB3.1 million and RMB3.3 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid or payable to such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

RSU SCHEME

We adopted the RSU Scheme on February 28, 2018. The principal terms of the aforementioned scheme are summarized in the section headed "Statutory and General Information — D. RSU Scheme and Share Option Scheme" in Appendix IV to this document.

SHARE OPTION SCHEME

We [adopted] the Share Option Scheme on [●]. The principal terms of the aforementioned scheme are summarized in the section headed "Statutory and General Information — D. RSU Scheme and Share Option Scheme" in Appendix IV to this document.

COMPLIANCE ADVISER

We have appointed Messis Capital Limited as our compliance adviser (the "Compliance Adviser") upon the Listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice when consulted by our Company in relation to the followings:

- the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we procure to use the proceeds from the **[REDACTED]** in a manner different from that detailed in the Document or where its business activities, developments or results deviate from any forecast, estimate, or other information in the Document; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movement in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued under the **[REDACTED]** or the Share Option Scheme), the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company that would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the number of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

(a) Interests in Shares of our Company

Name	Capacity/Nature of Interest	Number of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of the [REDACTED]	Approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED] (assuming [REDACTED] is not exercised)	Approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED] (assuming [REDACTED] is fully exercised)
Mr. Liu[2]	Interest in a controlled corporation	64,486,000	**[REDACTED]**[L][1]	**[REDACTED]**%	**[REDACTED]**%
LJ Technology Holding	Beneficial owner	64,486,000	**[REDACTED]**[L][1]	**[REDACTED]**%	**[REDACTED]**%
Mr. Zhu[3]	Interest in a controlled corporation	13,585,000	**[REDACTED]**[L][1]	**[REDACTED]**%	**[REDACTED]**%
ZYB Holding	Beneficial owner	13,585,000	**[REDACTED]**[L][1]	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) LJ Technology is wholly-owned by Mr. Liu. Thus, Mr. Liu is deemed to be interested in the same number of Shares in which LJ Technology is interested by virtue of the SFO.

(3) ZYB Holding is wholly-owned by Mr. Zhu. Thus, Mr. Zhu is deemed to be interested in the same number of Shares in which ZYB Holding is interested by virtue of the SFO.

(b) Interests in Shares of other members of our Group

Name of Director or chief executive	Nature of Interest	Associated corporation	Percentage of shareholding in the associated corporation
Mr. Liu	Benificial owner	LJ Technology Holding	100%
	Benificial owner	Youmin Networks	68.86%
	Interest in controlled corporation	Zhuhai Jugu	5.19%
Mr. Wu Junjie	Benificial owner	ACERY Holding	100%
	Benificial owner	Youmin Networks	2.08%
	Interest in controlled corporation	Zhuhai Sangu	10.38%
Mr. Wang Zaicheng	Benificial owner	KW Technology Holding	100%

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be issued under the **[REDACTED]** or the Share Option Scheme, have any interest and/or short positions in the Shares or underlying shares of our Company that would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at subsequent date result in a change of control of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the **[REDACTED]**:

Authorized share capital

Number of Shares	Aggregate nominal value of Shares (US$)
10,000,000,000	50,000

Issued and to be issued, fully paid or credited or fully paid:

The issued share capital of our Company immediately following the completion of the **[REDACTED]** and **[REDACTED]** and before any exercise of the **[REDACTED]** will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares (US$)
1,500,000,000	Shares in issue as of the date of this document	7,500
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	**Total**	**[REDACTED]**

ASSUMPTIONS

The above table assumes that the **[REDACTED]** becomes unconditional and Shares are issued pursuant to the **[REDACTED]**. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The **[REDACTED]** will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several 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 the provisions of the Cayman Companies Law reduce its share capital by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Law — Summary of the Constitution of the Company — Articles of Association — Alteration of capital" in Appendix IV to this document for further details.

RSU SCHEME

We adopted the RSU Scheme on February 28, 2018. The principal terms of the aforementioned scheme are summarized in the section headed "Statutory and General Information — D. RSU Scheme and Share Option Scheme" in Appendix IV to this document.

SHARE OPTION SCHEME

We [adopted] the Share Option Scheme on [●]. The principal terms of the aforementioned scheme are summarized in the section headed "Statutory and General Information — D. RSU Scheme and Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of issued share of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the **[REDACTED]**; and
- the total number of Shares repurchased by us (if any) under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — A. Further Information about our Company, Subsidiaries and PRC Operating Entities — 4. Resolutions of the shareholders of our Company dated [●] 2018" in Appendix IV to this document for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own

securities with nominal value of up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]**.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Company, Subsidiaries and PRC Operating Entities — 5. Repurchase of our own securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — A. Further Information about our Company, Subsidiaries and PRC Operating Entities — 5. Repurchase of our own securities" in Appendix IV to this document for further details of the repurchase mandate.

You should read the following discussion and analysis in conjunction with our audited combined financial information as of and for the years ended December 31, 2015, 2016 and 2017 included in "Appendix I — Accountant's Report" to this Document, together with the accompanying notes. Our combined financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this Document.

OVERVIEW

We are a leading mobile game publisher in China. We ranked tenth among all mobile game publishers, and fifth among third-party mobile game publishers, in China as measured by 2017 gross billings, according to the CIC Report. As a pioneer in China's SLG game publishing industry, we ranked first among all SLG mobile game publishers in China with a market share of 9.8% as measured by 2017 gross billings, and we had six titles among the top 20 SLG games in 2017 in terms of average monthly gross billing, according to the same source.

Since our inception in December 2013 and as of the Latest Practicable Date, we had officially launched 40 mobile games. We believe that our keen ability to identify and source game content with significant potential enabled us to release a number of commercially successful games during the Track Record Period. As of the Latest Practicable Date, our game portfolio included seven major titles, which collectively accounted for approximately 66.0%, 91.4% and 96.2% of our total revenue for the years ended December 31, 2015, 2016 and 2017, respectively. Among these seven titles, six generated average monthly gross billings of RMB10 million or above, and three generated average monthly gross billings of RMB20 million or above, in 2017. We continue to invest significant resources in the expansion of our game portfolio. As of the Latest Practicable Date, we had a robust pipeline of games, of which we expect to officially launch eight new titles in 2018 (one of which was officially launched in March 2018) and an additional six to eight new titles in 2019.

We experienced significant growth during the Track Record Period, which we believe was primarily attributable to our ability to achieve strong player retention over long game lifecycles, high conversion rates and effective monetization. Our revenue increased from RMB275.8 million in 2015 to RMB984.8 million in 2016, and further to RMB1,197.2 million in 2017, representing a CAGR of 108.4%. Our profit for the year in 2015, 2016 and 2017 amounted to RMB3.4 million, RMB216.6 million and RMB240.8 million, respectively. Our adjusted profit for the year in 2015, 2016 and 2017 amounted to RMB31.5 million, RMB216.6 million and RMB246.5 million, respectively, representing a CAGR of 179.7%.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on January 9, 2018 as an exempted company with limited liability. Our Company is an investment holding company and, together with our subsidiaries (our "Group") are principally engaged in the mobile game operation and publishing business (the "Listing Business") in China.

Immediately prior to and after the Reorganization, the Listing Business was carried out by the PRC Operating Entities which were under the control of the Controlling Shareholders of our Company. Pursuant to the Reorganization, both the Listing Business and the PRC Operating Entities are under the effective control of Binyou Networks, our wholly foreign owned entity, and ultimately of our Company through the Contractual Arrangements. Our Company and Binyou Networks had not been involved in any business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or the ultimate controlling party of the Listing Business. See "History, Reorganization and Corporate Structure." Accordingly, the combined financial information of our Group is presented using the carrying values of the Listing Business for all years presented as if the current group structure had been in existence throughout the period, or since the respective dates of incorporation/establishment of the companies comprising our Group, or since the date when the companies comprising our Group first came under the control of the Controlling Shareholders, whichever is earlier. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Key factors affecting our results of operations include the following:

- *Method of game publication*. We publish our games independently and through other game publishers under co-publishing arrangements. Where we self-publish a game, we bear the sales and marketing expenses in relation to promoting the game. Where we publish a game through a co-publisher, such expenses are mostly borne by the co-publisher and, accordingly, we recognize their fees as commission charges paid to our co-publishers under our cost of revenue. Our commission charges paid to co-publishers increased over the Track Record Period as we released a number of mobile games through co-publishers to benefit from their market resources and user bases. As such, consistent with industry norms, our gross margin for self-published games is significantly higher than for co-published games. As a result, our gross profit and gross profit margin may fluctuate from period to period due to the revenue mix of our games in terms of method of game publication. Going forward, we will seek to maintain a balanced mix between self-published games and co-published games.

- *Continuing diversification of game portfolio*. Our first major title was *Tank Frontline* (坦克前線), an SLG game that was officially launched in July 2014. As a result of our continued ability to release a number of successful titles, several of which have enjoyed long lifecycles, our results of operations have not been reliant on the performance or life span of any single game. In 2015, 2016 and 2017, we had one, four and six games, respectively, that generated average monthly gross billings over RMB10 million. This continued

diversification of our revenue sources has had the effect of reducing our concentration risks, enabling us to maintain balance and stability in our financial results.

- *Game genre mix*. Historically, we have focused on SLG games and we relied on SLG games as a significant source of our revenue during the Track Record Period. In general, SLG games have longer lifecycles and more predictable and steady revenue streams, but may require a longer investment period (in terms of sales and marketing) and have lower ARPPU compared with genres such as ARPG and MMORPG games, according to the CIC Report. While we will continue to focus primarily on SLG games and solidifying our overall leadership position in the SLG segment, we expect to publish additional cross-over genres such as SLG/card games as we continue to diversify our game portfolio. See "Business — Competitive Strengths — Extensive and diversified portfolio with robust pipeline". As a result, a change in the game genre mix in terms of revenue will affect our revenue growth, gross margins and net margins.

- *Timing and success of game launches.* For the years ended December 31, 2015, 2016 and 2017, we officially launched one, three and one major titles. Overall in 2018, we expect to officially launch eight titles, including six SLG and SLG cross-over games, with an additional six to eight titles expected to be officially launched in 2019. See "Business — Competitive Strengths — Extensive and diversified portfolio with robust pipeline". We believe these titles will generate considerable gross billings and, accordingly, we intend to allocate significant sales and marketing budgets ahead of and in connection with the launch of these major games. The timing of a new game launch may have a significant impact on the performance and popularity of a game. Accordingly, the growth of our revenue and profit for the year will be affected by the number of major titles that we launch in a year, the timing of such launches, the amount of our sales and marketing budget, and the level of success of our games.

- *Level of income tax and preferential tax treatment*. Our profit for the year attributable to equity holders is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. During the Track Record Period, six of our PRC Operating Entities were eligible for preferential tax treatment. Our profitability during the Track Record Period was therefore impacted by changes in the applicable tax rate.

- *Seasonality*. Our business is subject to seasonal patterns. We generally experience increased levels of activity for our mobile games during major holidays in China, such as Chinese New Year, and school vacations when our DAUs are higher. This rise in gameplay is generally preceded by increased levels of in-game spending among paying users within the several weeks ahead of such major holidays as we typically conduct more marketing and promotional activities to capitalize on the anticipated increased player traffic occurring over the holidays. The timing of the Chinese New Year holiday, in particular, has had a significant impact on our financial position for each fiscal year during the Track Record Period. In addition to major holidays, we also experience significantly increased levels of gameplay and in-game spending from time to time driven by launches of our large-scale marketing and promotional events. See "— Certain Balance Sheet Items". Accordingly, due to the seasonality of our business, the results of any period of a

fiscal year are not necessarily indicative of the results that may be achieved for the full fiscal year or for the corresponding period of any subsequent fiscal year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our combined financial information in accordance with IFRS, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the combined financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the following policies to be critical to an understanding of our combined financial information as their application places the most significant demands on our management's judgment.

Revenue Recognition

Our revenues are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Game publishing service revenue

We are a publisher of online mobile games developed by third party game developers or our own through commissioned development arrangements. We license online games from game developers and earn game publishing service revenue by publishing them to the game players through our distribution platforms, include major online platforms and application stores (installed in mobile telecommunications devices) (collectively referred to as "Platforms"), and our self-operated platform. The games licensed to us are operated under a free-to-play model whereby game players can play the games free of charge and are charged for the purchase of game tokens or other virtual items via payment channels, such as the various mobile carriers and third-party internet payment systems (collectively referred to as "payment channels").

Principal Agent Consideration

Third party developed games

Proceeds earned from selling game tokens and other virtual items are shared between us and game developers, with the amount payable to game developers generally calculated based on face value of game tokens or other virtual items determined by game developers, after deducting certain deductible fees and multiplied by a predetermined percentage for each game. The deductible fees are predetermined and negotiated game by game, including the fees to be shared with the Platforms and payment handling costs charged by the payment channels.

With respect to our game licenses arrangements entered into during the Track Record Period, the game developers have the primary responsibilities for the hosting and maintenance of the game servers and providing the game content to the game players and the game developers have the right to determine the pricing of in-game virtual items and the specification, modification or any update of the game themselves or as proposed by us. Our responsibilities to the game developers are publishing, providing payment solution, market promotion service, customer service and maintaining the access portal network. Both the game developers and us have responsibilities to ensure the game players can continue to gain access to the mobile game to get the games experience and benefit after the sale of the virtual items. Therefore, our service obligations as a publisher to the game developers are also directly linked to each user's engagement. We consider for each sharing of payment made by the game player, it has implied obligation to maintain the access portal network for certain period for the game player to access to the game. Accordingly, we record the game publishing service revenue from in-game payments for these licensed games, net of amounts paid to game developers and recognized the revenue over the estimated average playing period of paying players ("Player Relationship Period").

Games operated by us are in the form of self-operation on our self-operated platform and cooperation with the Platforms, under which we are responsible for determining the Platforms and payment channels, and providing customer services as well as marketing activities. For games self-operated by us, payment channels are responsible for payment collections. For games cooperated with the Platforms, the Platforms are responsible for distribution, platform maintenance, paying player authentication and payment collections related to the games. As we are solely responsible for identifying, contracting with and maintaining the relationships of the Platforms and payment channels, commission fees payable to the Platforms and payment channels are included in cost of revenues and presented on a gross basis. We consider we are the primary obligor to the game developers for the reasons identified above as we have been given latitude by the game developers in selecting different Platforms and payment channels for our services to the game developers.

Different from the above analysis, for games cooperated with iOS App Store, the game developers are fully aware of iOS App Store's roles and responsibilities. We consider that iOS App Store and us provide services to the game developers together, as we do not have the latitude in selecting and negotiating with iOS App Store and do not have the primary responsibility to game developers for the service provided by them. Commissions charged by iOS App Store are deducted from our revenue.

Commissioned-developed games

We commissioned third-party game developers to develop mobile games based on our instruction. Under the game development and operation arrangement, we own the commissioned-developed games' copyrights and other intellectual property, and take primary responsibilities of game development and game operation, including designing, development, and updating of the games including the game content, as well as the pricing of virtual items, providing on-going updates of new contents and bug fixing, determining the Platforms and payment channels, and providing customer services. Under this type of agreement, we consider ourselves the principal in this arrangement to the game players. Accordingly, we record the online game revenue from these games on a gross basis. Commission fees payable to the game developers and the Platforms, and payment handling costs charged by payment channels are recorded as cost of revenue.

Timing of Revenue Recognition

Third party developed games

We have a continuing implied obligation to game developers and game players, therefore, for the purposes of determining when services have been provided to the respective players, we estimate the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. Revenues of game publishing service are recognized ratably over the Player Relationship Period for a specific game. If there are insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, we estimate the Player Relationship Period based on other similar types of games developed by third-party developers until the new game establishes its own patterns and history. We consider the games profile, target audience, and appeal to players of different demographics groups in estimating the Player Relationship Period.

Commissioned-developed games

Revenue of commissioned-developed games are recognized ratably over the Player Relationship Period or as the consumable virtual items are consumed.

If we do not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, we recognize revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period, which is similar to the policy for timing of revenue recognition of third party developed games.

Contract Costs and Contract Liabilities

Contract liabilities primarily consists of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by us over time.

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortized commissions charged by the Platforms and game developers.

Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where our subsidiaries and associates operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Inside Basis Differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Outside Basis Differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Generally we are unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives us the ability to control the reversal of the temporary difference not recognized.

Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

SUMMARY OF RESULTS OF OPERATIONS

Combined Statements of comprehensive income

The following table sets for selected combined statements of comprehensive income for the period indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Revenue	275,789	100.0	984,777	100.0	1,197,230	100.0
Cost of revenue	(130,407)	(47.3)	(392,349)	(39.8)	(472,853)	(39.5)
Gross Profit	**145,382**	**52.7**	**592,428**	**60.2**	**724,377**	**60.5**
Selling and marketing expenses	(86,459)	(31.3)	(335,124)	(34.0)	(389,771)	(32.6)
Administrative expenses	(31,128)	(11.3)	(16,879)	(1.7)	(29,168)	(2.4)
Research and development expenses	(25,814)	(9.4)	(59,030)	(6.0)	(42,020)	(3.5)
Other income	2,001	0.8	2,268	0.2	7,788	0.7
Other gains/(losses), net	373	0.1	6,301	0.6	(294)	(0.0)
Operating profit	**4,355**	**1.6**	**189,964**	**19.3**	**270,912**	**22.7**
Finance income	10	0.0	108	0.0	1,692	0.1
Profit before tax	**4,365**	**1.6**	**190,072**	**19.3**	**272,604**	**22.8**
Income tax (expense)/credit	(973)	(0.4)	26,498	2.7	(31,812)	(2.7)
Profit for the year attributable to owners of the Company	**3,392**	**1.2**	**216,570**	**22.0**	**240,792**	**20.1**
Adjusted profit before tax[(1)] (unaudited)	**32,477**	**11.8**	**190,072**	**19.3**	**278,350**	**23.3**
Adjusted profit for the year[(1)] (unaudited)	**31,504**	**11.4**	**216,570**	**22.0**	**246,538**	**20.6**

(1) See "— Non-IFRS Measures".

NON-IFRS MEASURES

In addition to the IFRS measures in our combined financial statements, we also use the non-IFRS financial measure of adjusted profit before tax and adjusted profit for the year to evaluate our operating performance. We believe these non-IFRS measures provide useful information to investors in understanding and evaluating our combined results of operations in the same manner as our management in comparing financial results across accounting periods and to those of our peer companies.

Adjusted profit before tax and adjusted profit for the year exclude the effect of (i) share-based compensation to our key employees; (ii) expenses we incurred in preparation of the Listing. The use

of adjusted profit before tax and adjusted profit for the year have material limitations as an analytical tool, as adjusted profit before tax and adjusted profit for the year do not include all items that have affected our profit before tax and profit for the year in the relevant periods. We compensate for these limitations by reconciling adjusted profit before tax and adjusted profit for the year to the nearest IFRS performance measures, profit before tax and profit for the year. The following table reconciles our adjusted profit before tax and adjusted profit for the year for the periods presented to our profit before tax for those periods:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Profit before tax	4,365	1.6	190,072	19.3	272,604	22.8
Add: Share-based compensation	28,112	10.2	–	–	–	–
[REDACTED] expenses	–	–	–	–	**[REDACTED]**	**[REDACTED]**
Adjusted profit before tax (unaudited)	**32,477**	**11.8**	**190,072**	**19.3**	**278,350**	**23.3**
Income tax (expense)/credit	(973)	(0.4)	26,498	2.7	(31,812)	(2.7)
Adjusted profit for the year (unaudited)	**31,504**	**11.4**	**216,570**	**22.0**	**246,538**	**20.6**

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider the adjusted profit before tax and adjusted profit for the year in isolation or as a substitute for our profit before tax, profit for the year or any other operating performance measure that is calculated in accordance with IFRS. In addition, as different companies may calculate adjusted profit before tax and adjusted profit for the year differently, these measures may not be comparable to the adjusted profit before tax and adjusted profit for the year figures of other companies.

DESCRIPTION OF KEY COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We generate all of our revenue from the sale of virtual items in the mobile games that we publish. Our revenue was RMB275.8 million, RMB984.8 million and RMB1,197.2 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Revenue by Games

During the Track Record Period, we published 40 mobile games. Certain of our major games have been stable revenue sources and have contributed to a substantial majority of our revenue during the Track Record Period. Our seven major games collectively accounted for approximately 66.0%, 91.4% and 96.2% of our total revenue for the years ended December 31, 2015, 2016 and 2017, respectively. *Tank Frontline* (坦克前線), officially launched in July 2014 and one of our most popular games to date, has been our highest revenue generating game for each of the years ended December 31, 2015, 2016 and 2017 with revenues of RMB131.2 million, RMB453.1 million and

RMB414.8 million, respectively, accounting for 47.6%, 46.0% and 34.6% of our total revenue for the same years, respectively. The following table sets forth a breakdown of our revenue by our seven major games for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Tank Frontline (坦克前線)	131,161	47.6	453,117	46.0	414,817	34.6
Romance of Stars (星辰奇緣)(1)	–	–	119,954	12.2	191,278	16.0
Super Fleet (超級艦隊)	19,290	7.0	191,722	19.5	176,282	14.7
My Duty (我的使命)(2)	–	–	–	–	116,716	9.7
Three Heroes (超級群英傳)	31,440	11.4	101,673	10.3	103,089	8.6
Wartime (戰爭時刻)(3)	–	–	16,158	1.6	86,287	7.2
The Age of Rome (羅馬時代)(4)	–	–	17,407	1.8	63,408	5.4
Others(5)	93,898	34.0	84,746	8.6	45,353	3.8
Total	**275,789**	**100.0**	**984,777**	**100.0**	**1,197,230**	**100.0**

(1) *Romance of Stars* (星辰奇緣) was officially launched in January 2016.

(2) *My Duty* (我的使命) was officially launched in January 2017.

(3) *Wartime* (戰爭時刻) was officially launched in April 2016.

(4) *The Age of Rome* (羅馬時代) was officially launched in June 2016.

(5) Include 27, 30 and 30 games for the respective periods. In 2015, 2016 and 2017, none of the games in "others" individually accounted for more than 3.0% of our total revenue for the respective period, except that in 2015, we generated RMB 28.2 million from *Red Tank* (坦克風雲), RMB15.0 million from *The Legend of Cao Cao* (蜂鳥五虎將) and RMB14.0 million from *Fantasy Westward Journey* (夢幻西遊), accounting for 10.2%, 5.4% and 5.1% of our total revenue for the same year, respectively.

Revenue by Method of Publication

During the Track Record Period, we published our games both independently and through co-publishers:

- *Self-publishing*. We generally self-publish mobile games through a third-party distribution platform, iOS App Store, and on our self-operated platform. We are responsible for game optimization, marketing, promotion and distribution, as well as handling user support services and other related services.

- *Co-publishing*. We publish mobile games through co-publishers where we determine that the game will benefit from a co-publisher's resources and user base. Our co-publishers include other game publishers like us and Android app operators. We select our co-publishers based on factors including industry experience, scale of user base, and market resources. Under our co-publishing agreements, our co-publishers are typically authorized to publish, promote and operate our games.

The following table sets forth a breakdown of our revenue by method of publication for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Self-publishing	76,930	27.9	427,461	43.4	571,325	47.7
Co-publishing	198,859	72.1	557,316	56.6	625,905	52.3
Total	**275,789**	**100.0**	**984,777**	**100.0**	**1,197,230**	**100.0**

Cost of Revenue

The following table sets forth a breakdown of our revenue by method of publication for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Self-publishing[(1)]	4,907	1.8	11,651	1.2	48,692	4.1
Co-publishing[(1)]	125,500	45.5	380,698	38.6	424,161	35.4
Total	**130,407**	**47.3**	**392,349**	**39.8**	**472,853**	**39.5**

(1) Costs like commission charges paid to game developers, and employee compensation and benefits are allocated between the two different methods of publication in proportion to the revenue generated by each such method and may not be accurate.

Our cost of revenue primarily consist of commission charges by third-party co-publishers, payment channels, a distribution platform (iOS App Store) and game developers, as well as employee compensation and benefits. Our cost of revenue amounted to RMB130.4 million, RMB392.3 million and RMB472.9 million, respectively, accounting for 47.3%, 39.8% and 39.5% of our revenue for the same periods, respectively.

The following table sets forth a breakdown of our cost of revenue by component for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Commission charges						
— Co-publishers	118,163	42.8	371,071	37.7	412,928	34.5
— Distribution platform[1]	–	–	–	–	22,614	1.9
— Game developers[2]	–	–	–	–	17,292	1.4
— Payment channels[3]	2,054	0.7	4,389	0.4	3,923	0.3
Subtotal	120,217	43.5	375,460	38.1	456,757	38.1
Employee benefit expenses	8,092	3.0	11,249	1.1	7,809	0.7
Tax surcharges	900	0.3	1,604	0.2	2,950	0.2
Others[4]	1,198	0.5	4,036	0.4	5,337	0.5
Total	130,407	47.3	392,349	39.8	472,853	39.5

(1) Commission charges to distribution platform represents commission charges paid to iOS App Store primarily in relation to the self-publishing of *My Duty* (我的使命), which we obtained through commissioned development. For details, see "Business — Game Development — Commissioned Development."

(2) Commission charges to game developer represents commission charges paid to a third-party game developer we commissioned to develop *My Duty* (我的使命). For details, see "Business — Game Development — Commissioned Development."

(3) commission charges to payment channels are related to self-published games distributed through our self-operated platform.

(4) Others primarily include bandwidth costs and server rental expenses.

Commission Charges

We adopt revenue sharing arrangements with third-party co-publishers, distribution platform, game developers and payment channels and recognize commission fees paid to them in our costs of revenue. Our commission charges amounted to RMB120.2 million, RMB375.5 million and RMB456.8 million for the years ended December 31, 2015, 2016 and 2017, respectively.

- *Commission charges paid to co-publishers.* Our commission charges paid to co-publishers increased over the Track Record Period as we released a number of mobile games through co-publishers to benefit from their market resources and user bases. A substantial portion of our cost of revenue consisted of commission charges paid to our co-publishers, which amounted to RMB118.2 million, RMB371.1 million and RMB412.9 million for the years ended December 31, 2015, 2016 and 2017, respectively, accounting for 90.6%, 94.6% and 87.3% of our total cost of revenue for the same periods, respectively. In line with such increase, our commission charges paid to co-publishers as a percentage of our total cost of revenue increased from 2015 to 2016.

- *Other commission charges.* In addition to co-publishers, we also incur commission charges paid to our distribution platform, game developers and payment channels. In 2017, other commission charges also included those paid to iOS App Store and third party game developer, primarily in relation to *My Duty* (我的使命), which we obtained through commissioned development. For details, see "Business — Game Development — Commissioned Development."

Employee Benefit Expenses

Employee benefit expenses represent the compensation and benefits for employees involved in the publishing of our games.

Tax Surcharges

Our business operations are subject to certain surcharges and primarily consist of city construction tax and education surcharges, which are based on actual VAT payments.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2015, 2016 and 2017, our gross profit was RMB145.4 million, RMB592.4 million and RMB724.4 million, respectively. Our gross profit margin was 52.7%, 60.2% and 60.5% for the years ended December 31, 2015, 2016 and 2017, respectively. The following table sets forth our gross profit breakdown and gross profit margin by method of publication for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in thousands of RMB, except percentages)					
Self-publishing	72,023	93.6	415,810	97.3	522,633	91.5
Co-publishing	73,359	36.9	176,618	31.7	201,744	32.2
Total	**145,382**	**52.7**	**592,428**	**60.2**	**724,377**	**60.5**

Where we self-publish a game, we bear the promotional expenses under selling and marketing expenses in relation to marketing the game. Where we publish a game through a co-publisher, such expenses are mostly borne by the co-publisher and, accordingly, we recognize their fees as commission charges paid to our co-publishers under cost of revenue.

For self-published games, we generally present commission charges paid to payment channels and employee compensation and benefits, among others, as cost of revenue according to relevant accounting policies. For the years ended December 31, 2015, 2016 and 2017, we generated 27.9%, 43.4% and 47.7% of our total revenue from self-published games.

For co-published games, we generally present commission charges paid to co-publishers, and employee compensation and benefits, among others, as cost of revenue according to relevant

accounting policies. Commission charges paid to co-publishers accounting for 90.6%, 94.6% and 87.3% of our total cost of revenue for the years ended December 31, 2015, 2016, and 2017, respectively. For the years ended December 31, 2015, 2016 and 2017, we generated 72.1%, 56.6% and 52.3% of our total revenue from co-published games.

Due to the foregoing, the gross profit margins for our self-published games are significantly higher than our gross profit margins for our co-published games. As such, the increase in our gross profit margin from 2015 to 2017 is in line with the increase in the revenue contribution from our self-published games.

Other Income

Our other income primarily consists of government grants. For the years ended December 31, 2015, 2016 and 2017, our other income was RMB2.0 million, RMB2.3 million and RMB7.8 million, respectively.

During the Track Record Period, we received government grants in the form of cash subsidies from local government authorities and these government grants were provided in support of our business development generally.

Other Gains/(Losses), Net

Our other gains/(losses) consist primarily of foreign exchange gains/losses in relation to our transactions with iOS App Store, which are settled in U.S. dollars, and interest income from wealth management products classified as financial assets at fair value through profit or loss. We had net losses of RMB0.3 million for the year ended December 31, 2017. For the year ended December 31, 2015 and 2016, we had net gains of RMB0.4 million and RMB6.3 million, respectively. The following table sets forth the breakdown of our other gains/(losses) for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Investment income from wealth management products classified as financial assets at fair value through profit or loss	48	0.0	454	0.0	6,010	0.5
Net foreign exchange gains/(losses)	330	0.1	5,702	0.6	(6,238)	(0.5)
Others	(5)	0.0	145	0.0	(66)	0.0
Total	**373**	**0.1**	**6,301**	**0.6**	**(294)**	**0.0**

Our investment income from wealth management products classified as financial assets at fair value through profit or loss, representing the investment income we received from wealth management products issued by commercial banks, amounted to RMB48,000, RMB0.5 million and RMB6.0

million for the years ended December 31, 2015, 2016 and 2017, respectively. As of December 31, 2017, all of such wealth management products were fully redeemed. Going forward, we do not plan to purchase such wealth management products. For more information, see "—Certain Balance Sheet Items—Financial Assets at Fair Value Through Profit or Loss."

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of promotional expenses and employee benefit expenses for our sales and marketing related employees. For the years ended December 31, 2015, 2016 and 2017, our selling and marketing expenses were RMB86.5 million, RMB335.1 million and RMB389.8 million, respectively, accounting for 31.3%, 34.0% and 32.6% of our total revenue for the same periods, respectively. The following table sets forth the components of our selling and marketing expenses for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Promotional expenses	78,673	28.5	328,748	33.4	382,711	32.0
Employee benefit expenses(1)	6,962	2.5	5,331	0.5	5,446	0.5
Others(2)	824	0.3	1,045	0.1	1,614	0.1
Total	**86,459**	**31.3**	**335,124**	**34.0**	**389,771**	**32.6**

(1) Including RMB3.9 million of share-based compensation in 2015, when one of our founders transferred 14.5% equity interests in Youmin Networks, at an aggregate cash consideration of RMB3.5 million, to our key employees. There was no future service conditions attached to the award, and therefore the share-based compensation were immediately vested. Accordingly, we recorded a share-based compensation charge of RMB28.1 million (of which RMB3.9 million was recorded as selling and marketing expenses and RMB24.2 million was recorded as administrative expenses), being the difference between the consideration and the fair value of the equity interests.

(2) Others consist of depreciation expenses and office charges.

Promotional expenses, which are generally incurred in connection with marketing channels for our self-publishing games, primarily relate to our promotional activities on a diversified range of channels, including social networking websites and application marketplaces. We generally incur significant amount of promotional expenses for user acquisition and maintenance.

Administrative Expenses

Our administrative expenses consist primarily of employee benefit expenses related to our management and administrative employees, office expenses, office rental expenses, service fees and **[REDACTED]** expenses. For the years ended December 31, 2015, 2016 and 2017, our administrative expenses were RMB31.1 million, RMB16.9 million and RMB29.2 million, respectively, accounting for 11.3%, 1.7% and 2.4% of our total revenue for the same periods, respectively. The following table sets forth the components of our administrative expenses for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Employee benefit expenses[(1)]	28,054	10.2	5,162	0.6	7,368	0.6
Office rental expenses	422	0.2	2,289	0.2	4,047	0.3
Office charges	517	0.2	1,382	0.1	2,699	0.2
Service fees[(2)]	665	0.2	3,111	0.3	3,401	0.3
[REDACTED] expenses	–	–	–	–	**[REDACTED]**	**[REDACTED]**
Others[(3)]	1,470	0.5	4,935	0.5	5,907	0.5
Total	**31,128**	**11.3**	**16,879**	**1.7**	**29,168**	**2.4**

(1) Including RMB24.2 million of share-based compensation in 2015, when one of our founders transferred 14.5% equity interests in Youmin Networks, at an aggregate cash consideration of RMB3.5 million, to our key employees. There was no future service conditions attached to the award, and therefore the share–based compensation were immediately vested. Accordingly, we recorded a share-based compensation charge of RMB28.1 million (of which RMB3.9 million was recorded as selling and marketing expenses and RMB24.2 million was recorded as administrative expenses), being the difference between the consideration and the fair value of the equity interests.

(2) Service fees consist primarily of statutory auditing expenses and IP agent fees, among others.

(3) Others consist of depreciation and amortization and entertainment and traveling expenses.

Employee benefit expenses, which represent compensation and benefit for management and administrative employees, increased significantly over the Track Record Period primarily due to the increase in our headcount and average compensation for employees as a result of the expansion of our operations.

Our office expenses, which primarily represent utility fees, and our office rental expenses also increased over the Track Record Period in line with the increase in our headcount and our overall business expansion. Service fees primarily represent fees paid to game registration agents. **[REDACTED]** expenses represent fees paid to professional parties in connection with the Listing.

Research and Development Expenses

Our research and development expenses primarily consist of employee benefit expenses for our in-house research and development employees for game publishing and commissioned development expenses. For the years ended December 31, 2015, 2016 and 2017, our research and development expenses were RMB25.8 million, RMB59.0 million and RMB42.0 million, respectively, accounting

for 9.4%, 6.0% and 3.5% of our total revenue for the same periods, respectively. The following table sets forth the components of our research and development expenses for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of RMB, except percentages)					
Employee benefit expenses	10,101	3.7	16,929	1.7	22,404	1.8
Commissioned development expenses	14,414	5.2	38,809	4.0	16,311	1.4
Others[1]	1,299	0.5	3,292	0.3	3,305	0.3
Total	**25,814**	**9.4**	**59,030**	**6.0**	**42,020**	**3.5**

(1) Others consist mainly of raw material expenses and depreciation and amortization expenses.

Employee benefit expenses represent compensation and benefits for our in-house research and development employees for game publishing, who are primarily responsible for the continued improvement of our user data analytics, game testing system, payment collection, and other related activities. Commissioned development expenses represent fees paid to third-party game developers commissioned for the development of our games. Our commissioned development expenses in 2016 was higher than those in 2015 and 2017 because to diversify our game sourcing channels, we commissioned the development of a number of games, of which *My Duty* (我的使命) was the only one major game officially launched. We became more selective in our commissioned game development in 2017 and our commissioned development expense decreased in the same year.

Finance Income

Our finance income represents interest income on bank balance. Our net finance income was RMB10,000, RMB0.1 million and RMB1.7 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Income Tax Expense/(Credit)

Our income tax consist of current income tax and deferred income tax. Our income tax expenses were RMB1.0 million and RMB31.8 million for the years ended December 31, 2015 and 2017, respectively and our effective tax rate was 22.3% and 11.7% for the same periods, respectively. For the year ended December 31, 2016, we recorded income tax credit of RMB26.5 million and our effective tax rate was (13.9)% for the same year. The following table sets forth our income tax expense/(credit) for the periods indicated:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Current income tax	725	3,177	30,411
Deferred income tax	248	(29,675)	1,401
Income tax expense/(credit)	**973**	**(26,498)**	**31,812**

The significant changes in our income tax expense/(credit) during the Track Record Period was primarily as a result of (i) the significant growth of our profit before tax, (ii) significant amount of contract costs and contract liabilities[(1)], and (iii) the tax rate changes of Youmin Networks, one of our primary PRC Operating Entities, in 2017, details of which are discussed later in this section.

For the years ended December 31, 2015, 2016 and 2017, our current income tax amounted to RMB0.7 million, RMB3.2 million and RMB30.4 million, respectively. The increase of our current income tax from 2015 to 2016 was in line with our increased profit before tax. The significant increase in the year of 2017 was mainly due to the tax rate change in Youmin Network from nil to 25%.

For the years ended December 31, 2015 and 2017, our deferred tax expenses amounted to RMB0.2 million and RMB1.4 million, respectively. For the year ended December 31, 2016, we recorded a deferred tax credit of RMB29.7 million. The significant deferred tax credit in 2016 was primarily due to the impact of tax rate change in 2017 on contract costs and contract liabilities. Specifically, the contract costs and contract liabilities we recognized as at December 31, 2016 were included in calculating income tax expenses on a tax base for 2016, when Youmin Networks was exempt from EIT. For calculating income tax expenses on an accounting base, however, such contract costs and contract liabilities as at December 31 2016 were recognized in profit or loss for 2017, when Youmin Networks was subject to a tax rate of 25%. As a result, the difference in tax rate on such temporary difference resulted in a deferred tax credit recognized in 2016.

As of the Latest Practicable Date, we did not have any disputes with any tax authority. We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in China.

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for each of the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

(1) Also referred as deferred cost and deferred revenue.

Guangzhou Miyuan was qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law since 2016. Accordingly, it is entitled to a preferential EIT rate of 15% for the three-year period commencing in 2016. The applicable tax rate was 15% for the years ended December 31, 2016 and 2017. We expect Guangzhou Miyuan to continue to qualify for such preferential EIT rate for the year ending December 31, 2018, and plan to apply for a renewal of the preferential tax treatment prior to its expiration.

Youmin Networks, Binjie Networks, Shanghai Langxianjing, Yiguo Networks and Feimiao Networks were each accredited as a "software enterprise" under the relevant PRC Laws and regulations during the Track Record Period. Accordingly, they have qualified for an exemption from the statutory EIT for two years, followed by a 50% reduction in the applicable tax rates for the subsequent three-year period, commencing from the first year of profitable operations after offsetting tax losses generated from prior years.

One of our primary PRC Operating Entities, Youmin Networks, had previously been accredited as a "software enterprise" in 2015 and was exempt from EIT for the years ended December 31, 2015 and 2016, followed by a 50% reduction in the applicable tax rates for the next three years. In late 2016, as its research and development expenditure was lower than the benchmark for a "software enterprise" and based on our management's assessment, Youmin Networks would no longer qualify as a "software enterprise" beginning in 2017 and would become subject to the statutory EIT rate of 25% commencing in the year ended December 31, 2017, instead of the EIT rate of 12.5% that it would have otherwise enjoyed had it continued to qualify for preferential tax treatment.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended December 31, 2015, 2016 and 2017.

See "Risk Factors — Risks Related to Our Business and Industry — Any termination of, or changes to, the preferential tax treatment that we enjoy could adversely affect our profitability."

RESULTS OF OPERATIONS

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 21.6% from RMB984.8 million in 2016 to RMB1,197.2 million in 2017 mainly as a result of the official launch of one new major game in 2017, namely, *My Duty* (我的使命), which generated revenues of RMB116.7 million in 2017.

The increase was also attributable to the increased revenue generated primarily from: (i) *Romance of Stars* (星辰奇緣) which increased by RMB71.3 million or 59.5% from RMB120.0 million in 2016 to RMB191.3 million in 2017; (ii) *Wartime* (戰爭時刻), which increased by RMB70.1 million or 434.0% from RMB16.2 million in 2016 to RMB86.3 million in 2017; and (iii) *The Age of Rome* (羅馬時代), which increased by RMB46.0 million or 264.3% from RMB17.4 million in 2016 to RMB63.4 million in 2017.

The increase in our revenue was partially offset by a decrease in revenues generated from certain games, primarily including: (i) *Tank Frontline* (坦克前線), which decreased by RMB38.3 million or 8.5% from RMB453.1 million in 2016 to RMB414.8 million in 2017; and (ii) *Super Fleet* (超級艦隊), which decreased by RMB15.4 million or 8.1% from RMB191.7 million in 2016 to RMB176.3 million in 2017.

Our revenue generated from self-published games increased by 33.7% from RMB427.5 million in 2016 to RMB571.3 million in 2017 and our revenue generated from co-published games increased by 12.3% from RMB557.3 million in 2016 to RMB625.9 million in 2017.

Cost of Revenue

Our cost of revenue increased by 20.5% from RMB392.3 million in 2016 to RMB472.9 million in 2017, primarily due to: (i) a RMB41.9 million increase in commission charges paid to co-publishers reflecting the increase in revenue generated from games that were released through co-publishers; and (ii) RMB22.6 million in commission charges paid to the distribution platform (iOS App Store) as well as RMB17.3 million in commission charges paid to a third-party game developer in relation to *My Duty* (我的使命) after its official launch in January 2017. The increase in our cost of revenue was generally consistent with the increase in our revenue over the period.

Gross Profit and Gross Profit Margin

As the result of the foregoing, our gross profit increased by 22.3% from RMB592.4 million in 2016 to RMB724.4 million in 2017, generally in line with the increase in our revenue. Our gross overall profit margin increased slightly from 60.2% in 2016 to 60.5% in 2017.

Our gross profit margin for self-published games decreased from 97.3% in 2016 to 91.5% in 2017, primarily due to the official launch of *My Duty* (我的使命), which we obtained through commissioned development and had a lower gross profit margin than self-published licensed games as we recognize fees charged by our distribution platform and our game developer as our cost of revenue. Our gross profit margin for co-published games increased from 31.7% in 2016 to 32.2% in 2017, primarily due to the decrease in percentage of revenue generated from *Tank Frontline* (坦克前線), which had a lower gross profit margin than other co-published games as the percentage of commission charges paid to our co-publishers for *Tank Frontline* (坦克前線) is generally higher than our other co-published games. As a result, the changes in overall gross profit margin reflects the foregoing and the revenue mix of our games in terms of methods of publishing.

Other Income

Our other income increased by 243.4% from RMB2.3 million in 2016 to RMB7.8 million in 2017, primarily due to a RMB4.7 million increase in government grants we recognized.

Other Gains/(Losses), Net

Our other gains/(losses) consist primarily of foreign exchange gains/(losses) in relation to our transactions with iOS App Store, which were settled in U.S. dollars, and interest income from wealth management products classified as financial assets at fair value through profit or loss. We had a net loss of RMB0.3 million in 2017, primarily consisting of a RMB6.2 million in net foreign exchange

losses as a result of the general depreciation of the U.S dollar against the Renminbi and a RMB6.0 million investment income from wealth management products hold as financial assets at fair value through profit or loss in 2017. We had a net gain of RMB6.3 million in 2016, primarily consisting of a RMB5.7 million in net foreign exchange gains as a result of the general appreciation of the U.S. dollar against the Renminbi and a RMB0.5 million investment income from wealth management products hold as financial assets at fair value through profit or loss in 2016.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 16.3% from RMB335.1 million in 2016 to RMB389.8 million in 2017, primarily due to a RMB54.0 million increase in promotional expenses due to (i) the official launch of a new major game, *My Duty* (我的使命), in 2017, and (ii) incurrence of higher expenses to maintain growing game portfolio.

Administrative Expenses

Our administrative expenses increased by 72.8% from RMB16.9 million in 2016 to RMB29.2 million in 2017, primarily due to: (i) a RMB**[REDACTED]** of **[REDACTED]** expenses in 2017; (ii) a RMB2.2 million increase in employee benefit expenses as we hired additional management and administrative employees in 2017; (iii) a RMB1.8 million increase in office rental expenses as we rented more office space; and (iv) a RMB1.3 million increase in office expenses. Such increases were in support of the overall expansion of our business operations.

Research and Development Expenses

Our research and development expenses decreased by 28.8% from RMB59.0 million in 2016 to RMB42.0 million in 2017, primarily due to a RMB22.5 million decrease in commissioned development expenses as we commissioned the development of more games in 2016 and we became more selective in our commissioned game development in 2017. The decrease in research and development expenses was partially offset by a RMB5.5 million increase in employee benefit expenses due to the hiring of additional employees in line with the overall expansion of our business operations.

Finance Income

Our finance income increased significantly from RMB0.1 million in 2016 to RMB1.7 million in 2017 primarily due to a RMB1.6 million increase in interest earned on bank balance as our cash on hand increased.

Income Tax Expense

In 2017, we recorded income tax expenses of RMB31.8 million and our effective tax rate was 11.7% for the same year. In 2016, we recorded income tax credit of RMB26.5 million and our effective tax rate was (13.9)%, which was mainly attributable to changes in the applicable tax rate of Youmin Networks which resulted in a significant deferred income tax credit of RMB29.7 million in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 11.2% from RMB216.6 million in 2016 to RMB240.8 million in 2017.

Adjusted Profit for the Year

As a result of the foregoing and excluding the effect of a RMB**[REDACTED]** of **[REDACTED]** expenses in 2017, our adjusted profit for the year increased by 13.8% from RMB216.6 million in 2016 to RMB246.5 million in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 257.1% from RMB275.8 million in 2015 to RMB984.8 million in 2016 mainly as a result of the increase in revenue generated from: (i) *Tank Frontline* (坦克前線), which increased by RMB322.0 million or 245.5% from RMB131.2 million in 2015 to RMB453.1 million in 2016; (ii) *Super Fleet* (超級艦隊), which increased by RMB172.4 million or 893.9% from RMB19.3 million in 2015 to RMB191.7 million in 2016; and (iii) *Three Heroes* (超級群英傳), which increased by RMB70.2 million or 223.4% from RMB31.4 million in 2015 to RMB101.7 million in 2016.

The increase was also attributable to the official launch of new games in 2016, primarily including: (i) *Romance of Stars* (星辰奇緣), which generated revenues of RMB120.0 million; (ii) *The Age of Rome* (羅馬時代), which generated revenues of RMB17.4 million; and (iii) *Wartime* (戰爭時刻), which generated revenues of RMB16.2 million.

Our revenue generated from self-published games increased by 455.6% from RMB76.9 million in 2015 to RMB427.5 million in 2016 and our revenue generated from co-published games increased by 180.3% from RMB198.9 million in 2015 to RMB557.3 million in 2016.

Cost of Revenue

Our cost of revenue increased by 200.9% from RMB130.4 million in 2015 to RMB392.3 million in 2016, primarily due to a RMB252.9 million increase in commission charges paid to co-publishers, reflecting the increase in revenue during the period generated from games that were released through co-publishers. To a lesser extent, the increase in costs of revenue was also attributable to an increase of RMB3.2 million in employee benefit expenses.

Gross Profit and Gross Profit Margin

As the result of the foregoing, our gross profit increased by 307.5% from RMB145.4 million in 2015 to RMB592.4 million in 2016, generally in line with the increase in our revenue. Our overall gross profit margin increased from 52.7% in 2015 to 60.2% in 2016.

Our gross profit margin for self-published games increased from 93.6% in 2015 to 97.3% in 2016 as a result of economy of scale due to our business growth. Our gross profit margin for co-published games decreased from 36.9% in 2015 to 31.7% in 2016, primarily due to our increased collaboration with higher quality co-publishers, which generally charged higher commission rates. As a result, the changes in overall gross profit margin reflects the foregoing and the revenue mix of our games in terms of methods of publishing.

Other Income

Our other income increased by 13.3% from RMB2.0 million in 2015 to RMB2.3 million in 2016, primarily due to a RMB0.3 million increase in government grants that were recognized.

Other Gains/(Losses), Net

Our net other gains increased significantly from RMB0.4 million in 2015 to RMB6.3 million in 2016, primarily due to a RMB5.4 million increase in net foreign exchange gains in 2016 as a result of the general appreciation of the U.S. dollars against the Renminbi as well as our increased transaction amount with iOS App Store in 2016.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 287.6% from RMB86.5 million in 2015 to RMB335.1 million in 2016, primarily due to a RMB250.1 million increase in promotional expenses as we officially launched three new major games, *Romance of Stars* (星辰奇緣), *Wartime* (戰爭時刻) and *The Age of Rome* (羅馬時代), in 2016 which incurred significant promotional expenses and we also incurred significant promotional expenses to maintain our large game portfolio.

Administrative Expenses

Our administrative expenses decreased by 45.8% from RMB31.1 million in 2015 to RMB16.9 million in 2016, primarily because we had a RMB24.2 million of share-based compensation to our employees in 2015.

Research and Development Expenses

Our research and development expenses increased by 128.7% from RMB25.8 million in 2015 to RMB59.0 million in 2016, primarily due to: (i) a RMB24.4 million increase in commissioned development expenses as we commissioned the development of more games in 2016 to diversify our game sourcing channels; and (ii) a RMB6.8 million increase in employee benefit expenses as we hired additional employees to our in-house research and development department.

Finance Income

Our finance income increased significantly from RMB10,000 in 2015 to RMB108,000 in 2016 primarily due to a RMB98,000 increase in interest from bank balance held for cash management purposes in relation to the increase in our cash on hand.

Income Tax Expense

In 2016, we recorded income tax credit of RMB26.5 million and our effective tax rate was (13.9)%, which was mainly attributable to changes in the applicable tax rate of Youmin Networks which resulted in a significant deferred income tax credit of RMB29.7 million in 2016. In 2015, we recorded income tax expenses of RMB1.0 million and our effective tax rate was 22.3% for the same year.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB3.4 million in 2015 to RMB216.6 million in 2016.

Adjusted Profit for the Year

As a result of the foregoing and excluding the effect of a RMB28.1 million of share-based compensation in 2015, our adjusted profit for the year increased by 587.4% from RMB31.5 million in 2015 to RMB216.6 million in 2016.

DESCRIPTION OF CERTAIN BALANCE SHEET ITEMS

The following table sets forth our summary combined balance sheets as of the dates indicated:

	For the year ended December 31,		
	2015	2016	2017
	(in thousands of RMB, except percentages)		
Assets			
Cash and cash equivalents	24,077	212,817	573,761
Trade receivables	103,298	214,009	157,715
Prepayments and other receivables	35,942	35,818	55,301
Contract costs(1)	44,233	72,921	70,394
Financial assets at fair value through profit or loss	–	12,000	–
Total current assets	**207,550**	**547,565**	**857,171**
Financial assets at fair value through other comprehensive income	–	1,200	11,200
Prepayments and other receivables	2,725	540	17,417
Property and equipment	1,828	4,211	9,281
Intangible assets	57	3,668	1,498
Deferred tax assets	248	29,923	28,522
Total non-current assets	**4,858**	**39,542**	**67,918**
Total assets	**212,408**	**587,107**	**925,089**
Equity and liabilities			
Trade payables	65,848	119,991	102,234
Other payables and accruals	17,238	38,230	64,336
Current income tax liabilities	309	3,162	31,771
Contract liabilities(2)	107,894	194,525	174,757
Total current liabilities	**191,289**	**355,908**	**373,098**
Total liabilities	**191,289**	**355,908**	**373,098**
Paid-in capital	20,000	20,000	20,942
Reserves	30,578	34,688	174,583
(Accumulated losses)/retained earnings	(29,459)	176,511	356,466
Total equity	**21,119**	**231,199**	**551,991**
Total equity and liabilities	**212,408**	**587,107**	**925,089**

(1) Also referred as deferred costs

(2) Also referred as deferred revenue.

Trade Receivables

Trade receivables primarily represents sales proceeds from in-game purchase generated through third-party distribution platform, payment channels and co-publishers which were not yet paid to us. We generally grant credit terms of up to 30 to 90 days for third-party distribution platform, payment channels and co-publishers. We had trade receivables of RMB103.3 million, RMB214.0 million and RMB157.7 million as of December 31, 2015, 2016 and 2017, respectively. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Trade receivables	103,695	216,158	161,499
Less: provision for impairment	(397)	(2,149)	(3,784)
Trade receivables — net	**103,298**	**214,009**	**157,715**

The following table sets forth an aging analysis of our trade receivables, based on the transaction date indicated:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
0-30 days	30,553	77,343	64,017
30-90 days	44,938	77,235	64,632
90-180 days	24,417	47,907	24,203
180-360 days	3,670	12,891	6,270
Over 360 days	117	782	2,377
Total	**103,695**	**216,158**	**161,499**

Our trade receivables increased by 107.2% from RMB103.3 million as of December 31, 2015 to RMB214.0 million as of December 31, 2016, primarily due to the increase in our revenue in 2016. Our trade receivables decreased by 26.3% from RMB214.0 million as of December 31, 2016 to RMB157.7 million as of December 31, 2017 despite the increase in our revenue in 2017, primarily because our revenue was higher towards the end of 2016 compared to our revenue towards the end of 2017 as our revenue is generally higher within the several weeks leading up to the Chinese New Year holiday, and the Chinese New Year holiday occurred earlier in the 2017 calendar year than in the 2018 calendar year.

The following table sets forth our trade receivables turnover days during the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
Trade receivables turnover days[1]	79.1	58.8	56.7

(1) Trade receivable turnover days for each period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

Our senior management regularly reviews the recoverability of our overdue balances and when appropriate, provide for impairment of these trade receivables. We believe that our exposure to the risks of being unable to collect payments is small.

Our trade receivables turnover days were 79.1 days, 58.8 days and 56.7 days during the Track Record Period and were consistent with our credit policies. The continuing decrease in our trade receivables turnover days were in line with our increased collection efforts.

As of February 28, 2018, RMB141.9 million, of 90.0%, of our trade receivables as of December 31, 2017 were subsequently settled.

Prepayments and Other Receivables

Our prepayments and other receivables amounted to RMB38.7 million, RMB36.4 million and RMB72.7 million as of December 31, 2015, 2016 and 2017, respectively. The following table sets forth the details of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Included in non-current assets			
Prepayments for purchase of licenses	2,553	–	16,734
Rental and other deposits	172	540	683
	2,725	540	17,417
Included in current assets			
Prepayments for promotion expenses	18,060	33,073	37,548
Rental and other deposits	350	1,132	4,799
Input value-added tax to be deducted	826	240	8,977
Amount due from a related party	14,000	–	–
Others	2,706	1,373	3,977
	35,942	35,818	55,301
Total	**38,667**	**36,358**	**72,718**

Prepayments for purchase of licenses represents the license fees prepaid to game developers for granting us the right to distribute their games, which are recognized as intangible assets when a game is officially launched and starts to generate revenue. Our prepayments for purchase of licenses was RMB2.6 million and RMB16.7 million as of December 31, 2015 and 2017, respectively, as we obtained more games by licensing in 2017. We did not record any prepayments for purchase of licenses as of December 31, 2016 because all prepaid license fees were recorded as intangible assets as the underlying games were officially launched and started to generate revenue before December 31, 2016. Rental and other deposits included in non-current assets primarily represent deposits for office lease with a term of more than a year. Prepayments for promotion expenses primarily represents prepayments to advertisers. The continuing increase in our prepayments for promotion expenses during the Track Record Period was in line with the increase in our promotional expenses for the official launch of new games as well as to maintain our growing game portfolio. Rental and other deposits included in current assets primarily represent advertisement deposits and deposits for office lease with a term of within a year. Amounts due from a related party represent a loan to a Shareholder, which had been fully settled as of December 31, 2016.

Trade Payables

Our trade payables mainly represent the balances due to our game developers, for which we are generally granted credit terms of 30 to 90 days. We had trade payables of RMB65.8 million, RMB120.0 million and RMB102.2 million as of December 31, 2015, 2016 and 2017, respectively. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,		
	2015	**2016**	**2017**
	(in thousands of RMB)		
Trade payables to game developers	65,848	119,991	102,234
Total	**65,848**	**119,991**	**102,234**

The following table sets forth an aging analysis of our trade payables, based on the transaction date indicated:

	As of December 31,		
	2015	**2016**	**2017**
	(in thousands of RMB)		
0 - 30 days	15,628	26,746	20,324
30 - 90 days	24,955	46,464	42,261
90 - 180 days	20,449	37,875	39,641
180 - 360 days	4,419	8,766	8
Over 360 days	397	140	–
Total	**65,848**	**119,991**	**102,234**

Our trade payables increased by 82.2% from RMB65.8 million as of December 31, 2015 to RMB120.0 million as of December 31, 2016, primarily due to the increase in our revenue in 2016. Our trade payables decreased by 14.8% from RMB120.0 million as of December 31, 2016 to RMB102.2 million as of December 31, 2017 despite the increase in our revenue in 2017, primarily because our revenue was higher in the end of 2016 as compared to that in the end of 2017 as our revenue is generally higher around the Chinese New Year holiday, and Chinese New Year holiday in 2017 was earlier than the Chinese New Year holiday in 2018.

The following table sets forth our trade payables turnover days during the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
Trade payable turnover days[(1)]	119.1	86.4	85.8

(1) Trade payable turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by cost of revenue for that period and multiplied by the number of days in that period.

Our trade payables turnover days were 119.1 days, 86.4 days and 85.8 days during the Track Record Period and were consistent with our credit terms.

As of February 28, 2018, RMB60.4 million, of 59.1%, of our trade payables as of December 31, 2017 were subsequently settled.

Contract Liabilities/Costs (Deferred Revenue/Cost)

Contract liabilities primarily consists of the proceeds from the in-game sale of virtual items where there is still an implied obligation to be provided by us to the life span of a user for the game. Contract liabilities is amortized throughout the average life span of a user for the game, which is generally one to five months. Our contract liabilities was RMB107.9 million, RMB194.5 million and RMB174.8 million as of December 31, 2015, 2016 and 2017, respectively.

Our contract liabilities increased by 80.3% from RMB107.9 million as of December 31, 2015 to RMB194.5 million as of December 31, 2016, primarily due to the increase in our revenue in 2016. Our contract liabilities decreased by 10.2% from RMB194.5 million as of December 31, 2016 to RMB174.8 million as of December 31, 2017 despite of the increased revenue for the year of 2017, primarily because our revenue was higher in the end of 2016 as compared to that in the end of 2017 as our revenue are generally higher around the Chinese New Year holiday, and Chinese New Year holiday in 2017 was earlier than the Chinese New Year holiday in 2018.

Contract costs primarily consists of unamortized commission charges where there is still an implied obligation to be provided by us. As with our contract liabilities, contract costs is also amortized throughout the average life span of a user for the game, which is generally three months. Our contract costs was RMB44.2 million, RMB72.9 million and RMB70.4 million as of December 31, 2015, 2016 and 2017, respectively. The movement of our contract costs was in line with the movement of our contract liabilities during the Track Record Period.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent wealth management products issued by commercial banks. As of December 31, 2016, the balance of our financial assets at fair value through profit or loss was RMB12.0 million. As of December 31, 2017, all of such wealth management products were fully redeemed. Going forward, we do not plan to purchase such wealth management products.

Other Payables and Accruals

Our other payables and accruals mainly comprise other taxes payables, including, among others, VAT and personal income tax, salary and staff welfare payables, payables related to financial assets, **[REDACTED]** expenses payables and commissioned development fees payables. We had other payables and accruals of RMB17.2 million, RMB38.2 million and RMB64.3 million as of December 31, 2015, 2016 and 2017, respectively. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Other taxes payables	592	16,620	24,311
Salary and staff welfare payables	8,455	15,322	16,111
Payables related to financial assets at fair value through other comprehensive income	–	600	10,000
[REDACTED] expenses payables	–	–	**[REDACTED]**
Payables of fees for commissioned developed games	6,850	–	2,400
Others	1,341	5,688	5,768
Total	**17,238**	**38,230**	**64,336**

Our other payables and accruals increased by 121.8% from RMB17.2 million as of December 31, 2015 to RMB38.2 million as of December 31, 2016, primarily due to (i) a RMB16.0 million increase in other taxes payables which was in line with our increased revenue; and (ii) a RMB6.9 million increase in salary and staff welfare payables, offset by a RMB6.9 million decrease in commissioned development fees payable as we have settled commissioned development fees with game developers before December 31, 2016.

Our other payables and accruals increased by 68.3% from RMB38.2 million as of December 31, 2016 to RMB64.3 million as of December 31, 2017, primarily due to (i) a RMB10 million payables related to financial assets relating to our 8% equity interest investment in Xin'ai Networks in 2017, (ii) a RMB7.7 million increase in other taxes payables, which was in line with our increased revenue ; and (iii) a RMB**[REDACTED]** in **[REDACTED]** expenses payables in 2017 in preparation of this **[REDACTED]**.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our working capital requirements and capital expenditures mainly through cash generated from our operating activities and capital injection from shareholders. Going

forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities, other funds raised from the capital markets from time to time and the **[REDACTED]** from this **[REDACTED]**.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
	(in thousands of RMB)		
Net cash generated from operating activities	43,205	194,492	292,815
Net cash used in investing activities	(8,547)	(4,760)	(5,891)
Net cash (used in)/generated from financing activities	(13,000)	(6,490)	80,000
Net increase in cash and cash equivalents	21,658	183,242	366,924
Cash and cash equivalents at beginning of year	2,419	24,077	212,817
Effects of exchange rate changes on cash and cash equivalents	–	5,498	(5,980)
Cash and cash equivalents at end of year	24,077	212,817	573,761

Net cash generated from operating activities

Our cash generated from operating activities primarily consists of profit before tax adjusted for non-cash items and all other items for which the cash effects are non-operating (such as depreciation of property and equipment, amortization of intangible assets, impairment of receivables and foreign exchange losses/gains), and the effects of changes in working capital, such as increase or decrease of trade receivables, prepayments and other receivables, trade payables, other payables, contract liabilities and contract costs. Cash flows from operating activities can be significantly affected by factors such as the timing of collections of trade receivables and payments of trade payables during the ordinary course of business.

Our net cash generated from operating activities was RMB292.8 million for the year ended December 31, 2017. The net cash inflow was primarily a result of profit before tax in the amount of RMB272.6 million, as adjusted for non-cash and non-operating items, positive changes in working capital and income tax paid of RMB1.8 million. Adjustment for non-cash and non-operating items primarily included investment income received from financial assets at fair value through profit or loss of RMB6.0 million, net foreign exchange losses of RMB6.0 million, depreciation of property and equipment of RMB2.3 million, amortization of intangible assets of RMB2.2 million and provision for impairment of trade receivables of RMB1.6 million. Positive changes in working capital primarily consisted of (i) a RMB54.7 million decrease in trade receivables because our revenue was higher towards the end of 2016 compared to our revenue towards the end of 2017 as our revenue is generally higher within the several weeks leading up to the Chinese New Year holiday, which occurred earlier in the 2017 calendar year as compared with the 2018 calendar year, and (ii) a RMB16.7 million increase in other payables and accruals primarily in relation to increased other taxes payables, offset by (i) a RMB19.8 million decrease in contract liabilities and a RMB17.8 million decrease in trade

payables because our revenue was higher towards the end of 2016 compared to our revenue towards the end of 2017 as our revenue is generally higher within the several weeks leading up to the Chinese New Year holiday, which occurred earlier in the 2017 calendar year, and (ii) a RMB19.6 million increase in prepayments and other receivables primarily in relation to increased prepayments for promotional activities expenses.

Our net cash generated from operating activities was RMB194.5 million for the year ended December 31, 2016. The net cash inflow was primarily a result of profit before tax in the amount of RMB190.1 million, as adjusted for non-cash and non-operating items, positive changes in working capital and income tax paid of RMB0.3 million. Adjustment for non-cash and non-operating items primarily included net foreign exchange gains of RMB5.5 million, amortization of intangible assets of RMB2.1 million, provision for impairment of trade receivables of RMB1.8 million and depreciation of property and equipment of RMB1.1 million. Positive changes in working capital consisted of (i) a RMB86.6 million increase in contract liabilities in line with our increased revenue, (ii) a RMB54.1 million increase in trade payables in line with our increased revenue, and (iii) a RMB20.4 million increase in other payables and accruals primarily in relation to increased other taxes payables and increased salary and staff welfare payables, offset by (i) a RMB112.5 million increase in trade receivables in line with our increased revenue, (ii) a RMB28.7 million increase in contract costs in line with our increased contract liabilities and (iii) a RMB14.2 million increase in prepayments and other receivables primarily in relation to increased prepayments for promotional activities expenses.

Our net cash generated from operating activities was RMB43.2 million for the year ended December 31, 2015. The net cash inflow was primarily a result of profit before tax in the amount of RMB4.4 million, as adjusted for non-cash and non-operating items, positive changes in working capital and income tax paid of RMB0.9 million. Adjustment for non-cash and non-operating items primarily included share-based compensation expenses of RMB28.1 million, depreciation of property and equipment of RMB0.4 million and provision for impairment of trade receivables of RMB0.4 million. Positive changes in working capital primarily consisted of (i) a RMB100.8 million increase in contract liabilities in line with our increased revenue, (ii) a RMB46.6 million increase in trade payables in line with our increased revenue, and (iii) a RMB10.3 million increase in other payables and accruals primarily in relation to increased indirect taxes payables and increased salary and staff welfare payables, offset by (i) a RMB87.4 million increase in trade receivables in line with our increased revenue, (ii) a RMB41.6 million increase in contract costs in line with our increased contract liabilities, and (iii) a RMB17.7 million increase in prepayments and other receivables primarily in relation to increased prepayments for promotional activities expenses.

Net cash used in investing activities

Our cash inflow from investing activities primarily consists of proceeds from disposal of financial assets at fair value through profit or loss and interest received. Our cash outflow from investing activities primarily consists of purchases of property and equipment, purchases of intangible assets, purchases of financial assets at fair value through profit or loss and other comprehensive income and loan to a Shareholder.

Our net cash used in investing activities was RMB5.9 million for the year ended December 31, 2017. The net cash outflow was primarily due to (i) RMB1,060.3 million in purchases of financial assets at fair value through profit or loss, (ii) RMB16.7 million in purchases of intangible assets and

(iii) RMB7.7 million in purchases of property and equipment, partially offset by (i) RMB1,072.3 million in proceeds from disposal of financial assets at fair value through profit or loss, and (ii) RMB6.0 million in investment income received.

Our net cash used in investing activities was RMB4.8 million for the year ended December 31, 2016. The net cash outflow was primarily due to (i) RMB379.9 million in purchases of financial assets at fair value through profit or loss, (ii) RMB3.5 million in purchases of property and equipment, and (iii) RMB3.1 million in purchases of intangible assets, partially offset by (i) RMB367.9 million in proceeds from disposal of financial assets at fair value through profit or loss , and (ii) RMB14.0 million in repayment received from a Shareholder.

Our net cash used in investing activities was RMB8.5 million for the year ended December 31, 2015. The net cash outflow was primarily due to (i) RMB14.0 million in loans to a Shareholder, (ii) RMB9.0 million in purchases of financial assets at fair value through profit or loss, (iii) RMB2.6 million in prepaid license fees, and (iv) RMB2.0 million in purchases of property and equipment, partially offset by (i) RMB10.0 million in repayment received from a Shareholder, and (ii) RMB9.0 million in proceeds from disposal of financial assets at fair value through profit or loss.

Net cash generated from/(used) in financing activities

Our cash inflow from financing activities represent capital contribution from Shareholders. Our cash outflow from financing activities represent distribution of dividends.

Our net cash generated from financing activities was RMB80.0 million for the year ended December 31, 2017. The net cash inflow was due to a RMB135.0 million in capital contribution from Shareholders, offset by a RMB55.0 million in distribution of dividends.

Our net cash used in financing activities was RMB6.5 million for the year ended December 31, 2016, representing payment in relation to acquisition of entities under common control. Our net cash used in financing activities was RMB13.0 million for the year ended December 31, 2015, representing distribution of dividends.

Working Capital

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of February, 28
	2015	2016	2017	2018
				(unaudited)
	(in thousands of RMB)			
Current assets				
Trade receivables	103,298	214,009	157,715	153,419
Prepayments and other receivables	35,942	35,818	55,301	54,586
Contract costs	44,233	72,921	70,394	70,828
Financial assets at fair value through profit or loss	–	12,000	–	–
Cash and cash equivalents	24,077	212,817	573,761	380,242
Total current assets	207,550	547,565	857,171	659,075
Current liabilities				
Trade payables	65,848	119,991	102,234	103,931
Contract liabilities	107,894	194,525	174,757	176,645
Current income tax liabilities	309	3,162	31,771	33,231
Other payables and accruals	17,238	38,230	64,336	64,927
Total current liabilities	191,289	355,908	373,098	378,734
Net current assets	**16,261**	**191,657**	**484,073**	**380,341**

Our net current assets increased from RMB191.7 million as of December 31, 2016 to RMB484.1 million as of December 31, 2017, primarily due to (i) a RMB360.9 million increase in cash and cash equivalents, (ii) a RMB19.8 million decrease in contract liabilities, (iii) a RMB19.5 million increase in prepayments and other receivables, and (iv) RMB17.8 million decrease in trade payables, partially offset by (i) a RMB56.3 million decrease in trade receivables, (ii) a RMB26.1 million increase in other payables and accruals.

Our net current assets increased from RMB16.3 million as of December 31, 2015 to RMB191.7 million as of December 31, 2016, primarily due to (i) a RMB188.7 million increase in cash and cash equivalents, (ii) a RMB110.7 million increase in trade receivables, (iii) a RMB28.7 million increase in contract costs, partially offset by (i) a RMB86.6 million increase in contract liabilities, (ii) a RMB54.1 million increase in trade payables, and (iii) a RMB21.0 million increase in other payables and accruals.

Taking into consideration of the financial resources presently available to us, including the expected cash generated from our operations and the estimated net proceeds from the **[REDACTED]**, our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this Document.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures consist primarily purchases of purchases of property and equipment, including purchases of motor vehicles and computers and leasehold improvements, and purchases of intangible assets for licenses to publish games developed by third-party game developers. Our capital expenditures were RMB2.0 million, RMB9.2 million and RMB7.7 million as of December 31, 2015, 2016 and 2017, respectively.

Operating Lease Commitments

We lease office buildings under non-cancellable operating lease agreements with leases terms between two to three years. The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicted:

	As of December 31,		
	2015	2016	2017
	(in thousands of RMB)		
Not later than one year	1,895	4,487	4,659
Later than one year and not later than two years	1,009	3,819	2,697
Later than two years and not later than three years	510	2,337	–
Total	**3,414**	**10,643**	**7,356**

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

INDEBTEDNESS

We did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of February 28, 2018, being the latest practicable date for our statement of indebtedness. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2018.

CONTINGENT LIABILITIES

As of December 31, 2015, 2016 and 2017 and as of the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

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

	For the year ended / As of December 31,		
	2015	2016	2017
Gross profit margin[(1)]	52.7%	60.2%	60.5%
Net profit margin[(2)]	1.2%	22.0%	20.1%
Adjusted net profit margin[(3)]	11.4%	22.0%	20.6%
Return on average equity[(4)]	28.6%	171.7%	61.5%
Adjusted return on average equity[(5)]	265.5%	171.7%	63.0%
Return on average assets[(6)]	2.7%	54.2%	31.8%
Adjusted return on average assets[(7)]	25.4%	54.2%	32.6%
Current ratio[(8)]	1.09	1.54	2.30

(1) Equals gross profit for the year divided by revenue for that period and multiplied by 100%.

(2) Equals profit for the year divided by revenue for that period and multiplied by 100%.

(3) Equals adjusted profit for the year divided by revenue for that period and multiplied by 100%.

(4) Equals profit for the year divided by average balance of total equity at the beginning and the end of that period and multiplied by 100%.

(5) Equals adjusted profit for the year divided by average balance of total equity at the beginning at the end of that period and multiplied by 100%.

(6) Equals profit for the year divided by average balance of total assets at the beginning and the end of that period and multiplied by 100%.

(7) Equals adjusted profit for the year divided by average balance of total assets at the beginning at the end of that period and multiplied by 100%.

(8) Equals current assets divided by current liabilities as of the same date.

Return on Average Equity

Our return on average equity increased from 28.6% in 2015 to 171.7% in 2016 primarily due to our profit for the year increased at a higher rate than average total equity. The RMB114.3 million increase in our average equity from 2015 to 2016 was primarily due to continued increases in our retained profits, while our profit for the year increased by RMB213.2 million from 2015 to 2016 in line with our business growth.

Our return on average equity decreased from 171.7% in 2016 to 61.5% in 2017 primarily due to our average total equity increased at a higher rate than our profit for the year. The RMB265.4 million increase in our average equity from 2016 to 2017 was primarily due to continued increases in our retained profits and capital contribution from our shareholders, while our profit for the year increased by RMB24.2 million from 2016 to 2017 in line with our business growth.

Adjusted Return on Average Equity

Our adjusted return on average equity decreased from 265.5% in 2015 to 171.7% in 2016 primarily due to our average total equity increased at a higher rate than adjusted profit for the year. The RMB114.3 million increase in our average equity from 2015 to 2016 was primarily due to continued increases in our retained profits, while our adjusted profit for the year increased by RMB185.1 million from 2015 to 2016 in line with our business growth.

Our adjusted return on average equity decreased from 171.7% in 2016 to 63.0% in 2017 primarily due to our average total equity increased at a higher rate than our adjusted profit for the year. The RMB265.4 million increase in our average equity from 2016 to 2017 was primarily due to continued increases in our retained profits and capital contribution from our shareholders, while our adjusted profit for the year increased by RMB30.0 million from 2016 to 2017 in line with our business growth.

Return on Average Assets

Our return on average assets increased from 2.7% in 2015 to 54.2% in 2016 primarily due to our profit for the year increased at a higher rate than our average total assets. The RMB275.6 million increase in our average assets from 2015 to 2016 was primarily due to a RMB 188.7 million increase in cash and cash equivalents and a RMB110.7 million increase in trade receivables, while our profit for the year increased by RMB213.2 million from 2015 to 2016 in line with our business growth.

Our return on average assets decreased from 54.2% in 2016 to 31.8% in 2017 primarily due to our average total assets increased at a higher rate than our profit for the year. The RMB356.3 million increase in our average assets from 2016 to 2017 was primarily due to a RMB360.9 million increase in cash and cash equivalents, while our profit for the year increased by RMB24.2 million from 2016 to 2017 in line with our business growth.

Adjusted Return on Average Assets

Our adjusted return on average assets increased from 25.4% in 2015 to 54.2% in 2016 primarily due to our profit for the year increased at a higher rate than our average total assets. The RMB275.6 million increase in our average assets from 2015 to 2016 was primarily due to a RMB 188.7 million increase in cash and cash equivalents and a RMB110.7 million increase in trade receivables, while our adjusted profit for the year increased by RMB185.1 million from 2015 to 2016 in line with our business growth.

Our adjusted return on average assets decreased from 54.2% in 2016 to 32.6% in 2017 primarily due to our average total assets increased at a higher rate than our adjusted profit for the year. The RMB356.3 million increase in our average assets from 2016 to 2017 was primarily due to a RMB360.9 million increase in cash and cash equivalents, while our adjusted profit for the year increased by RMB30.0 million from 2016 to 2017 in line with our business growth.

Current Ratio

Our current ratio increased from 1.09 as of December 31, 2015 to 1.54 as of December 31, 2016 because our current assets increased at a higher rate than our current liabilities. Our current assets increased by RMB340.0 million primarily due to (i) a RMB 188.7 million increase in cash and cash equivalent and (ii) a RMB110.7 million increase in trade receivables. Our current liabilities increased by RMB164.6 million primarily due to (i) a RMB86.6 million increase in contract liabilities and (ii) a RMB54.1 million increase in trade payables.

Our current ratio increased from 1.54 as of December 31, 2016 to 2.30 as of December 31, 2017 because our current assets increased at a higher rate than our current liabilities. Our current assets increased by RMB309.6 million primarily due to a RMB360.9 million increase in cash and cash

equivalents. Our current liabilities increased by RMB17.2 million primarily due to (i) a RMB28.6 million increase in current income tax liabilities, and (ii) a RMB26.1 million increase in other payables and accruals, offset by (i) a RMB19.8 million decreased in contract liabilities and (ii) a RMB17.8 million decrease in trade payables.

RELATED PARTY TRANSACTIONS

As of December 31, 2015, we recorded a non-trade related amount of RMB14.0 million due from a related party which was fully settled prior to December 31, 2016.

FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, primarily including market risk (including currency risk an interest risk), credit risk and liquidity risk. Our overall risk management strategy seeks to minimize the potential adverse effects on our financial performance.

Market Risk

Foreign Exchange Risk

We have transactional currency exposures mainly with respect to the settlement our proceeds from in-game sales with iOS App Store, which is made in U.S. dollars. Moreover, we expect to receive the net proceeds from the **[REDACTED]** in Hong Kong dollars.

We currently do not have foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure in accordance with our plans to develop overseas business.

Interest Rate Risk

As we do not have any significant interest-bearing assets, our Directors do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Credit Risk

We are exposed to credit risk in relation to our cash and deposits and trade and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and deposits, and financial assets at fair value through profit or loss, we only transact with reputable commercial banks which are all high-credit-quality financial institutions in China and Hong Kong. There has been no recent history of default in relation to these financial institutions.

Individual balances of trade receivables exceeding 10% of our total trade receivables as of December 31, 2015, 2016 and 2017 accounted for approximately 63.8%, 61.5% and 56.9% of our total trade receivables, respectively.

Trade receivables at the end of each year of the Track Record Period were due from the distribution platform, co-publishers and payment channels in cooperation with us. If the strategic relationship with the distribution platform, co-publishers and payment channels is terminated or scaled-back, or if the distribution platform, co-publishers and payment channels alter the cooperative arrangements, or if they experience financial difficulties in paying us, our trade receivables might be adversely affected in terms of recoverability. To manage this risk, we maintain frequent communications with the distribution platform, co-publishers and payment channels to ensure the effective credit control. In view of the history of cooperation with the distribution platform, co-publishers and payment channels and the sound collection history of receivables due from them, our Directors believe that the credit risk inherent in our outstanding trade receivable balances due from the distribution platform, co-publishers and payment channels is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Liquidity Risk

Our objective is to maintain sufficient cash and cash equivalents. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

The following table sets forth our non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The following table sets forth the contractual undiscounted cash flows as of the dated indicated:

	Less than one year	Total
	(in thousands of RMB)	
As of December 31, 2015		
Trade and other payables and accruals (excluding salary and staff welfare payables and taxes payable)	74,039	74,039
As of December 31, 2016		
Trade and other payables and accruals (excluding salary and staff welfare payables and taxes payable)	126,279	126,279
As of December 31, 2017		
Trade and other payables and accruals (excluding salary and staff welfare payables and taxes payable)	126,148	126,148

PROPERTY VALUATION

As of December 31, 2017, we did not have any single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by section 5.01A of the Listing Rules to include in this Document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

DIVIDENDS

During the Track Record Period, we paid dividend of RMB13.0 million and RMB55.0 million for the years ended December 31, 2015 and 2017, respectively. We did not pay any dividend for the year ended December 31, 2016. We currently do not intend to pay any dividends and we do not have a fixed dividend payout ratio. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on January 9, 2018 and has not carried out any business since the date of incorporation. As of the Latest Practicable Date, our Company had no reserve available for distribution to our equity shareholders.

[REDACTED] EXPENSES

The **[REDACTED]** expenses in connection with the **[REDACTED]** consist primarily of other expenses assuming an **[REDACTED]** of HKD**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range. During the Track Record Period, we incurred **[REDACTED]** expenses of approximately RMB**[REDACTED]**, of which approximately RMB**[REDACTED]** was charged to our combined statements of comprehensive income during the Track Record Period, while nil was recorded as deferred **[REDACTED]** expenses and will be **[REDACTED]** and deducted from the share premium upon the completion of the **[REDACTED]**. We expect to further incur underwriting commission and other **[REDACTED]** expenses of approximately RMB**[REDACTED]** (including the underwriting commission of approximately RMB**[REDACTED]**) upon the completion of the **[REDACTED]**, out of which approximately RMB**[REDACTED]** will be charged to the combined statements of comprehensive income, and approximately RMB**[REDACTED]** will be deducted from the share premium.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** on the net tangible assets of our Group attributable to the equity holders of our Company as of December 31, 2017 as if the **[REDACTED]** had taken place on December 31, 2017.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at December 31, 2017 or at any future dates following the **[REDACTED]**. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of our Group attributable to the equity holders of our Company as at December 31, 2017 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2017[(1)]	**Estimated net proceeds from the [REDACTED][(2)]**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2017**	**Unaudited pro forma adjusted net tangible assets per Share[(3), (5)]**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on an Offer Price of HK$**[REDACTED]** per Share	[550,493]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	[550,493]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at December 31, 2017 is extracted from the Accountant's Report of the Company as set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at December 31, 2017 of approximately RMB552.0 million with an adjustment for the intangible assets of approximately RMB1.5 million.

(2) The estimated net proceeds from the **[REDACTED]** are based on the **[REDACTED]** of HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, respectively, after deduction of the **[REDACTED]** fees and other related expenses (excluding **[REDACTED]** expenses of approximately RMB**[REDACTED]** which have been accounted for in the Group's combined statement of comprehensive income prior to December 31, 2017) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** (including the share subdivision to 1,000,000,000 shares and the additional issuance of 500,000,000 shares completed prior to the Listing) had been completed on December 31, 2017 but takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(4) No adjustment has been made to reflect any trading result or other transactions, in particular the capital reduction by Mr. Cai Wenhang and Aotuo Investment of RMB263.8 million in aggregate of the Group entered into subsequent to December 31, 2017.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted to Hong Kong dollars at a rate of [RMB[0.8077] to HK$[1]]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

SHARE SUBDIVISION

On March 22, 2018, each issued and unissued share of US$0.00005 was sub-divided into 10 shares of a par value of US$0.000005 each. Upon completion of the sub-division, our authorized share capital was US$50,000 divided into 10,000,000,000 shares and our issued share capital was US$5,000 divided into 1,000,000,000 shares.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since December 31, 2017 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our combines financial statements set out in the Accountant's Report included in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that the net **[REDACTED]** of the **[REDACTED]**, after deducting the estimated **[REDACTED]** fees and expenses payable by us in connection with the **[REDACTED]**, will be in the amounts set out below:

- approximately **[REDACTED]** million, if the **[REDACTED]** is not exercised, or approximately **[REDACTED]** million, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the low-end of the proposed **[REDACTED]** range;
- approximately **[REDACTED]** million, if the **[REDACTED]** is not exercised, or approximately **[REDACTED]** million, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the mid-point of the proposed **[REDACTED]** range; or
- approximately **[REDACTED]** million, if the **[REDACTED]** is not exercised, or approximately **[REDACTED]** million, if the **[REDACTED]** is exercised in full, assuming an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**, being the high-end of the proposed **[REDACTED]** range.

We intend to use the net **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set out below, assuming the **[REDACTED]** is not exercised and assuming the **[REDACTED]** is fixed at **[REDACTED]** per Share (being the mid-point of the indicative range of the **[REDACTED]** of **[REDACTED]** to **[REDACTED]** per Share):

- approximately **[REDACTED]** of our total estimated net **[REDACTED]**, or **[REDACTED]** million, will be used to develop our game sourcing capabilities and enable us to acquire high quality game content. In particular, we intend to allocate approximately **[REDACTED]** million to license new games as well as popular and mainstream content from third-party game developers, and approximately **[REDACTED]** million to acquire equity interests in third-party game development companies which will enable us to exert greater influence on game design and provide us with access to good game content; as of the Latest Practicable date, we did not have any finalized or definitive understandings, commitments or agreements for investment had not engaged in any related negotiations for our use of net **[REDACTED]** from the **[REDACTED]**;
- approximately **[REDACTED]** of our total estimated net **[REDACTED]**, or **[REDACTED]** million, will be used to establish our in-house game development team through strategic acquisition and organic growth to enable us to develop proprietary mobile games and other IPs. In particular, we intend to allocate approximately **[REDACTED]** million to selectively acquire China-based game development companies, and approximately **[REDACTED]** million to recruit more research and development talents with competitive compensation packages. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net **[REDACTED]** from the **[REDACTED]**;

- approximately **[REDACTED]** of our total estimated net **[REDACTED]**, or **[REDACTED]** million, will be used to fund our marketing and promotional activities, including approximately **[REDACTED]** million to further promote and strengthen 3k.com as a dominant mobile game brand through increased brand building activities, approximately **[REDACTED]** million for the continued promotion of our mobile games through increased marketing activities on our marketing channels and co-publishers as well as increased user acquisition, and approximately **[REDACTED]** million to hire additional marketing personnel;

- approximately **[REDACTED]** of our total estimated net **[REDACTED]**, or **[REDACTED]** million, will be used to support our overall strategy of expanding into select markets outside of China and developing our overseas operation, including to recruit additional talent with experience in overseas gaming markets and to fund related activities, including our planned participation in various game industry events such as game expos and conferences in Asia; and

- approximately **[REDACTED]** of our total estimated net **[REDACTED]**, or **[REDACTED]** million, will be used for working capital and general corporate purposes.

In the event that the **[REDACTED]** is fixed below or above the mid-point of the indicative price range, the net **[REDACTED]** allocated to the above purposes will be adjusted on a pro rata basis. Any additional **[REDACTED]** received from the exercise of the **[REDACTED]** will be allocated to the above purposes on a pro rata basis.

To the extent that the net **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the net **[REDACTED]** to short-term demand deposits and/or money market instruments.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

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HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages (I-1 to I-3), received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[Draft]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FINGERTANGO INC. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of FingerTango Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-47, which comprises the combined balance sheets as at December 31, 2015, 2016 and 2017, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-47 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*document date*] (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's

judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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 the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the combined financial position of the Group as at December 31, 2015, 2016 and 2017 and of its combined financial performance and its cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by FingerTango Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Note	2015	2016	2017
		RMB'000	RMB'000	RMB'000
Revenue	5	275,789	984,777	1,197,230
Cost of revenue	6	(130,407)	(392,349)	(472,853)
Gross profit		145,382	592,428	724,377
Selling and marketing expenses	6	(86,459)	(335,124)	(389,771)
Administrative expenses	6	(31,128)	(16,879)	(29,168)
Research and development expenses	6	(25,814)	(59,030)	(42,020)
Other income	8	2,001	2,268	7,788
Other gains/(losses), net	9	373	6,301	(294)
Operating profit		4,355	189,964	270,912
Finance income	10	10	108	1,692
Profit before income tax		4,365	190,072	272,604
Income tax (expense)/credit	11	(973)	26,498	(31,812)
Profit for the year attributable to owners of the Company		3,392	216,570	240,792
Other comprehensive income		–	–	–
Total comprehensive income for the year attributable to owners of the Company		3,392	216,570	240,792
Earnings per share	12	N/A	N/A	N/A

(B) COMBINED BALANCE SHEETS

	Note	As at December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property and equipment	14	1,828	4,211	9,281
Intangible assets	15	57	3,668	1,498
Financial assets at fair value through other comprehensive income	18	–	1,200	11,200
Prepayments and other receivables	19	2,725	540	17,417
Deferred tax assets	20	248	29,923	28,522
Total non-current assets		4,858	39,542	67,918
Current assets				
Trade receivables	21	103,298	214,009	157,715
Prepayments and other receivables	19	35,942	35,818	55,301
Contract costs	22	44,233	72,921	70,394
Financial assets at fair value through profit or loss	17	–	12,000	–
Cash and cash equivalents	23	24,077	212,817	573,761
Total current assets		207,550	547,565	857,171
Total assets		212,408	587,107	925,089
EQUITY AND LIABILITIES				
Equity				
Paid-in capital	24	20,000	20,000	20,942
Reserves	26	30,578	34,688	174,583
(Accumulated losses)/retained earnings		(29,459)	176,511	356,466
Total equity		21,119	231,199	551,991
Liabilities				
Current liabilities				
Trade payables	27	65,848	119,991	102,234
Contract liabilities	22	107,894	194,525	174,757
Current income tax liabilities		309	3,162	31,771
Other payables and accruals	28	17,238	38,230	64,336
Total current liabilities		191,289	355,908	373,098
Total liabilities		191,289	355,908	373,098
Total equity and liabilities		212,408	587,107	925,089

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Paid-in capital	Reserves	(Accumulated losses)/ retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015		10,000	2,000	(9,385)	2,615
Comprehensive income					
Profit for the year		–	–	3,392	3,392
Total comprehensive income for the year		–	–	3,392	3,392
Transaction with owners in their capacity as owners					
Shares-based compensation	25	–	28,112	–	28,112
Appropriation to statutory reserves	26(a)	–	466	(466)	–
Increase in paid-in capital of a subsidiary	24	10,000	–	(10,000)	–
Dividends declared and paid by the companies comprising the Group	13	–	–	(13,000)	(13,000)
Total transactions with owners in their capacity as owners		10,000	28,578	(23,466)	15,112
Balance at December 31, 2015		20,000	30,578	(29,459)	21,119
Balance at January 1, 2016		20,000	30,578	(29,459)	21,119
Comprehensive income					
Profit for the year		–	–	216,570	216,570
Total comprehensive income for the year		–	–	216,570	216,570
Transaction with owners in their capacity as owners					
Appropriation to statutory reserves	26(a)	–	10,600	(10,600)	–
Distribution to owners	26(b)	–	(6,490)	–	(6,490)
Total transactions with owners in their capacity as owners		–	4,110	(10,600)	(6,490)
Balance at December 31, 2016		20,000	34,688	176,511	231,199
Balance at January 1, 2017		20,000	34,688	176,511	231,199
Comprehensive income					
Profit for the year		–	–	240,792	240,792
Total comprehensive income for the year		–	–	240,792	240,792
Transaction with owners in their capacity as owners					
Appropriation to statutory reserves	26(a)	–	5,837	(5,837)	–
New shares issued to strategy investors	26(c)	942	134,058	–	135,000
Dividends declared and paid by the companies comprising the Group	13	–	–	(55,000)	(55,000)
Total transactions with owners in their capacity as owners		942	139,895	(60,837)	80,000
Balance at December 31, 2017		20,942	174,583	356,466	551,991

(D) COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	29	44,117	194,816	294,617
Income tax paid		(912)	(324)	(1,802)
Net cash generated from operating activities		43,205	194,492	292,815
Cash flows from investing activities				
Purchases of property and equipment		(2,042)	(3,506)	(7,661)
Purchases of intangible assets		–	(3,108)	–
Prepayments for purchases of intangible assets		(2,553)	–	(16,734)
Proceeds from disposal of property and equipment		–	–	274
Purchases of financial assets at fair value through other comprehensive income		–	(600)	(600)
Purchases of financial assets at fair value through profit or loss	17	(9,000)	(379,874)	(1,060,333)
Proceeds from disposal of financial assets at fair value through profit or loss	17	9,000	367,874	1,072,333
Addition of short-term bank deposits		–	–	(50,000)
Release of short-term bank deposits		–	–	50,000
Investment income received	9	48	454	6,010
Interest income received	8	–	–	820
Loan to a shareholder	30(b)	(14,000)	–	–
Repayments from the shareholders	30(b)	10,000	14,000	–
Net cash used in investing activities		(8,547)	(4,760)	(5,891)
Cash flows from financing activities				
Acquisition of entities under common control	26(b)	–	(6,490)	–
Dividends paid	13	(13,000)	–	(55,000)
New shares issued to strategy investors		–	–	135,000
Net cash (used in)/generated from financing activities		(13,000)	(6,490)	80,000
Net increase in cash and cash equivalents		21,658	183,242	366,924
Cash and cash equivalents at beginning of year		2,419	24,077	212,817
Effects of exchange rate changes on cash and cash equivalents		–	5,498	(5,980)
Cash and cash equivalents at end of the year	23	24,077	212,817	573,761

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

FingerTango Inc. (the "Company") was incorporated in the Cayman Islands on January 9, 2018 as an exempted company with limited liability. The address of the Company's registered office is at P.O. Box 2075, No.31 The Strand, 46 Canal Point Drive, Grand Cayman KY1-1105, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the development, operation and publishing of mobile game business (the "Listing Business") in the People's Republic of China (the "PRC"). Mr. Liu Jie ("Mr. Liu") and Mr. Zhu Yanbin ("Mr. Zhu") (collectively as the "Founders") are the founders of the Group. The ultimate holding company of the Company is LJ Technology Holding Limited ("LJ Holding"). The ultimate controlling party of the Group is Mr. Liu.

1.2 Reorganization

Prior to the incorporation of the Company and completion of the Reorganization (as defined below), the Listing Business was carried out primarily through Shanghai Youmin Network Technology Co., Limited ("Youmin Networks") and its subsidiaries (collectively, the "PRC Operating Entities").

In preparation for the Listing, the Group underwent a reorganization (the "Reorganization") pursuant to which the beneficial interests in the companies engaged in the Listing Business were transferred to the Company. The steps of the Reorganization mainly involved the following:

(1) On January 9, 2018, the Company was incorporated in the Cayman Islands and controlled by LJ Holding, which is wholly owned by Mr. Liu.

(2) On January 10, 2018, FT Entertainment Limited ("FT BVI") was incorporated in the British Virgin Islands (the "BVI") as a wholly-owned subsidiary of the Company.

(3) On January 17, 2018, Finger Tango Interactive (HK) Limited ("FT HK") was incorporated in Hong Kong as a wholly-owned subsidiary of the FT BVI.

(4) On March 16, 2018, Shanghai Binyou Networks Technology Co., Limited ("FT WFOE") was established in the PRC as a wholly foreign-owned enterprise ("WFOE"), which is wholly owned by FT HK.

(5) Pursuant to a series of contractual agreements signed on March 24, 2018 (the "Contractual Arrangements") among FT WFOE, Youmin Networks and its registered equity holders, FT WFOE acquired effective control over the financial and operational policies of the PRC Operating Entities and became entitled to economic benefits generated by the PRC Operating Entities. Accordingly, Youmin Networks and its subsidiaries were accounted for as subsidiaries of FT WFOE. Further details of the Contractual Arrangements are set out in Note 2.2.1 below.

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Equity/ beneficial interest held as at December 31, 2015	Equity/ beneficial interest held as at December 31, 2016	Equity/ beneficial interest held as at December 31, 2017	Equity/ beneficial interest held as at the date of this report	Principal activities and place of operation	Note
Directly owned								
FT Entertainment Limited ("FT BVI")	The BVI/ January 10, 2018	US$100	N/A	N/A	N/A	100%	Investment holding/the BVI	(1)
Indirectly owned								
Finger Tango Interactive (HK) Limited ("FT HK")	Hong Kong/ January 17, 2018	HK$100	N/A	N/A	N/A	100%	Investing Holding/Hong Kong	(1)
Shanghai Binyou Networks Technology Co., Ltd. 上海繽遊網絡科技有限公司 ("FT WFOE")	The PRC/ March 16, 2018	RMB15,000,000	N/A	N/A	N/A	100%	Technical support and development services/ the PRC	(1)
Controlled by the Company pursuant to the Contractual Arrangements (2)								
Youmin Networks	The PRC/ December 3, 2013	RMB20,942,408	100%	100%	100%	100%	Internet culture operations/the PRC	(3)
Shanghai Binjie Networks Technology Co., Ltd. * (上海彬捷網絡科技有限公司) ("Binjie Networks")	The PRC/ November 4, 2014	RMB10,000,000	100%	100%	100%	100%	Internet culture operations/the PRC	(3)
Guangzhou Jieba Networks Technology Co., Ltd.* (廣州傑霸網絡科技有限公司) ("Jieba Networks")	The PRC/ October 11, 2014	RMB10,000,000	100%	100%	100%	100%	Internet and software technology development and service/the PRC	(3)
Guangzhou Kuoyou Networks Technology Co., Ltd. * (廣州闊遊網絡科技有限公司) ("Kuoyou Networks")	The PRC/ October 11, 2014	RMB10,000,000	100%	100%	100%	100%	Internet and software technology development and service/the PRC	(3)
Guangzhou Miyuan Networks Technology Co., Ltd. * (廣州米緣網絡科技有限公司) ("Miyuan Networks")	The PRC/ December 24, 2013	RMB1,000,000	100%	100%	100%	100%	Internet culture operations/the PRC	(5)
Guangzhou Langxianjing Networks Technology Co., Ltd. * (廣州浪險勁網絡科技有限公司) ("Langxianjing Networks")	The PRC/ December 30, 2013	RMB1,000,000	100%	100%	100%	100%	Internet culture operations/the PRC	(3)

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/registered capital	Equity/ beneficial interest held as at December 31, 2015	Equity/ beneficial interest held as at December 31, 2016	Equity/ beneficial interest held as at December 31, 2017	Equity/ beneficial interest held as at the date of this report	Principal activities and place of operation	Note
Shanghai Feimiao Networks Technology Co., Ltd. * (上海飛淼網絡科技有限公司) ("Feimiao Networks")	The PRC/ June 22, 2016	RMB10,000,000	N/A	100%	100%	100%	Internet and software technology development and service/the PRC	(4)
Shanghai Yiguo Network Technology Co., Ltd. * (上海猗國網絡科技有限公司) ("Yiguo Networks")	The PRC/ June 22, 2016	RMB10,000,000	N/A	100%	100%	100%	Internet and software technology development and service/the PRC	(4)
Shanghai Langxianjing Network Technology Co., Ltd.* (上海浪險勁網絡科技有限公司) ("Shanghai Langxianjing")	The PRC/ June 3, 2016	RMB10,000,000	N/A	100%	100%	100%	Internet and software technology development and service/the PRC	(4)

* The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

Notes:

(1) No statutory audited financial statements have been prepared for these companies as they were newly incorporated in 2018.

(2) These subsidiaries are controlled through Contractual Arrangements and the Group does not have legal ownership in equity of these subsidiaries, as the PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, which include activities and services operated by Youmin Networks and its subsidiaries.

(3) The statutory financial statements of these companies were audited by 廣州市成揚會計師事務所有限公司 (Guangzhou Chengyang Certified Public Accountants Co., Ltd.) for the years ended December 31, 2015 and 2016. The statutory financial statements of these companies for the year ended December 31, 2017 have not yet been issued.

(4) The statutory financial statements of these companies were audited by 廣州市成揚會計師事務所有限公司 (Guangzhou Chengyang Certified Public Accountants Co., Ltd.) for the year ended December 31, 2016. The statutory financial statements of these companies for the year ended December 31, 2017 have not yet been issued.

(5) The statutory financial statements of Miyuan Networks were audited by 廣州瑞興會計師事務所 (Guangzhou Ruixing Certified Public Accountants Co., Ltd.) for the year ended December 31, 2015 and 廣州市成揚會計師事務所有限公司 (Guangzhou Chengyang Certified Public Accountants Co., Ltd.) for the year ended December 31, 2016. The statutory financial statements of the company for the year ended December 31, 2017 have not yet been issued.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was carried out by the PRC Operating Entities which were under the control of Mr. Liu. Pursuant to the Reorganization, both the Listing Business and the PRC Operating Entities are under the effective control of FT WFOE and ultimately the Company through the Contractual Arrangements. The Company and FT WFOE set up during the Reorganization are new companies which have not been involved in any business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or the ultimate controlling party of the Listing Business. The Historical Financial Information of the companies comprising the Group is presented using the carrying value of Listing Business for all years presented.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to Historical Financial Information are disclosed in Note 4.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2017, are consistently applied to the Group throughout the Track Record Period.

News and amended standards early adopted by the Group

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for annual periods beginning on after January 1, 2018 and earlier application is permitted. The Group has reviewed its financial assets and liabilities and has elected to early apply IFRS 9 which has been applied consistently throughout the Track Record Period.

IFRS 15, "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on after January 1, 2018 and earlier application is permitted. The Group has elected to early apply IFRS 15 which has been applied consistently throughout the Track Record Period.

New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group, have been issued and are effective for further reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 2 (Amendment) *(Note (a))*	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle (Note (a))	Retirement of short-term exemptions in IFRS 1 Clarifying measurement of investments under IAS 28	1 January 2018
IFRIC 23 (Note (a))	Uncertainty over income tax treatments	1 January 2019
IFRS 16 (Note (b))	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments) (Note (a))	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(a) The Group has already commenced an assessment of the impact of these new or revised standards, and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

(b) IFRS 16, "Leases", address the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on the balance sheet for lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group is a lessee of certain office spaces which are currently classified as operating leases. The Group's current accounting policy for such leases, as set out in Note 2.22, is to record the rental expenses in the profit or loss for the current year with the related operating lease commitments being separately disclosed in Note 31. IFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognize leases outside of the balance sheet. Instead, all non-current leases must be recognized in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's combined balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined balance sheet. In the combined statement of comprehensive income, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard will impact the balance sheet in terms of total assets and liabilities. As at December 31, 2017, the Group had non-cancellable operating lease commitments of RMB7,356,000.

The accounting for lessors will not significantly change. The standard will affect primarily the accounting for Group's operating leases. However, the Group has just commenced its assessment and have not yet determined to what extent its commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The application of IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. The Group does not intend to early adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group's financial performance and position.

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries arising from Reorganization

The wholly-owned subsidiary of the Company, FT WFOE, has entered into the Contractual Arrangements with Youmin Networks and its registered equity holders, which enable FT WFOE and the Group to:

- Exercise effective control over the PRC Operating Entities;
- Exercise equity holders' voting rights of the PRC Operating Entities;
- Receive substantially all of the economic interests and returns generated by the PRC Operating Entities in consideration for the business support, technical and consulting services provided by FT WFOE, at FT WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Youmin Networks from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of Youmin Networks shall return the amount of purchase consideration they have received to FT WFOE. At FT WFOE's request, the registered equity holders of Youmin Networks will promptly and unconditionally transfer their respective equity interests in Youmin Networks to FT WFOE (or its designee within the Group) after FT WFOE exercises its purchase right.
- Obtain a pledge over the entire equity interests in Youmin Networks from its registered equity holders to secure performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the PRC Operating Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities and is considered to control the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries under IFRSs.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operating Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of results, assets and liabilities of the PRC Operating Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements among Youmin Networks and its registered equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Historical Financial Information is presented in RMB, which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the combined statement of comprehensive income within finance costs. All other foreign exchange gains and losses are presented in the combined statement of comprehensive income within "other gains/(losses), net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive (loss)/income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Servers and other equipment	3-5 years
Motor Vehicles	4 years
Leasehold improvements	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss within "other gains/(losses), net".

2.7 Intangible assets

(a) Licenses

Under certain exclusive online mobile games arrangements entered between the Group and the game developers, the Group pays upfront license fees to the game developers as the Group is entitled to an exclusive right to operate third party developed games in specified geographic areas for certain period of time. The Group recognizes the exclusive license fee as an intangible asset. This intangible asset is amortized on a straight-line basis upon the commercial launch of the related online mobile games over the shorter of the expected economic life or license period of the relevant online mobile games ranging from 2 to 5 years. These amortization are expensed to cost of revenues (where the Group is a principal) to the game player or offset against the revenues (where the Group is acting as an agent to the game developer).

(b) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the Track Record Period, there were no development costs meeting these criteria and capitalized as intangible assets.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

Research and development expenses consist primarily of (i) salary and benefits for the Group's research and development personnel, and (ii) the technology outsourcing payment to third-party companies.

During the Track Record Period, all research and development expenditures were recognized in profit or loss due to the dissatisfaction of the recognition criteria for capitalization.

2.8 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 16 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no

subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, that is to measure the loss allowance at the amount equal to lifetime expected credit loss at initial recognition and through its life of the asset. The Group uses practical expedients when estimating life time expected credit losses on trade receivables, which is calculated using a provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

2.10 Trade receivables

Trade receivables are amounts due from third party distribution platforms ("Platforms") or payment channels for proceeds earned from selling game tokens and other virtual items (Note 21). If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 21 for further information about the Group's accounting for trade receivables and Note 2.9 for a description of the Group's impairment policies.

2.11 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash in hand and deposits at call with banks and other short-term liquid investments with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade payables

Trade payables represent payment received from game players and to be reimbursed to the game developers. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair values and subsequently measured at amortized cost using the effective interest method.

2.14 Current and deferred income tax

The income tax expense or credit for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.15 Employee benefits

(a) Defined contribution plans

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organized by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

(b) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized 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 balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.16 Share-based compensation

Equity-settled share-based compensation transactions

When equity shares are granted as considerations for past services received by the Group, the grant is regarded as equity-settled share-based payment transaction. When the services cannot be measured reliably, the transactions

were measured indirectly by reference to the fair value of the shares granted. The Group recognizes the expenses in full, being the difference between the fair value of the shares transferred less the consideration paid by the grantees, in the profit or loss when the shares were granted without a vesting or service condition and the corresponding credit is in the equity.

2.17 Provisions

Provisions for legal claims are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.18 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Game publishing service revenue

The Group is a publisher of online mobile games developed by third party game developers or its own through commissioned development arrangements. The Group licenses online games from game developers and earns game publishing service revenue by publishing them to the game players through Platforms, include major online platforms and application stores (installed in mobile telecommunications devices), and its self-operated platform. The games licensed to the Group are operated under a free-to-play model whereby game players can play the games free of charge and are charged for the purchase of game tokens or other virtual items via payment channels, such as the various mobile carriers and third-party internet payment systems (collectively referred to as "payment channels").

(i) Principal Agent Consideration

Third party developed games

Proceeds earned from selling game tokens and other virtual items are shared between the Group and game developers, with the amount payable to game developers generally calculated based on face value of game tokens or other virtual items determined by game developers, after deducting certain deductible fees and multiplied by a predetermined percentage for each game. The deductible fees are predetermined and negotiated game by game, including the fees to be shared with the Platforms and payment handling costs charged by the payment channels.

With respect to the Group's game licenses arrangements entered into during the Track Record Period, the game developers have the primary responsibilities for the hosting and maintenance of the game servers and providing the game content to the game players and the game developers have the right to determine the pricing of in-game virtual items and the specification, modification or any update of the game themselves or as proposed by the Group. The Group's responsibilities to the game developers are publishing, providing payment solution, market promotion service, customer service and maintaining the access portal network. Both the game developers and the Group have responsibilities to ensure the game players can continue to gain access to the mobile game to get the games experience and benefit after the sale of the virtual items. Therefore, the Group's service obligations as a publisher to the game developers are also directly linked to each user's engagement. The Group views both game developers and game players to be its customers. The Group considers for each sharing of payment made by the game player, it has implied obligation to maintain the access portal network for certain period for the game player to access to the game. Accordingly, the Group records the game publishing service revenue from in-game payments for these licensed games, net of amounts paid to game developers and recognised the revenue over the estimated average playing period of paying players ("Player Relationship Period") as detailed in Note 2.18 (ii).

Games operated by the Group are in the form of self-operation on its self-operated platform and cooperation with the Platforms, under which the Group is responsible for determining the Platforms and payment channels, and providing customer services as well as marketing activities. For games self-operated by the Group, payment channels are responsible for payment collections. For games cooperated with the Platforms, the Platforms are responsible for distribution, platform maintenance, paying player authentication and payment collections related to the games.

As the Group is solely responsible for identifying, contracting with and maintaining the relationships of the Platforms and payment channels, commission fees payable to the Platforms and payment channels are included in cost of revenues and presented on a gross basis. The Group considers it is the primary obligor to the game developers for the reasons identified above as it has been given latitude by the game developers in selecting different Platforms and payment channels for its services to the game developers.

Different from the above analysis, for games cooperated with Apple App, the game developers are fully aware of Apple App's roles and responsibilities. The Group considered that Apple App and itself provide services to the game developers together, as the Group does not have the latitude in selecting and negotiating with Apple App and does not have the primary responsibility to game developers for the service provided by them. Commissions charged by Apple App are deducted from revenue.

Commissioned-developed games

The Group commissioned third-party game developers to develop mobile games based on the Group's instruction. Under the game development and operation arrangement, the Group owns the commissioned-developed games' copyrights and other intellectual property, and takes primary responsibilities of game development and game operation, including designing, development, and updating of the games including the game content, as well as the pricing of virtual items, providing on-going updates of new contents and bug fixing, determining the Platforms and payment channels, and providing customer services. Under this type of agreement, the Group considers itself the principal in this arrangement to the game players. Accordingly, the Group records the online game revenue from these games on a gross basis. Commission fees payable to the game developers and the Platforms, and payment handling costs charged by payment channels are recorded as cost of revenue.

(ii) Timing of revenue recognition

Third party developed games

As detailed in Note 2.18 (i), the Group has a continuing implied obligation to game developers and game players, therefore, for the purposes of determining when services have been provided to the respective players, the Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. Revenues of game publishing service are recognised ratably over the Player Relationship Period for a specific game. If there are insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games developed by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile, target audience, and its appeal to players of different demographics groups in estimating the Player Relationship Period.

Commissioned-developed games

Revenue of commissioned-developed games are recognised ratably over the Player Relationship Period or as the consumable virtual items are consumed.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period, which is similar to the policy for timing of revenue recognition of third party developed games.

Contract costs and contract liabilities

Contract liabilities primarily consists of the unamortised revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortised commissions charged by the Platforms and game developers.

2.19 Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.21 Government grants

Grants from the government are recognized at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.22 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize the potential adverse effects on the financial performance of the Group.

Risk management policies are approved by the board of directors and executed by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognized assets in foreign currencies, primarily with respect to United States Dollar ("USD") in transactions with Apple App platform. The finance department of the Group is responsible for monitoring and managing the net position in each foreign currency. The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposures.

For the years ended December 31, 2015, 2016 and 2017, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, post-tax profit for the years would have been RMB1,279,000, RMB6,196,000 and RMB4,574,000, higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of USD-denominated receivables and cash and cash equivalents.

The Group does not hedge against any fluctuation in foreign currency.

(ii) Interest rate risk

Other than interest-bearing cash and cash equivalents and financial assets at fair value through profit or loss, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group does not have any interest-bearing liabilities of borrowings and does not anticipate there is any significant exposure of interest rate risk.

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss held by the Group which are carried at fair value with changes in fair value recognized in profit or loss. As at December 31, 2016, the balance of financial assets at fair value through profit or loss was insignificant and the price risk was considered to be low. As at December 31, 2015 and 2017, the Group had no financial assets at fair value through profit or loss.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and bank deposits, trade and other receivables and financial assets at fair value through profit or loss.

The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and bank deposits and wealth management products issued by commercial banks, the Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

Individual balances of trade receivables exceeding 10% of the Group's total trade receivables as at December 31, 2015, 2016 and 2017 accounted for approximately 63.8%, 61.5% and 56.9% of the Group's total trade receivables, respectively.

Trade receivables at the end of each reporting period are due from the third-party distribution platforms and payment channels in cooperation with the Group. If the strategic relationship with the Platforms and payment channels is terminated or scaled-back; or if the Platforms and payment channels alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's game publishing receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Platforms and payment channels to ensure the effective credit control. In view of the history of cooperation with the Platforms and payment channels and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the Platforms and payment channels is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Total
	RMB'000	RMB'000
At December 31, 2015		
Trade payables, other payables and accruals (excluding salary and staff welfare payables and taxes payables)	74,039	74,039
At December 31, 2016		
Trade payables, other payables and accruals (excluding salary and staff welfare payables and taxes payables)	126,279	126,279
At December 31, 2017		
Trade payables, other payables and accruals (excluding salary and staff welfare payables and taxes payables)	126,148	126,148

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The Group's financial instruments are carried at fair value as at balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2017:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
— Financial assets at fair value through other comprehensive income (Note 18)	–	–	11,200	11,200
	–	–	11,200	11,200

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Long-term investments				
— Financial assets at fair value through other comprehensive income (Note 18)	–	–	1,200	1,200
Short-term investments				
— Financial assets at fair value through profit or loss (Note 17)	–	–	12,000	12,000
	–	–	13,200	13,200

The Group did not have any financial instruments that were required to be measured at fair value on a recurring basis as at December 31, 2015.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

(c) Financial instruments in level 3

The changes in level 3 financial instruments for the years ended December 31, 2015, 2016 and 2017 are presented in Notes 17 and 18.

The Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments. External valuation experts will be involved when necessary.

The level 3 financial instruments of the Group as at December 31, 2016 was financial asset at fair value through profit or loss, which was an unlisted wealth management product issued by a commercial bank with maturity of 15-35 days and expected annualized interest rate of 4.04%-4.45%. The Group used income method of the discounted cash flows to determine its fair value and classified it as a financial asset at fair value through profit or loss.

The following table presents the changes in level 3 financial instruments of financial assets at fair value through profit or loss for each of the years ended December 31, 2015, 2016 and 2017:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	–	12,000
Additions	9,000	379,874	1,060,333
Disposals	(9,000)	(367,874)	(1,072,333)
Changes in fair value	48	454	6,010
Realized investment income included in profit or loss upon disposals	(48)	(454)	(6,010)
At the end of the year	–	12,000	–
Maximum exposure to credit risk	–	12,000	–

The following table presents the changes in level 3 financial instruments of financial assets at fair value through other comprehensive income for each of the years ended December 31, 2015, 2016 and 2017:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	–	1,200
Additions	–	1,200	10,000
At the end of the year	–	1,200	11,200

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of the Player Relationship Period in the Group's game publishing services

As described in Note 2.18 (ii), the Group recognizes revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period of 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.

(b) Income taxes

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(c) Revenue recognition

Pursuant to game publishing and operation arrangements signed between the Group and the third party game developers or Platforms, the Group's responsibilities in publishing and operating the licensed or commissioned-developed games vary for each game. The determination of whether to record these revenues using gross or net basis is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor to the game developers and game players in the arrangements; (ii) has latitude in establishing the selling price of virtual items; (iii) changes the products or performs part of the services; (iv) has involvement in the determination of product and service specifications; and (v) has the rights to determine secondary Platforms and payment channels.

(d) Fair value of share awards to the key employees

As set out in Note 25 below, the Group awarded equity interests to the key employees in 2015. The Group used the discounted cash flow method to determine the fair value of these awards. Significant judgments on key assumptions, such as discount rate and projection of future performance are required to be made by the Group.

The share-based compensation expenses related to the awards for the year ended December 31, 2015 would have been RMB1,457,000 lower or RMB1,752,000 higher should the discount rate used in the discount cash flow analysis be higher/lower by 100 basis points from management's estimates.

(e) Contractual Arrangements

The Group conducts its business through Youmin Networks and its subsidiaries in the PRC. Due to the regulatory restrictions on the foreign ownership of the Listing Business in the PRC, the Group does not have any equity interest in Youmin Networks. The Directors assessed whether or not the Group has control over Youmin Networks and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Youmin Networks and its subsidiaries and has the ability to affect those returns through its power over Youmin Networks and its subsidiaries. After assessment, the Directors concluded that the Group has control over Youmin Networks and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of Youmin Networks and its subsidiaries are included in the Group's combined financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Youmin Networks and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Youmin Networks and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements with Youmin Networks and its equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

5 Revenue and segment information

The Group's CODM has been identified as its executive directors, who reviews the combined results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. The Group's long-lived assets are substantially located in the PRC and substantially all of the Group's revenues are derived from the PRC. Therefore, no geographical segments are presented.

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Self-publishing	76,930	427,461	571,325
Co-publishing	198,859	557,316	625,905
	275,789	984,777	1,197,230

The Group has a large number of game players. No revenue from any individual game player exceeded 10% or more of the Group's revenue during the Track Record Period.

The revenue generated from the games licensed by the Group's largest game developer accounted for 47.6%, 46.0% and 34.6% of the Group's revenue for the years ended December 31, 2015, 2016 and 2017, respectively. Other than the largest game developer, the following table summarizes the percentage of revenue from games licensed by a single game developer exceeding individually 10% of the Group's revenue during the Track Record Period.

	Year ended December 31,		
	2015	2016	2017
A	*	12.2%	16.0%
B	*	22.2%	15.9%
C	11.4%	10.3%	*

* The amounts of revenue from corresponding game developer was less than 10% of the total revenue for the relevant years.

6 Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Commissions charged by Platforms	118,163	371,071	435,542
Promotion expenses	78,673	328,748	382,711
Employee benefit expenses (Note 7)	53,209	38,671	43,027
Commissions charged by game developers in relation to commissioned developed game	–	–	17,292
Outsourcing research and development expenses	14,414	38,809	16,311
[REDACTED] expenses	–	–	**[REDACTED]**
Office rental expenses	1,301	3,354	5,315
Payment handling costs charged by payment channels	2,054	4,389	3,923
Depreciation of property and equipment (Note 14)	426	1,123	2,252
Office charges	624	1,736	3,514
Service fees	665	3,111	3,436
Tax surcharges	900	1,604	2,950
Provision for impairment of trade receivables (Note 21)	397	1,752	1,635
Others	2,982	9,014	10,158
	273,808	803,382	933,812

7 Employee benefits expenses

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	19,787	30,129	32,638
Share-based compensation (Note 25)	28,112	–	–
Pension costs — defined contribution plans	1,675	2,763	3,522
Social security costs, housing benefits and other employee benefits	3,635	5,779	6,867
	53,209	38,671	43,027

(a) Pension costs — defined contribution plans

Employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on a

fixed percentage of 14% of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2015, 2016 and 2017 include 2, 2 and 0 directors, respectively, whose emoluments are reflected in the analysis shown in Note 33. The emoluments payable to the remaining 3, 3 and 5 individuals for each of the years ended December 31, 2015, 2016 and 2017 are as follows:

	Year ended December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Wages, salaries and bonuses	2,019	2,878	2,955
Pension costs — defined contribution plans	80	84	153
Social security costs, housing benefits and other employee benefits	103	101	184
Share-based compensation	9,694	–	–
	11,896	3,063	3,292

The emoluments fell within the following bands:

	Number of individuals		
	Year ended December 31,		
	2015	**2016**	**2017**
Emolument band			
Nil — HK$1,000,000	1	–	5
HK$1,000,001 — HK$1,500,000	–	3	–
HK$3,000,001 — HK$3,500,000	1	–	–
HK$8,000,001 — HK$8,500,000	1	–	–
	3	3	5

During the Track Record Period, neither directors nor the five highest paid individuals received any emoluments from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

8 Other income

	Year ended December 31,		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Government grants (Note (a))	2,001	2,268	6,968
Interest income from short-term deposits	–	–	820
	2,001	2,268	7,788

(a) The government grants are incentives provided by the Shanghai local government to encourage investments in certain industries and the amount received each year is determined by the Shanghai local government. There were no unfulfilled conditions or other contingencies attached to these grants.

9 Other gains/(losses), net

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Investment income from wealth management products classified as financial assets at fair value through profit or loss (Note 17)	48	454	6,010
Net foreign exchange gains/(losses)	330	5,702	(6,238)
Others	(5)	145	(66)
	373	6,301	(294)

10 Finance income

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest income from bank balances	10	108	1,692

11 Income tax expense/(credit)

The income tax expense/(credit) of the Group for each of the years ended December 31, 2015, 2016 and 2017 is analyzed as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current income tax	725	3,177	30,411
Deferred income tax (Note 20)	248	(29,675)	1,401
	973	(26,498)	31,812

PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for each of the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Youmin Networks, Binjie Networks, Shanghai Langxianjing, Yiguo Networks and Feimiao Networks were accredited as a "software enterprise" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years (the "tax holiday").

Youmin Networks is exempt from EIT for the years ended December 31, 2015 and 2016, followed by 50% reduction in the applicable tax rates for the next three years. Based on management's assessment, Youmin Networks were not entitled the 50% reduction in tax rate starting from 2017 because its research and development expenditure was lower than the benchmark of a "software enterprise". As a result, management applied 25% in calculating its EIT for the year ended December 31, 2017.

Binjie Networks is exempt from EIT for the years ended December 31, 2017 and 2018, followed by 50% reduction in the applicable tax rates for the next three years, since it has made profit in 2017.

Shanghai Langxianjing, Yiguo Networks and Feimiao Networks were in accumulated tax loss positions as at December 31, 2017, therefore the respective tax holiday had not commenced as at December 31, 2017.

Guangzhou Miyuan was qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law since 2016. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period. The applicable tax rate was 15% for the years ended December 31, 2016 and 2017.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the years ended December 31, 2015, 2016 and 2017.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate in the PRC of 25% as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before income tax	4,365	190,072	272,604
Tax calculated at a tax rate of 25%	1,091	47,518	68,151
Tax effects of:			
Preferential income tax rates applicable to certain companies comprising the Group	(1,040)	(45,193)	(36,157)
Impact of tax rate changes (Note (i))	–	(29,494)	–
Super deduction in respect of research and development expenses	(179)	(159)	(1,758)
Tax losses and timing differences for which no deferred income tax was recognized	82	552	1,113
Expenses not deductible for tax purposes	1,019	278	463
Income tax expense/(credit)	973	(26,498)	31,812

(i) The Group reorganizes contract costs and contract liabilities as further described in Note 22 below. Such contract costs and contract liabilities as at 31 December 2016 were included in calculating the tax base of the Group for the year ended 31 December 2016 which is subject primarily to a tax rate of 0% applicable to Youmin Networks as described above. For calculating the accounting base, however, such contract costs and contract liabilities as at 31 December 2016 were recognized in profit or loss for the year ended 31 December 2017 which was subject to a tax rate of 25% applicable to Youmin Networks in 2017 as described above. The difference in tax rate on such temporary difference resulted in a deferred tax credit recognized for the year ended 31 December 2016.

12 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results for each of the years ended December 31, 2015 and 2016 and 2017 on a combined basis as disclosed in Note 1.3.

13 Dividends

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Dividends	13,000	–	55,000

Pursuant to the resolutions of the shareholders' meetings held on August 27, 2015 and December 22, 2017, dividends of RMB13,000,000 and RMB55,000,000 were approved and paid by Youmin Networks to its equity holders.

No dividends had been paid by the Company during the Track Record Period since the Company was incorporated on January 9, 2018.

14 Property and equipment

	Servers and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015				
Cost	510	–	–	510
Accumulated depreciation	(298)	–	–	(298)
Net book amount	212	–	–	212
Year ended December 31, 2015				
Opening net book amount	212	–	–	212
Additions	520	1,080	442	2,042
Depreciation charge	(146)	(235)	(45)	(426)
Closing net book amount	586	845	397	1,828
At December 31, 2015				
Cost	1,030	1,080	442	2,552
Accumulated depreciation	(444)	(235)	(45)	(724)
Net book amount	586	845	397	1,828
Year ended December 31, 2016				
Opening net book amount	586	845	397	1,828
Additions	1,346	1,103	1,057	3,506
Depreciation charge	(388)	(278)	(457)	(1,123)
Closing net book amount	1,544	1,670	997	4,211
At December 31, 2016				
Cost	2,376	2,183	1,499	6,058
Accumulated depreciation	(832)	(513)	(502)	(1,847)
Net book amount	1,544	1,670	997	4,211
Year ended December 31, 2017				
Opening net book amount	1,544	1,670	997	4,211
Additions	820	5,372	1,469	7,661
Disposals	–	(339)	–	(339)
Depreciation charge	(768)	(1,120)	(364)	(2,252)
Closing net book amount	1,596	5,583	2,102	9,281
At December 31, 2017				
Cost	3,196	7,178	2,968	13,342
Accumulated depreciation	(1,600)	(1,595)	(866)	(4,061)
Net book amount	1,596	5,583	2,102	9,281

Depreciation charges were expensed in the following categories in the combined statements of comprehensive income:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost of revenue	117	414	1,023
Selling and marketing expenses	46	101	394
Administrative expenses	242	538	652
Research and development expenses	21	70	183
	426	1,123	2,252

15 Intangible assets

	Licenses
	RMB'000
At January 1, 2015	
Cost	90
Accumulated amortization	–
Net book amount	90
Year ended December 31, 2015	
Opening net book amount	90
Amortization charge	(33)
Closing net book amount	57
At December 31, 2015	
Cost	90
Accumulated amortization	(33)
Net book amount	57
Year ended December 31, 2016	
Opening net book amount	57
Additions	5,661
Amortization charge	(2,050)
Closing net book amount	3,668
At December 31, 2016	
Cost	5,751
Accumulated amortization	(2,083)
Net book amount	3,668
Year ended December 31, 2017	
Opening net book amount	3,668
Amortization charge	(2,170)
Closing net book amount	1,498
At December 31, 2017	
Cost	5,751
Accumulated amortization	(4,253)
Net book amount	1,498

Amortization charges were offset against the revenues for the Track Record Period.

16 Financial instruments by categories

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Assets as per balance sheet			
Financial assets at fair value through other comprehensive income	–	1,200	11,200
Financial assets at fair value through profit or loss	–	12,000	–
Trade and other receivables (excluding prepayments)	119,956	216,997	165,774
Cash and cash equivalents	24,077	212,817	573,761
	144,033	443,014	750,735

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Liabilities as per balance sheet			
Trade and other payables and accruals (excluding salary and staff welfare payables and taxes payable)	74,039	126,279	126,148

17 Financial assets at fair value through profit or loss

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	–	12,000
Additions	9,000	379,874	1,060,333
Disposals	(9,000)	(367,874)	(1,072,333)
Changes in fair value	48	454	6,010
Realized investment income included in profit or loss upon disposal	(48)	(454)	(6,010)
At the end of the year	–	12,000	–
Maximum exposure to credit risk	–	12,000	–

Financial assets at fair value through profit or loss represent the wealth management products issued by commercial banks with a variable interest rate indexed to the performance of underlying assets. The Group elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in profit or loss.

18 Financial assets at fair value through other comprehensive income

During the years ended December 31, 2016 and 2017, the Group acquired certain minority interests in private companies, amounting to RMB1,200,000 and RMB10,000,000, respectively. Those companies are engaged in technology and internet-related services.

19 Prepayments and other receivables

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Included in non-current assets			
Prepayments for purchase of licenses	2,553	–	16,734
Rental and other deposits	172	540	683
	2,725	540	17,417
Included in current assets			
Prepayments for promotion expenses	18,060	33,073	37,548
Input value-added tax to be deducted	826	240	8,977
Rental and other deposits	350	1,132	4,799
Amount due from a related party (Note 30)	14,000	–	–
Other receivables	2,706	1,373	3,977
	35,942	35,818	55,301
	38,667	36,358	72,718

The carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximated their fair values due to their short maturity at the reporting date. For the years ended December 31, 2015, 2016 and 2017, there was no provision for impairment on prepayments and other receivables.

The maximum exposure to credit risk as at the reporting date was the carrying value of each class of other receivables mentioned above. The Group did not hold any collateral as security as at each reporting date.

20 Deferred income tax

(i) Deferred tax assets

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Contract liabilities	410	47,859	43,689
Provisions and others	–	6	2,432
Total deferred tax assets	410	47,865	46,121
Set-off of deferred tax liabilities	(162)	(17,942)	(17,599)
Net deferred tax assets	248	29,923	28,522

Movements	Contract liabilities	Provisions and others	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2015	**–**	**–**	**–**
Recognized in profit or loss	410	–	410
At December 31, 2015	410	–	410
Recognized in profit or loss	47,449	6	47,455
At December 31, 2016	47,859	6	47,865
Recognized in profit or loss	(4,170)	2,426	(1,744)
At December 31, 2017	43,689	2,432	46,121

(ii) Deferred tax liabilities

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
The balance comprises temporary differences attributable to:			
Contract acquisition costs	162	17,942	17,599
Total deferred tax liabilities	162	17,942	17,599
Set-off of deferred tax assets	(162)	(17,942)	(17,599)
Net deferred tax liabilities	–	–	–

Movements	Contract acquisition costs	Total
	RMB'000	RMB'000
At January 1, 2015	–	–
Recognized in profit or loss	162	162
At December 31, 2015	162	162
Recognized in profit or loss	17,780	17,780
At December 31, 2016	17,942	17,942
Recognized in profit or loss	(343)	(343)
At December 31, 2017	17,599	17,599

(iii) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2015, 2016 and 2017, the Group did not recognise deferred income tax assets of RMB74,000, RMB651,000 and RMB875,000 in respect of losses amounting to RMB296,000, RMB2,605,000 and RMB3,500,000 that can be carried forward against future taxable income. These tax losses will expire from 2020 to 2022.

21 Trade receivables

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Third parties (Note (a))	103,695	216,158	161,499
Less: provision for impairment (Note (c))	(397)	(2,149)	(3,784)
	103,298	214,009	157,715

(a) Trade receivables are primarily due from Platforms and payment channels, which collect the proceeds from sales of in-game virtual items on the Group's behalf. The credit terms of trade receivable agreed with Platforms and payment channels are 30-90 days and 0-30 days, respectively. Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Up to 1 month	30,553	77,343	64,017
1 to 3 months	44,938	77,235	64,632
3 to 6 months	24,417	47,907	24,203
6 months to 1 year	3,670	12,891	6,270
Over 1 year	117	782	2,377
	103,695	216,158	161,499

(b) As at December 31, 2015, 2016 and 2017, trade receivables of past due but not impaired were approximately RMB34,398,000, RMB71,890,000 and RMB35,865,000, respectively. These related to a number of Platforms which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The aging analysis of these trade receivables based on due date is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Outstanding after due dates:			
1 to 3 months	6,543	12,459	6,799
3 to 6 months	24,417	47,907	24,203
6 months to 1 year	3,438	11,524	4,863
	34,398	71,890	35,865

(c) As at December 31, 2015, 2016 and 2017, trade receivables of RMB397,000, RMB2,149,000 and RMB3,784,000 were impaired. Movements on the Group's provision for impairment of trade receivables are as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	397	2,149
Provision for impairment	397	1,752	1,635
At the end of the year	397	2,149	3,784

The provision for impairment of trade receivables have been included in "administrative expenses" in the combined statements of comprehensive income.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The provision is determined as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Expected loss rate	0.4%	1.0%	2.3%
Gross carrying amount	103,695	216,158	161,499
Loss allowance provision	397	2,149	3,784

(d) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
RMB	77,723	154,334	110,498
USD	25,575	59,675	47,217
	103,298	214,009	157,715

(e) As at December 31, 2015, 2016 and 2017, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group did not hold any collateral as security.

22 Contract costs and liabilities

(a) The Group has recognized the following revenue-related contract costs and liabilities:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Contract costs:			
Costs to obtain contracts for game publishing	44,233	72,921	70,394
Contract liabilities:			
Game publishing	107,894	194,525	174,757

(i) Significant changes in contract costs and liabilities

Contract costs are mainly related to contract acquisition costs, which primarily consists of unamortized commissions charged by the Platforms and game developers.

Contract liabilities primarily consists of the unamortized revenue from sales of virtual items for mobile games, where there is still an implied obligation to be provided by the Group over time.

(ii) Revenue recognized in relation to contract liabilities

The following table shows the amount of revenue recognized in the combined statements of comprehensive income for the respective years relating to contract liabilities brought forward:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year			
Game publishing	7,142	107,894	194,525

(iii) Assets recognized from contract acquisition costs

In addition to the contract balances disclosed above, the Group recognizes assets in relation to contract acquisition costs. This is presented as contract costs in the combined balance sheets.

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Assets recognized from contract acquisition costs for game publishing	44,233	72,921	70,394

In adopting IFRS 15, the Group recognises contract costs in relation to commissions charged by the Platforms and game developers, which meet contract acquisition cost criteria when the Group views the game players as its customer and that is incremental cost of acquiring a customer contract. They are capitalised as contract acquisition costs and amortised over the Player Relationship Period, which is consistent with the pattern of recognition of the associated revenue. The Group had no impairment losses recognised on any contract costs.

23 Cash and cash equivalents

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash at bank	24,072	212,745	573,703
Cash in hand	5	72	58
Cash and cash equivalents	24,077	212,817	573,761

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
RMB	24,077	148,578	498,995
USD	–	64,239	74,766
	24,077	212,817	573,761

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

24 Paid-in capital

Paid-in capital represents the combined paid-in capital of companies comprising the Group as at December 31, 2015, 2016 and 2017, after elimination of inter-company investments.

Pursuant to the resolution of a shareholder meeting of Youmin Networks on August 27, 2015, retained earnings amounting to RMB10,000,000 were transferred to paid-in capital.

25 Share-based compensation

In 2015, the founders agreed to transfer 14.5% equity interest in Youmin Networks, at cash consideration of RMB3,513,000, to key employees. There were no future service conditions attached to the award, therefore the share-based awards were immediately vested. Accordingly, the Group recorded a share-based compensation charge of RMB28,112,000, which is the difference between the consideration and the fair value of the award. Management adopted discounted cash flow method in determining the fair value and the key assumptions on valuation at the grant date include the discount rate of 19.2% and projections of future performance.

26 Reserves

	Statutory reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015	–	2,000	2,000
Share-based compensation	–	28,112	28,112
Appropriation to statutory reserves (Note a)	466	–	466
Balance at December 31, 2015	466	30,112	30,578
Appropriation to statutory reserves (Note a)	10,600	–	10,600
Distribution to owners (Note b)	–	(6,490)	(6,490)
Balance at December 31, 2016	11,066	23,622	34,688
Appropriation to statutory reserves (Note a)	5,837	–	5,837
New shares issued to strategy investors (Note c)	–	134,058	134,058
Balance at December 31, 2017	16,903	157,680	174,583

(a) In accordance with the relevant laws and regulations in the PRC and the Articles of Association of subsidiaries located in mainland China, it is required to appropriate 10% of the annual statutory net profits after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

During the years ended December 31, 2015, 2016 and 2017, appropriations to statutory surplus fund amounted to RMB466,000, RMB10,600,000 and RMB5,837,000, respectively.

(b) In 2016, Youmin Networks acquired 100% equity interest of Miyuan Networks and Guangzhou Langxianjing at a cash consideration of RMB6,490,000. The two companies were controlled by Mr. Liu prior to the acquisition. As the result of acquisition under common control, assets and liabilities of two companies were included in the combined financial statements of the Group for all years presented. The purchase consideration was treated as a distribution to owners.

(c) On January 12, 2017, pursuant to a share purchase agreement entered into among Youmin Networks and its then equity holders, and Mr. Cai Wenhang ("Mr. Cai") and his investment vehicle, Zhuhai Aotuo Investment center LLP ("Aotuo Investment") (collectively the "strategy investors"), the strategy investors subscribed for 4.5%

newly issued registered capital of Youmin Networks at a cash consideration of RMB135,000,000. In the meantime, Mr. Liu transferred 3.5% of his equity interest in Youmin Networks to the strategy investors at a cash consideration of RMB105,000,000.

In January 2018, Youmin Networks repurchased from the strategy investors in respect of their equity interests in Youmin Networks at cash consideration of RMB263,816,000 in aggregate subsequent to December 31, 2017 (Note 34).

27 Trade payables

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Third parties	65,848	119,991	102,234

Trade payables primarily represent payment received from game players and to be reimbursed to the game developers. The credit terms of trade payables granted by the game developers are usually 30 to 90 days.

The aging analysis of trade payables based on invoice date is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Up to 1 month	15,628	26,746	20,324
1 to 3 months	24,955	46,464	42,261
3 to 6 months	20,449	37,875	39,641
6 months to 1 year	4,419	8,766	8
Over 1 year	397	140	–
	65,848	119,991	102,234

Trade payables were denominated in RMB and the fair values of these balances approximated their carrying amounts at the reporting dates.

28 Other payables and accruals

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Other taxes payables	592	16,620	24,311
Salary and staff welfare payables	8,455	15,322	16,111
Payables related to financial assets at fair value through other comprehensive income	–	600	10,000
[REDACTED] expenses payables	–	–	**[REDACTED]**
Payables of fees for commissioned-developed games	6,850	–	2,400
Others	1,341	5,688	5,768
	17,238	38,230	64,336

Other payables and accruals were denominated in RMB and the fair values of these balances approximated their carrying amounts at the reporting date.

29 Cash generated from operations

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before income tax	4,365	190,072	272,604
Adjustments for:			
— Depreciation of property and equipment	426	1,123	2,252
— Loss on disposal of property and equipment	–	–	65
— Amortization of intangible assets	33	2,050	2,170
— Provision for impairment of trade receivables	397	1,752	1,635
— Investment income from financial assets at fair value through profit or loss	(48)	(454)	(6,010)
— Interest income received from short-term deposits	–	–	(820)
— Net foreign exchange (losses)/gains	–	(5,498)	5,984
— Share-based compensation expenses (Note 25)	28,112	–	–
	33,285	189,045	277,880
Changes in operating assets and liabilities			
— Trade receivables	(87,441)	(112,463)	54,659
— Prepayments and other receivables	(17,724)	(14,244)	(19,630)
— Trade payables	46,598	54,143	(17,757)
— Other payables and accruals	10,292	20,392	16,706
— Contract costs	(41,644)	(28,688)	2,527
— Contract liabilities	100,751	86,631	(19,768)
Cash generated from operations	44,117	194,816	294,617

In the combined statements of cash flows, proceeds from sale of property and equipment comprise:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net book amount (Note 14)	–	–	339
Loss on disposal of property and equipment	–	–	(65)
Proceeds from disposal of property and equipment	–	–	274

30 Significant related party transactions

(a) Names and relationships with related parities

The following companies and individuals were related parties of the Group that had transactions and/or balances with the Group during the Track Record Period:

Name of related party	Relationship with the Group
Mr. Liu	Shareholder
Zhu Yanbin ("Mr. Zhu")	Shareholder

(b) Significant transaction with related parties

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. Management is of view that the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Discontinued transaction			
Repayment received from a related party:			
— Mr. Liu	10,000	14,000	–

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Discontinued transaction			
Loan to a related party:			
— Mr. Liu	14,000	–	–

The loans to a shareholder were unsecured and interest-free.

(c) Key management personnel compensations

The compensations paid or payable to key management personnel (including CEO and other senior executives) for employee services are shown below:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	2,118	3,742	2,468
Pension costs — defined contribution plans	83	113	171
Social security costs, housing benefits and other employee benefits	100	137	206
Share-based compensation	24,234	–	–
	26,535	3,992	2,845

(d) Year-end balances

The amount due from a related party represented a loan to a shareholder as at December 31, 2015. The amount was unsecured and interest-free. The loan was settled during the year ended December 31, 2016.

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Amount due from a related party (Note 19):			
— Mr. Liu	14,000	–	–

31 Commitments

Operating lease commitments

The Group leases office buildings under non-cancellable operating lease agreements. The lease terms are between 2 years to 3 years.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Not later than 1 year	1,895	4,487	4,659
Later than 1 year and not later than 2 years	1,009	3,819	2,697
Later than 2 year and not later than 3 years	510	2,337	–
	3,414	10,643	7,356

32 Contingent liabilities

The Group had no significant contingent liabilities as at December 31, 2015, 2016 and 2017.

33 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and chief executive for the year ended December 31, 2015 is set out below:

Name	Salaries[(i)]	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Liu (chief executive)	423	4,866	17	5,306
Wu Junjie (Mr. Wu)	434	13,591	17	14,042
	857	18,457	34	19,348

The remuneration of each director and chief executive for the year ended December 31, 2016 is set out below:

Name	Salaries[(i)]	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Liu (chief executive)	721	34	28	783
Mr. Wu	721	34	28	783
Wang Zaicheng (Mr. Wang)	360	3	2	365
	1,802	71	58	1,931

The remuneration of each director and chief executive for the year ended December 31, 2017 is set out below:

Name	Salaries[(i)]	Other social security costs, housing benefits and other employee benefits	Pension cost-defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Liu (chief executive)	361	37	31	429
Mr. Wu	361	37	31	429
Mr. Wang	501	37	31	569
Mr. Liu Zhanxi	385	21	18	424
	1,608	132	111	1,851

Notes:

(i) Salary paid to a director is generally an emolument paid or payable in respect of that person for the services in connection with the management of the affairs of the Company or its subsidiary undertakings.

During the years ended December 31, 2015, 2016 and 2017, no directors waived or agreed to waive any emoluments.

(b) Directors' retirement benefits

No retirement benefits were paid to or payable in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended December 31, 2015, 2016 and 2017.

(c) Directors' termination benefits

During the years ended December 31, 2015, 2016 and 2017, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services subsisted at the end of or at any time during the years ended December 31, 2015, 2016 and 2017.

(e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Except for the amount due from Mr. Liu during the Track Record Period as discussed in Note 30(b) and Note 30(d) above, no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of or at any time during the years ended December 31, 2015, 2016 and 2017.

(f) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the years ended December 31, 2015, 2016 and 2017, except for the transactions disclosed in Note 30.

34 Subsequent events

(1) On January 13, 2018, pursuant to a capital reduction agreement entered into between Youmin Networks and all of its equity holders (including the strategy investors), effective from January 25, 2018, the registered capital of Youmin Networks was reduced from approximately RMB20,942,000 to RMB19,267,000 which was achieved

by way of repurchase by Youmin Networks from the strategy investors in respect of their 8% equity interests in Youmin Networks at the consideration of approximately RMB263,816,000 in aggregate. The capital reduction was completed in March 2018.

(2) On February 28, 2018, the Company's shareholders approved and adopted a restricted share unit ("RSU") scheme ("RSU Scheme") and the Company has appointed Core Trust Company Limited as the trustee (the "Trustee") to assist with the administration of the RSU Scheme and Super Fleet Limited, a wholly-owned subsidiary of the Trustee, as nominee (the "Nominee"). On [●], 2018, the board of directors approved to grant [36,000,000] RSU to certain management and employees.

(3) On March 22, 2018, each issued and unissued share of US$0.00005 was sub-divided into 10 shares with a par value of US$0.000005 each. Upon completion of the sub-division, the Company's authorized share capital was US$50,000 divided into 10,000,000,000 shares and issued share capital was US$5,000 divided into 1,000,000,000 shares; On the same date, the Company issued and allotted 500,000,000 shares to all then existing shareholders proportionately at nil consideration. Upon completion of the issuance and allotment, the Company's shares in issue increased to 1,500,000,000.

(4) The Reorganization was completed on March 24, 2018 and the details are summarized in Note 1.2

(5) In January 2018, the Group brought a breach of contract claim against one of its Platforms for a compensation of RMB3.7 million. In February 2018, the platform filed a counterclaim against the Group for a compensation of RMB4.7 million, alleging that the Group breached the co-publishing agreements by shutting down servers of the licensed game. This case in still in early stage. The directors of the Group are of opinion that the probability the Group will be liable for the claim is low and no provision for the claim is made for the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2017. No dividend or distribution has been declared or made by the Company or any of the other companies now comprising the Group in respect of any period subsequent to December 31, 2017.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the **[REDACTED]** on the net tangible assets of the Group attributable to the equity holders of the Company as of December 31, 2017 as if the **[REDACTED]** had taken place on December 31, 2017.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at December 31, 2017 or at any future dates following the **[REDACTED]**. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2017 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at December 31, 2017[(1)]	**Estimated net proceeds from the [REDACTED][(2)]**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at Decembe 31, 2017**	**Unaudited pro forma adjusted net tangible assets per Share[(3), (5)]**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	[550,493]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	[550,493]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at December 31, 2017 is extracted from the Accountant's Report of the Company as set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to the equity holders of the

Company as at December 31, 2017 of approximately RMB[552.0 million] with an adjustment for the intangible assets of approximately RMB[1.5 million].

(2) The estimated net proceeds from the **[REDACTED]** are based on the **[REDACTED]** of HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, respectively, after deduction of the **[REDACTED]** fees and other related expenses (excluding **[REDACTED]** expenses of approximately RMB**[REDACTED]** which have been accounted for in the Group's combined statement of comprehensive income prior to December 31, 2017) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** (including the share subdivision to 1,000,000,000 shares and the additional issuance of 500,000,000 shares completed prior to the Listing) had been completed on December 31, 2017 but takes no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this document.

(4) No adjustment has been made to reflect any trading result or other transactions, in particular the capital reduction by Mr. Cai and Aotuo Investment of RMB263.8 million in aggregate, of the Group entered into subsequent to December 31, 2017.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted to Hong Kong dollars at a rate of RMB[0.8077] to HK$[1]. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 9, 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were [conditionally] adopted on [●] [with effect from the Listing Date]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. 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 in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the

relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, 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 board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments 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 be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company

must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for 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 his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or 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 his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) 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; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this

provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) 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 of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a

Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to

any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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 board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, 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 in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members 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 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 the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's 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 amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative 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 and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court 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 Court shall direct.

Any shareholder of a company may petition the Court 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must 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.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

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 for 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) 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.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company 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.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as

making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the 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.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY, SUBSIDIARIES AND PRC OPERATING ENTITIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 9, 2018. Accordingly, our Company operates subject to the relevant laws of the Cayman Companies Law. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Company Law" in Appendix III to this document.

Our registered place of business in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] 2018. Ms. Ko Nga Kit has been appointed as the authorized representative of our Company for the acceptance of service of process and notice on behalf of the Company in Hong Kong. The address for service of process is 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

2. Changes in the share capital of our Company

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

(i) on January 9, 2018, one share of US$0.00005 each was allotted and issued and allotted to the initial subscriber and such Share was transferred to LJ Technology Holding on the same day;

(ii) on January 9, 2018, our Company issued and allotted 67,881,099 shares to LJ Technology;

(iii) on January 9, 2018, our Company issued and allotted 14,299,200 shares to ZYB Holding;

(iv) on January 9, 2018, our Company issued and allotted 6,903,000 shares to ACERY Holding;

(v) on January 9, 2018, our Company issued and allotted 2,958,400 shares to LNN Holding;

(vi) on January 9, 2018, our Company issued and allotted 986,100 shares to CuiL Holding;

(vii) on January 9, 2018, our Company issued and allotted 986,100 shares to KW Technology;

(viii) on January 9, 2018, our Company issued and allotted 986,100 shares to LY Technology;

(ix) on March 22, 2018, our Company issued and allotted 5,000,000 shares to the RSU Nominee;

(x) on March 22, 2018, each issued and unissued share of US$0.00005 was sub-divided into 10 shares with a par value of US$0.000005 each ("Shares"). Upon completion of the sub-division, our authorised share capital was US$**[REDACTED]** divided into **[REDACTED]** Shares and our issued share capital was US$5,000 divided into 1,000,000,000 Shares;

(xi) Following the completion of sub-division on March 22, 2018, our issued share capital was increased from US$5,000 divided into **[REDACTED]** Shares to US$7,500 divided into 1,500,000,000 Shares, pursuant to which, our Company issued and allotted:

(1) 339,405,500 Shares to LJ Technology;

(2) 71,496,000 Shares to ZYB Holding;

(3) 34,515,000 Shares to ACERY Holding;

(4) 14,792,000 Shares to LNN Holding;

(5) 4,930,500 Shares to CuiL Holding;

(6) 4,930,500 Shares to KW Technology;

(7) 4,930,500 Shares to LY Technology;

(8) 25,000,000 Shares to the RSU Nominee.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries and PRC Operating Entities

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountant's Report as set out in Appendix I to this document.

On January 13, 2017, the registered capital of Youmin Networks was increased from RMB20,000,000 to RMB20,942,408.

On January 25, 2018, the registered capital of Youmin Networks was reduced from RMB20,942,408 to RMB19,267,015.

Save for the subsidiaries mentioned in the Accountant's Report set out in Appendix I to this document, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of our Company dated [●] 2018

Pursuant to written resolutions of the Shareholders of our Company passed on [●]:

(a) we approved and conditionally adopted the Articles of Association which will become effective upon the Listing Date;

(b) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the **[REDACTED]** and Shares to be issued as mentioned in this document (including any additional Shares which may be issued pursuant to the exercise of the **[REDACTED]** or the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the **[REDACTED]** between the **[REDACTED]** (for itself and on behalf of the Underwriters) and our Company on the **[REDACTED]**; (iii) the

obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the **[REDACTED]** was approved and our Directors were authorised to allot and issue the new Shares pursuant to the **[REDACTED]**;

(ii) the **[REDACTED]** was approved; and

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in "D. RSU Scheme and Share Option Scheme — 2. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the **[REDACTED]** (but taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the **[REDACTED]** (but taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the number of issued Shares which may be allotted or agreed conditionally or

unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of our own securities

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●] 2018, the Repurchase Mandate was given to our Directors authorizing the repurchase of Shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, in issue immediately following the completion of the **[REDACTED]** (excluding any Shares which may be issued pursuant to the RSU the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting, whichever is the earliest.

(ii) Source of funds

Repurchase must be funded out of funds legally available for the purpose in accordance with the Articles and the 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 from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a 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 or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares 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. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Law, out of capital.

Our 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 Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

(d) Share Capital

Exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the **[REDACTED]** and the options which may be granted under the Share Option Scheme), could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles or any other applicable laws to be held; or
- the date on which the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes 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. Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person 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.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) a capital increase and transfer agreement dated January 12, 2017 and a supplemental agreement dated January 13, 2017 entered into between Zhuhai Aotuo, Mr. Cai Wenhang, Youmin Networks, Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu, pursuant to which (1) Zhuhai Aotuo subscribed for 1.8% shareholding interest of Youmin Networks at a consideration of RMB81,000,000 and Mr. Cai Wenhang subscribed for 2.7% of the shareholding interest of Youmin Networks at a consideration of RMB54,000,000; and (2) Mr. Liu Jie transferred 2.1% and 1.4% of his shareholding interests in Youmin Networks to Zhuhai Aotuo and Mr. Cai Wenhang at a consideration of RMB63,000,000 and RMB42,000,000, respectively;

(b) a capital reduction agreement dated January 13, 2018 entered into between Youmin Networks, Mr. Cai Wenhang and Zhuhai Aotuo. Mr. Liu Jie, Mr. Zhu Yanbin, Mr. Wu Junjie, Zhuhai Sangu and Zhuhai Jugu, pursuant to which Youmin Networks repurchased 3.2% shareholding interests held by Mr. Cai Wenhang in Youmin Networks and 4.8% shareholding interests held by Zhuhai Aotuo in Youmin Networks at a consideration of RMB105,630,726 and RMB158,185,206, respectively;

(c) an exclusive option agreement dated March 24, 2018, entered into between Youmin Networks, the shareholders of Youmin Networks and Binyou Networks, details of which are set out in the section headed "Contractual Arrangements" to this document;

(d) an exclusive business cooperation agreement dated March 24, 2018, entered into between Youmin Networks, the PRC Operating Entities and Binyou Networks, details of which are set out in the section headed "Contractual Arrangements" to this document;

(e) a share pledge agreement dated March 24, 2018, entered into between Youmin Networks, the shareholders of Youmin Networks and Binyou Networks, details of which are set out in the section headed "Contractual Arrangements" to this document;

(f) an irrevocable power of attorney dated March 24, 2018, executed by Mr. Liu in favor of Binyou Networks, pursuant to which Binyou Networks (or its designated person) was appointed as attorney-in-fact to exercise all the rights of Youmin Networks in relation to the PRC Operating Entities at the discretion of Binyou Networks (or its designated person);

(g) an irrevocable power of attorney dated March 24, 2018, executed by Mr. Zhu in favor of Binyou Networks, pursuant to which Binyou Networks (or its designated person) was appointed as attorney-in-fact to exercise all the rights of Youmin Networks in relation to the PRC Operating Entities at the discretion of Binyou Networks (or its designated person);

(h) an irrevocable power of attorney dated March 24, 2018, executed by Mr. Wu Junjie in favor of Binyou Networks, pursuant to which Binyou Networks (or its designated person) was appointed as attorney-in-fact to exercise all the rights of Youmin Networks in relation to the PRC Operating Entities at the discretion of Binyou Networks (or its designated person);

(i) an irrevocable power of attorney dated March 24, 2018, executed by Zhuhai Jugu Limited Liability Partnership in favor of Binyou Networks, pursuant to which Binyou Networks (or its designated person) was appointed as attorney-in-fact to exercise all the rights of Youmin Networks in relation to the PRC Operating Entities at the discretion of Binyou Networks (or its designated person);

(j) an irrevocable power of attorney dated March 24, 2018, executed by Zhuhai Sangu Limited Liability Partnership in favor of Binyou Networks, pursuant to which Binyou Networks (or its designated person) was appointed as attorney-in-fact to exercise all the rights of Youmin Networks in relation to the PRC Operating Entities at the discretion of Binyou Networks (or its designated person);

(k) Deed of Indemnity;

(l) Deed of Non-competition, and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1.	3K	PRC	Youmin Networks	41	19062286	06/03/2027
2.		PRC	Youmin Networks	9	19327445	20/04/2027
		PRC	Youmin Networks	41	19327744	20/04/2027
3.	3K 游戏	PRC	Youmin Networks	9	19628433	27/05/2027
		PRC	Youmin Networks	41	19628667	27/05/2027
4.	3K游戏 .com	PRC	Youmin Networks	41	19887062	27/06/2027
5.	超级群英传	PRC	Youmin Networks	41	18225870	13/12/2026
		PRC	Youmin Networks	9	18226155	13/12/2026
6.	坦克前线	PRC	Youmin Networks	41	18275483	20/12/2026
		PRC	Youmin Networks	9	18275484	13/12/2026
7.	彬捷	PRC	Binjie Networks	41	20831933	20/09/2027
		PRC	Binjie Networks	9	20831489	27/09/2027
8.	飞淼	PRC	Feimiao Networks	41	20978095	06/10/2027
9.	猗国	PRC	Yiguo Networks	41	20978613	06/10/2027
		PRC	Yiguo Networks	9	20978492	06/10/2027

No.	Trademark	Place of registration	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
10	杰霸	PRC	Jieba Networks	41	20800515	20/09/2027
11		PRC	Kuoyou Networks	41	20800552	20/09/2027
	阔游	PRC	Kuoyou Networks	9	20799043	20/09/2027
12		PRC	Guangzhou Langxianjing	41	20800268	20/09/2027
	浪险劲	PRC	Guangzhou Langxianjing	9	20798870	20/09/2027

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registered owner	Class	Application number	Application date (dd/mm/yyyy)
1	FINGER TANGO	Hong Kong	Company	9, 41	304447116	02/03/2018

(b) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Place of registration	Registered owner	Registration number	Registration date (dd/mm/yyyy)
1.	Youmin mobile games SDK top-up software (游民手機網絡游戲SDK充值軟件)	PRC	Youmin Networks	2014SR059564	13/05/2014
2.	Youmin Integration SDK software (游民融合SDK軟件)	PRC	Youmin Networks	2016SR029306	15/02/2016
3.	My Duty game software (我的使命游戲軟件)	PRC	Youmin Networks	2016SR363008	09/12/2016
4.	Youmin Networks source management software (游民網絡資源管理軟件)	PRC	Youmin Networks	2017SR066031	03/03/2017
5.	Youmin Networks profile identification software (游民網絡身份認證識別軟件)	PRC	Youmin Networks	2017SR066118	03/03/2017

No.	Copyright	Place of registration	Registered owner	Registration number	Registration date (dd/mm/yyyy)
6 .	Youmin costomer calling center service platform management software (游民客戶呼叫中心服務平臺管理軟件)	PRC	Youmin Networks	2017SR066227	03/03/2017
7 .	Youmin flow coordination management software (游民流程協同管理軟件)	PRC	Youmin Networks	2017SR066231	03/03/2017
8 .	Youmin three-dimension virtrual reality development software (游民三維VR虛擬場景開發引擎軟件)	PRC	Youmin Networks	2017SR065776	03/03/2017
9 .	Youmin Networks customer relationship management software (游民網絡客戶關係管理軟件)	PRC	Youmin Networks	2017SR065736	03/03/2017
10	Youmin Networks account security monitoring software (游民網絡賬戶异常安全監控軟件)	PRC	Youmin Networks	2017SR065862	03/03/2017
11	Youmin mobile internet game platform software (游民移動互聯網游戲平臺軟件)	PRC	Youmin Networks	2017SR065914	03/03/2017
12	Youmin online game data cloud software (游民網游數據雲存儲軟件)	PRC	Youmin Networks	2017SR065417	03/03/2017
13	Youmin Networks virtual item renting information platform software (游民網絡虛擬商品租賃信息平臺軟件)	PRC	Youmin Networks	2017SR065866	03/03/2017
14	Youmin Androit multimedia playing software (游民Android多媒體播放軟件)	PRC	Youmin Networks	2017SR074780	10/03/2017
15	Shenyi Heaven game software (神翼天堂游戲軟件)	PRC	Youmin Networks	2017SR482890	01/09/2017
16	Binjie game official website background software V1.0(彬捷游戲官網後臺軟件V1.0)	PRC	Binjie Networks	2015SR265584	17/12/2015
17	Binjie SDK software V1.0 (彬捷SDK軟件[簡稱：SDK]V1.0)	PRC	Binjie Networks	2017SR051869	22/02/2017
18	Bijin Yijie SDK software V1.0 (彬捷一接SDK軟件[簡稱：一接SDK]V1.0)	PRC	Binjie Networks	2017SR258380	13/06/2017

No.	Copyright	Place of registration	Registered owner	Registration number	Registration date (dd/mm/yyyy)
19	KKND game software (絕地風暴游戲軟件[簡稱：絕地風暴])	PRC	Binjie Networks	2017SR413448	31/07/2017
20	Binjie Yijie SDK software V2.0 (彬捷一接SDK軟件[簡稱：一接SDK]V2.0)	PRC	Binjie Networks	2017SR520598	15/09/2017
21	Feimiao card game software V1.0 (飛渺卡牌答題游戲軟件V1.0)	PRC	Feimiao Networks	2017SR020467	20/01/2017
22	Yiguo tank world game software V1.0 (猗國坦克世界游戲軟件V1.0)	PRC	Yiguo Networks	2017SR022788	22/01/2017

As of the Latest Practicable Date, we had registered the following copyrights of artworks which we consider to be or may be material to our business:

No.	Copyright	Registered name	Place of registration	Registered owner	Registration number	Registration date (dd/mm/yyyy)
1.		Romance of Stars icon-1 (星辰奇緣icon-1)	PRC	Youmin Networks	国作登字-2016-F-00273836	09/09/2016
2.		Super Fleet icon-2 (超級艦隊icon-2)	PRC	Youmin Networks	国作登字-2016-F-00273829	09/09/2016
3.		Three Heroes icon-1 (超級群英傳icon-1)	PRC	Youmin Networks	国作登字-2016-F-00273828	09/09/2016
4.		K Mi (K咪)	PRC	Youmin Networks	国作登字-2016-F-00273840	09/09/2016
5.		Little K (小K)	PRC	Youmin Networks	国作登字-2016-F-00273838	09/09/2016
6.		Little K (小K)	PRC	Youmin Networks	国作登字-2016-F-00273837	09/09/2016
7.		Tank Frontline icon-2 (坦克前綫icon-2)	PRC	Youmin Networks	国作登字-2016-F-00273832	09/09/2016
8.		The Age of Rome icon (羅馬時代icon)	PRC	Youmin Networks	国作登字-2017-F-00366004	05/04/2017

No.	Copyright	Registered name	Place of registration	Registered owner	Registration number	Registration date (dd/mm/yyyy)
9 .		Wartime icon (戰爭時刻icon)	PRC	Youmin Networks	国作登字-2017-F-00366002	05/04/2017
10		My Duty — LOGO (我的使命-LOGO)	PRC	Youmin Networks	粵作登字-2017-F-00028742	30/10/2017

(c) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Place of registration	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1	Toy (玩偶)	PRC	Youmin Networks	2101	ZL201630161392.X	09/08/2026
2	Toy (玩偶)	PRC	Youmin Networks	2101	ZL201630161391.5	09/08/2026

3. Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be material to be or may be material to our business.

No.	Domain name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	kkk5.com	Youmin Networks	05/07/2023
2.	3k.com	Youmin Networks	28/04/2024
3.	5577play.com	Youmin Networks	28/01/2019
4.	17173you.com	Youmin Networks	28/01/2019
5.	5577you.com	Youmin Networks	28/01/2019
6.	3Kwan.com	Youmin Networks	02/06/2020
7.	3Kwan.net	Youmin Networks	11/07/2021
8.	kkk5.com.cn	Youmin Networks	11/07/2019
9.	shanghaifeimiao.com	Feimiao Networks	08/08/2019
10.	shanghaiyiguo.com	Yiguo Networks	08/08/2019
11.	shanghailangxianjing.com	Shanghai Langxianjing	08/08/2019

No.	Domain name	Registered Owner	Expiry Date (dd/mm/yyyy)
12.	guangzhoujieba.com	Jieba Networks	24/02/2019
13.	langxianjin.com	Guangzhou Langxianjing	22/09/2019
14.	miiyuan.com	Miyuan Network	22/09/2019
15.	www.gzkuoyou.com	Kuoyou Networks	24/02/2019
16.	www.fingertavigo.com	Youmin Networks	22/03/2019

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors entered into a service contract with our Company on [●] 2018. The initial term of their respective service contract shall commence from the date of the appointment as an executive Director and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

The annual director's fees of the executive Directors payable by our Company are as follows:

Executive Directors	RMB
Liu Jie	[●]
Wu Junjie	[●]
Wang Zaicheng	[●]
Liu Zhanxi	[●]

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on [●] 2018. The initial term for their appointment letters shall be three years from the date of this document or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of HK$[●].

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB19.3 million, RMB1.9 million and RMB1.9 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2015, 2016 and 2017.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2018, is expected to be approximately RMB1.5 million in aggregate (excluding discretionary bonus).

(c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) Interests and short positions of our Directors and the chief executive of our Company in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Immediately following completion of **[REDACTED]** (without taking into account any shares which may be issued pursuant to the exercise of the **[REDACTED]** and the Share Option Scheme) the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding interest in our Company immediately after the [REDACTED] and the [REDACTED]
Mr. Liu	Interest in controlled corporation[2]	**[REDACTED]**[L]	**[REDACTED]**%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) LJ Technology is wholly-owned by Mr. Liu. By virtue of the SFO, Mr. Liu is deemed to be interested in Shares held by LJ Technology.

(ii) Interest in associated corporations

Name of Director or chief executive	Nature of Interest	Associated corporation	Percentage of shareholding in the associated corporation
Mr. Liu	Benificial owner	LJ Technology Holding	100%
	Benificial owner	Youmin Networks	68.86%
	Interest in controlled corporation	Zhuhai Jugu	5.19%
Mr. Wu Junjie	Benificial owner	ACERY Holding	100%
	Benificial owner	Youmin Networks	2.08%
	Interest in controlled corporation	Zhuhai Sangu	10.38%
Mr. Wang Zaicheng	Benificial owner	KW Technology Holding	100%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the **[REDACTED]** and taking no account of any Shares which may be issued pursuant to exercise of the **[REDACTED]**, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or 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, see the section headed "Substantial Shareholders" in this document.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the **[REDACTED]** and taking no account of any Shares which may be issued pursuant to exercise of the **[REDACTED]**, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the paragraph headed "— E. Other Information — 4. Consents of experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares which may be taken up under the **[REDACTED]** and allotted and issued pursuant to the RSU Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. RSU SCHEME AND SHARE OPTION SCHEME

1. RSU Scheme

The Company has conditionally adopted an RSU Scheme by a resolution of our Shareholders on February 28, 2018 and a resolution of our Board on March 16, 2018. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

The purposes of the RSU Scheme is to formalize our grant and our proposal to grant share incentives to eligible management and employees (the Participants as defined below) of our Group.

(b) RSU Awards

An award of restricted share units under the RSU Scheme ("**Award(s)**") gives a participant in the RSU Scheme a conditional right when the Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board in its absolute discretion. An Award may include, if so specified by the Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

For the purposes of the RSU Scheme, "Board" means board of directors of the Company or a duly authorized administrator thereof or such other committee or sub-committee as the Board may authorize.

(c) Participants in the RSU Scheme

Participants of the RSU Scheme ("**Participants**") include the following:

(i) the Employees or officers (including executive, non-executive and independent non-executive directors);

(ii) any person or entity that provides research, development, consultancy and other technical or operational or administrative support to the Group; and

(iii) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its Subsidiaries and/or the PRC Operating Entities.

(d) Status of the RSU Scheme

The RSU Scheme shall take effect immediately after satisfaction of the following conditions:

(i) the passing of an ordinary resolution by the Shareholders to approve and adopt the RSU Scheme, and to authorize the directors of the Company to grant Awards and to allot and deal with Shares in connection with the RSU Scheme (which occurred on February 28, 2018);

(ii) the Stock Exchange granting approval of the listing of and permission to deal in the Shares that are the subject of Awards that may be granted pursuant to the RSU Scheme;

(iii) the commencement of dealings in the Shares on the Stock Exchange; and

(iv) capitalization issue.

(collectively, the "**RSU Conditions**").

(e) Term of the Scheme

Subject to the RSU Conditions being satisfied and the termination clause in paragraph (aa), the RSU Scheme shall be valid and effective for the period of 10 years commencing on the date

of adoption (the "**Term of the RSU Scheme**"), after which period no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

(f) Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that the Board imposes pursuant thereto, the Board shall be entitled at any time during the life of the RSU Scheme to make a grant to any Participant as the Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of the RSU to the attainment or performance of milestones by any member of the Group, the grantee or any group of Participants) as the Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

A grant shall be made to an Participant by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Notice of Grant**") and such grant shall be subject to the terms as specified in the RSU Scheme. The Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the RSU Scheme, such Award shall remain open for acceptance by the Participant to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the RSU Scheme or after the RSU Scheme has been terminated in accordance with the provisions of the RSU Scheme. To the extent that the Award is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

(g) Acceptance of Award

If the Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he is required to sign the Acceptance Notice and return it to the Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the Participant of a duly executed Acceptance Notice, the RSU(s) is granted to such Participant, who becomes a grantee (the "**Grantee**") in the RSU Scheme.

(h) Restrictions on Grants

The Board may not grant any Awards to any Participant ("**Excluded Participants**") in any of the following circumstances:

(i) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a document or other offering documents be issued in respect of the grant of the Awards or in respect of the RSU Scheme, unless the Board determines otherwise;

(iii) where granting the Award would result in a breach by the Company, our subsidiaries, the PRC Operating Entities or any of the directors of any applicable securities laws, rules or regulations; or

(iv) where such grant of Award would result in a breach of the limits of the RSU Scheme.

(i) Grant to Directors

Where any Award is proposed to be granted to a director of any members of the Group, it shall not be granted on any day on which our financial results are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(j) Grant to Connected Persons

Any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his/her service contract.

(k) RSU Scheme Limit

No Award shall be granted pursuant to the RSU Scheme if as a result of such Grant (assumed accepted), the aggregate number of Shares (being in a Board Lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded (the "**Share Equivalents**")) underlying all grants made pursuant to the RSU Scheme (excluding the Awards that have lapsed or been canceled in accordance with the rules of the RSU Scheme) will exceed 5% of the number of Shares in issue (without taking into account the shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]**) on the Listing Date (the "**RSU Scheme Limit**").

(l) Rights Attached to the Awards

The RSUs do not carry any right to vote at general meetings of the Company. No Participant shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Scheme, unless and until such Shares underlying the Award are actually

allotted and issued or transferred (as the case may be) to the Participant upon the vesting of the RSU. Unless otherwise specified by the Board in its entire discretion in the RSU Notice of Grant, the Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(m) Rights Attached to Shares

The Shares to be issued upon the vesting of RSUs granted pursuant to the RSU Scheme shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are issued. Once the name of a RSU holder has been recorded in the register of members of the Company, such holder shall be entitled to participate in all dividends or other distributions of the Company.

(n) Awards to be Personal to the Grantee

Unless otherwise approved by the Company in writing (to the extent permitted by law), an Award shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

Subject to the above, no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any RSU.

For the purpose of the RSU Scheme, "Family Members" means the grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the grantee) control the management of assets, and any other entity in which these persons (or the grantee) own more than 50% of the voting interests.

(o) Appointment of RSU Trustee

The Company has appointed The Core Trust Company Limited as the RSU Trustee, a third party independent licensed administrator (the "**RSU Trustee**") to satisfy all relevant obligations in connection with the administration and vesting of RSUs granted pursuant to the RSU Scheme and trust deed; the RSU Trustee shall administer the vesting of Awards granted to each Grantee pursuant to the vesting schedule and vesting conditions (if any) determined by the Board. The Company shall allot and issue Shares to the RSU Trustee or its nominee to be held by the RSU Trustee or its nominee pending the vesting of the RSUs which will be used to satisfy the RSUs upon vesting.

(p) Vesting

The Board has the sole discretion to determine the vesting schedule and vesting conditions (if any) for any grant of Award(s) to any Grantee, which may also be adjusted and re-determined by the Board from time to time. If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be canceled according to conditions as determined by the Board in its absolute discretion.

(q) Provision of Funds

After the RSU Trustee is appointed, the Company shall provide sufficient funds to the RSU Trustee by whatever means as the Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Shares held by the RSU Trustee or its nominee under the RSU Scheme shall constitute the assets held by the RSU Trustee or its nominee pursuant to the RSU Scheme (the "**RSU Fund**") and shall be held, administered and dealt with by the RSU Trustee or its nominee pursuant to the rules of the RSU Scheme, the trust deed and any other documentation entered into between the RSU Trustee, its nominee (if applicable) and the Company (collectively, the "**Trust Deed and Ancillary Documents**").

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to each of the Grantees, a vesting notice (the "**Vesting Notice**") will be sent to the Grantee by the Board confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived and, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that the Board considers necessary (which may include, without limitation, a certification to the Company that he has complied with all the terms and conditions set out in this Scheme and the Notice of Grant).

(r) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (s) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, the Board shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(s) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU, the Board shall, prior to such meetings, determine at

its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(t) Rights on a Voluntary Winding-up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest and in the latter case, the unvested RSUs must be vested and effected by no later than two business days before the day of the proposed Shareholders' meeting. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(u) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (s), between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(v) Lapse or Cancelation of RSU

An unvested RSU shall be canceled automatically upon the earliest of:

(i) the date of the termination of Grantee's employment or service by the Company, any of its Subsidiaries or PRC Operating Entities for Cause or by reasons that the relevant Subsidiary with which the Grantee is employed ceased to be a subsidiary of the Group or that the results of the PRC Operating Entities ceased to be consolidated with that of the Group; or

(ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (t) closes; or

(iii) the record date for determining entitlements under the scheme of arrangement referred to in paragraph (s); or

(iv) the date of the commencement of the winding-up of the Company; or

(v) he date on which the Grantee commits a breach of paragraph (n); or

(vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

If the Grantee's employment or service with the Company, the Subsidiaries or PRC Operating Entities is terminated for any reason other than for Cause (including by reason of

resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU or any part thereof shall not vest, such RSU shall be canceled automatically with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of this RSU Scheme, "Cause" means, with respect to a grantee, the summary termination of employment or office on any one or more of the following grounds: the grantee has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant subsidiary or PRC Operational Entity to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

The Board may at any time cancel any unvested RSUs granted to a Grantee subject to consent by the Grantee. Where the Company cancels unvested RSUs and makes a grant of new RSUs to the same Grantee, such grant may only be made with available RSUs to the extent not yet granted (excluding the canceled RSUs) within the limits prescribed by paragraph (k) above. Notwithstanding the aforesaid in this paragraph, in each case, the Board may in its absolute discretion decide that any RSU shall not be canceled or determine subject to such conditions or limitations as the Board may decide.

(w) Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company whilst any RSU has not vested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which the Company, the Subsidiary or PRC Operating Entity is a party or in connection with any share option, restricted share or other equity incentive schemes of the Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of the Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the Auditors or the approved independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification

shall, in absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the approved independent financial adviser shall be borne by the Company.

(x) Amendment of the RSU Scheme

Save for any material amendments to the RSU Scheme, the RSU Scheme may be altered in any respect by a resolution of the Board of Directors. The Board of Directors' determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

Any alteration to the terms and conditions of the RSU Scheme, which is of a material nature, or any change to the terms of any RSU granted or agreed to be granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the RSU Scheme.

Shareholders of the Company in general meeting must approve any change to the authority of the Board of Directors in relation to any alteration to the terms of the RSU Scheme.

(y) Termination of the RSU Scheme

The Company by ordinary resolution in general meeting or the Board of Directors may at any time terminate the operation of the RSU Scheme and in such event no further RSUs will be offered but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the RSU Scheme and which remain unvested immediately prior to the termination of the operation of the RSU Scheme.

(z) Administration of the RSU Scheme

The RSU Scheme shall be subject to the administration of the Board of Directors and the decision of the Board of Directors shall be final and binding on all parties. The Board shall have the right to:

(i) interpret and construe the provisions of the RSU Scheme;

(ii) determine the persons who will be granted Awards under the RSU Scheme, the terms on which Awards are granted and when the RSUs granted pursuant to the RSU Scheme may vest;

(iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary;

(iv) appoint one or more independent and licensed third party professionals and contractors as administrators (the "**Professional Administrator**") to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as the Board deems appropriate; and

(v) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme.

(aa) General

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any awards which may be granted pursuant to the RSU Scheme.

As of the Latest Practicable Date, 36,000,000 RSUs had been granted by our Company pursuant to the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

The Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the RSU Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

(bb) Potential Dilution Effect

The maximum number of Shares which may be granted under the RSU Scheme is 75,000,000. No grant of Shares will incur a dilution of the shareholding of our Shareholders immediately following the Listing (without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]** and the Share Option Scheme).

2. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholder passed on [●].

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or *otherwise* maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay US$0.000005 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of our Company of US$0.000005 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph

(r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in a general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), being [●] Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, and/or other information required under the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum 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 share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any

12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), and/or other information required under the Listing Rules; and

(ii) the approval of our Shareholders in general meeting with such Eligible Participant and his/her close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered in writing to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option in respect of that option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non- executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the date of such grant; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(iii) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant which shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(iv) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(v) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(vi) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of results for (i) any year or half-year period in accordance with the Listing Rules, and (ii) where the Company has elected to publish them, any quarterly or other interim period,

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him or any other relating to the grant of an option made to him or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time commencing the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both dates inclusive), after which no further options shall be offered but the

provisions of the Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

In the event of the grantee of an option ceasing to be an Eligible Participant for any reason other than on his/her death, ill-health, injury, disability or the termination of his/ her relationship with our Company and/or any of our subsidiaries on the grounds specified in paragraph (m), the grantee may exercise the option up to his/her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his/her employment with our Company or any of our subsidiaries, the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not).

In the case of the grantee of an option ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his/her relationship with our Company and/or any of our subsidiaries under paragraph (m) has occurred, the grantee or his/her personal representative(s) shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised).

(m) Rights on dismissal

In the event of the grantee of an option ceasing to be an Eligible Participant by reason of the termination of his/her relationship with our Company and/or any of our subsidiaries on any one or more of the following grounds:

(i) that he/she has been guilty of serious misconduct;

(ii) that he/she has been convicted of any criminal offense involving his/her integrity or honesty or in relation to an employee of our Company and/or any of our subsidiaries;

(iii) that he/she has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally; or

(iv) on any other ground as determined by the Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary,

his/her option will lapse automatically and not be exercisable (to the extent not already exercised) from the date of cessation of being an Eligible Participant.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror (as defined in the Takeovers Code)), our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, Shareholders). If such offer becomes or is declared unconditional, the grantee of an option (or his/her legal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

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 forthwith give notice thereof to all grantees and thereupon, each grantee (or in the case of the death of the grantee, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our 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, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the Companies Law, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement and thereupon each grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of our

Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will subject to all the provisions of the Articles and rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial adviser shall (other than in respect of an adjustment made on a capitalization issue) certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and/or such other requirements prescribed under the Listing Rules from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe had he exercised all the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with our Company and/or any of its subsidiaries on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group, or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his or her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), shall first be approved by our Shareholders in general meeting provided that the amended terms of the Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Listing Rules, and if the proposed alteration shall adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration, or reduce the proportion of equity capital to which any person was entitled pursuant to such option prior to such alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

(u) Cancelation of options

Any cancelation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is canceled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or of the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the **[REDACTED]** acting for and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date of the Share Option Scheme:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (k) of "B. Further information about our business — 1. Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, any claim to which any member of our Group may be subject to which any member of our Group may be subject and payable on or before the date when the **[REDACTED]** becomes unconditional as disclosed in the section headed "Business — Legal Proceedings and Non-compliance — Legal Proceedings" in this document. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings and Non-compliance — Legal Proceedings" as at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or our Directors that could have a material adverse effect on our financial condition or results of operation.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the **[REDACTED]** (including any Shares which may fall to be issued pursuant to exercise of the **[REDACTED]** and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.).

The Sole Sponsor's fees are HK$5,000,000 and are payable by our Company.

4. Qualifications and Consents of experts

Each of the following experts has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its reports and/or letters and/or opinions and/or

summaries of opinions and/or references to its names included herein in the form and context in which it is respectively included.

Name	Qualification
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Beijing Dacheng Law Offices, LLP	PRC Legal Advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified public accountants
China Insights Consultancy Limited	Industry consultant
Beijing Anshen Tax Agent Co., Ltd.	PRC tax adviser

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately RMB95,000.

7. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(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; and

(iii) 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.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "— B. Further Information about our Business — 1. Summary of material contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document within the two years immediately preceding the date of this document.

8. Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of Companies (Exemption of Companies and Prospectuses from 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 document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of **[REDACTED]**, **[REDACTED]** and **[REDACTED]**;
(b) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 4. Qualifications and Consents of experts" in Appendix IV to this document; and
(c) copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at Level 39, Two International Finance Center, 8 Finance Street, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;
(b) the Accountant's Report from PricewaterhouseCoopers in respect of the historical financial information of the Group for the three years ended December 31, 2015, 2016 and 2017, the text of which is set out in Appendix I to this document;
(c) the report from PricewaterhouseCoopers, in respect of the unaudited pro forma financial information the text of which is set out in Appendix II to this document;
(d) the audited combined financial statements of our Company for the financial years ended December 31, 2015, 2016 and 2017;
(e) the PRC legal opinion issued by our PRC Legal Adviser, in respect of certain general corporate matters and property interests of our Group;
(f) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarizing certain aspects of the Cayman Companies Law referred to in Appendix III to this document;
(g) the Cayman Companies Law;
(h) the CIC Report;
(i) the opinion issued by Beijing Anshen Tax Agent Co., Ltd., our PRC tax adviser, regarding the legality and validity of the Contractual Arrangements;
(j) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 4. Qualifications and Consents of experts" in Appendix IV to this document;
(k) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this document;
(l) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and General Information — C. Further Information about our

Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this document;

(m) the rules of the Share Option Scheme.