
STATEMENT OF BUSINESS OBJECTIVES

OVERALL BUSINESS OBJECTIVES AND STRATEGIES

Our goal is to further strengthen our position as a leading online game developer and operator in the PRC. We strive to capitalise on the new market opportunities created by the continuous growth in Internet users and improvement of Internet access in terms of availability, connection quality and speed in the PRC. Leveraging on our experience and expertise in the online game industry, we believe that we are well equipped to enhance our market position further in both the PRC and the overseas markets.

BUSINESS STRATEGIES

Our business strategies are set out as follow:

Further strengthen our core game development capabilities

In order to maintain our core competitive strength in game development, we intend to continue to devote significant resources to the game development. In particular, we will focus on strengthening our game development team and investing in our software and hardware. We have plans to systematically recruit experienced game development experts in order to strengthen our current teams of game designers, graphic staff and programmers. At the same time, we will reinforce our present corporate culture and our incentive scheme to retain our existing talents. We will also continue our training programmes to further upgrade the technical knowledge and skills of our existing game development team.

We will constantly seek appropriate supporting technologies to improve our development capabilities and efficiency. We focus on enhancing our game development software in order to equip our team with advanced technologies. In addition, we place particular emphasis on the development of game engines. For example, we have acquired the license to use Unreal 3, a 3D development engine. We will also make investments in hardware, including upgrading computers, purchasing specialised graphic design equipment and installing latest action imitation devices.

Further enhance our integrated operation model

Our goal is to integrate our ERP system, accounting system, customer information system, direct payment and distribution channels onto a single platform to improve the efficiency and profitability of our operations. We strive to fully integrate our customer information system and ERP system to give our management the tool to quickly identify players' demand and then to guide our development team to improve our games accordingly, such as designing tailored merchandise and novel features to satisfy the need of our high value customers. Our management can also utilise the sales results available on the same platform to promptly evaluate whether these new game designs and marketing events have achieved our intended goals.

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Enrich our product portfolio and extend our game life cycles

We will continue to develop new games that broaden our product portfolio to enable us to capture a wide variety of players. We have just launched Zero Online in April 2007. In addition, we have three games in the pipeline, all with different themes and gaming experience, with target launch dates from the second half of 2007 to early 2008. For 2008 and 2009, we plan to launch three new online games each year to serve the expanding online game industry.

We intend to continue to introduce, on an on-going basis, new features, contents, enriched visual effects, new editions and upgrades, with an objective to enhance the game experience of our players and to entice players to purchase virtual items, thus prolonging the life cycle of our games.

Expand our business through acquisition or cooperation with external parties

We are constantly seeking cooperation opportunities with international corporations in game development and operation. To license popular contents, such as movies, cartoons and PC games and to develop them into online games is becoming an increasingly important means of expanding our game portfolio. One of our major games under development, Heroes of Might and Magic Online, is developed based on licensed copyrights in a PC game owned by Ubisoft. We believe that we can offer these international corporations our expertise of developing online games and operating them in selected markets, and we intend to obtain exclusive licenses to a broader range of games.

In addition, we intend to acquire game development and operation companies in order to gain access to new customer base, strong product content and development talents. As at the Latest Practicable Date, we have not entered into any agreements or memorandum of understanding related to any acquisitions.

Strengthen our corporate image and promote our games

In addition to our traditional word of mouth marketing plan, we intend to increase targeted marketing and promotional activities. We plan to expand our engagement with professional marketing companies to promote our corporate image and online games in the PRC and the overseas markets. We will also continue to participate in various computer and games exhibitions, including E3 and ChinaJoy. By participating in these exhibitions, we are able to promote our corporate image and online games to the online game industry and the general public through media reports. To facilitate the launch of our new online games, we will develop a tailor made marketing programme for each of them, including engagement of spokesperson, intensive online advertisements and Internet cafe promotions. We also plan to develop a customised corporate and brand optimisation plan to promote us as one of the leading online game developers and operators.

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IMPLEMENTATION PLANS

In order to implement the above strategies, we have drawn up detailed implementation plans for the period from the Latest Practicable Date up to and including 31 December 2009. However, it should be noted that the Directors believe that the online game market is not static and is subject to market and technology change. The intention of setting out the implementation plans only reflects the Directors' present understandings to the market. Subject to this and the bases and assumptions described under the paragraph headed "Bases and Assumptions" below, we expect to implement the following implementation plans:

Period I

Scheduled business objectives and activities for the period from the Latest Practicable Date to 31 December 2007

Objectives	Activities	Use of proceeds (HK\$ million)
Further strengthen our core game development capabilities	<ul style="list-style-type: none">● We will recruit additional experienced game developers to cope with our game development.● We will enhance our incentive programme for our development team.● We will enhance our internal training programmes by inviting professionals to organise trainings and seminars.● We intend to purchase computers and game development software.● We will continue to standardise our game development process to improve efficiency.	2.0
Further enhance our integrated operation model	<ul style="list-style-type: none">● We will form a committee to oversee the study of integrating the customer information system, accounting system, distribution and payment system and ERP system.● We will recruit additional professionals with sophisticated experience to review and implement our integration project.● We intend to form a team to study how to further utilise customer information captured by our customer information system.	1.3

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Objectives	Activities	Use of proceeds <i>(HK\$ million)</i>
Enrich our product portfolio and extend our game life cycles	<ul style="list-style-type: none"> ● We will launch the Chinese version of Happiness Q. ● We will rollout upgraded versions of Eudemons Online and Zero Online. ● We will customise Zero Online into the English version. ● We will recruit additional experienced staff to operate our games. 	8.3
Expand our business through acquisition or cooperation with external parties	<ul style="list-style-type: none"> ● We will form a business development team to evaluate acquisition and merger opportunities. ● We intend to enter into negotiation with potential game development studios and game operators to evaluate cooperation or merger and acquisition possibilities. 	—
Strengthen our corporate image and promote our games	<ul style="list-style-type: none"> ● We will continue to engage marketing consultants to formulate marketing strategies to promote our corporate image and our games. ● We will continue to engage well-known Internet portals for corporate image advertisement and game promotion. ● We will engage a number of advertising agents to place advertisements in various media, including newspapers and magazines. 	25.6

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Period II

**Scheduled business objectives and activities for the period from
1 January 2008 to 30 June 2008**

Objectives	Activities	Use of proceeds (HK\$ million)
Further strengthen our core game development capabilities	<ul style="list-style-type: none"> ● We will recruit additional experienced game developers to cope with our game development. ● We intend to invite professionals to organise trainings and seminars for our internal training programmes. ● We intend to set up a 3D graphic centre in Shanghai to upgrade and enhance the features of our existing and newly developed online games and recruit fresh graduates from universities and experienced 3D graphic artists to enhance our artist team and to facilitate the development of our 3D technology in order to expand our online game portfolio. ● We will continue to upgrade our computers and game development software. ● We will continue to standardise our game development process to improve efficiency. 	29.4
Further enhance our integrated operation model	<ul style="list-style-type: none"> ● We will integrate our customer information system and ERP system ● Our team will use the study result on customer information system to form marketing strategies. 	1.5
Enrich our product portfolio and extend our game life cycles	<ul style="list-style-type: none"> ● We will launch the Chinese versions of Piao Miao Online and Heroes of Might and Magic Online. ● We will rollout upgraded versions of Eudemons Online, Zero Online and Happiness Q. ● We will customise Happiness Q and Piao Miao Online into the English version. ● We will customise Zero Online into other language versions. ● We will recruit additional experienced staff to operate our games. 	10.3

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Objectives	Activities	Use of proceeds <i>(HK\$ million)</i>
<p>Expand our business through acquisition or cooperation with external parties</p>	<ul style="list-style-type: none"> ● We intend to acquire PRC or overseas medium size game development studios and game operators specialising in MMORPGs. ● We intend to establish cooperation partnership with PRC or overseas medium to large size well-known Internet portals. ● We will evaluate other merger and acquisition opportunities that complement or benefit our business strategies. 	<p>63.2</p>
<p>Strengthen our corporate image and promote our games</p>	<ul style="list-style-type: none"> ● We will continue to engage marketing consultants to formulate marketing strategies to promote our corporate image and our games. ● We will continue the cooperation with well-known Internet portals for game promotion and corporate image advertisement. ● We will continue to participate in game industry events. ● We will engage a number of advertising agents to place advertisements in various media, including newspapers and magazines. 	<p>27.4</p>

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Period III

**Scheduled business objectives and activities for the period from
1 July 2008 to 31 December 2008**

Objectives	Activities	Use of proceeds <i>(HK\$ million)</i>
Further Strengthen our core game development capabilities	<ul style="list-style-type: none"> ● We will expand our development team for more game designers and graphic artists, to cope with our new game development. ● We intend to work closely with universities and game development academics by sponsoring competitions and offering scholarships for students. ● We will offer more training programmes and seminars to enhance our developers' skills. ● We will continue to upgrade our computers and game development software. 	8.4
Further enhance our integrated operation model	<ul style="list-style-type: none"> ● We will integrate our accounting system and distribution and payment system. ● We will test and fine-tune the integration of customer information system and ERP system and provide trainings on the integrated systems to our staff. 	1.3
Enrich our product portfolio and extend our game life cycles	<ul style="list-style-type: none"> ● We will launch two new online games. ● We will rollout upgraded versions of Conquer Online, Eudemons Online, Zero Online, Happiness Q, Piao Miao Online and Heroes of Might and Magic Online. ● We will customise Happiness Q, Piao Miao Online and Heroes of Might and Magic Online into different languages. ● We will recruit additional experienced staff to operate our games. 	11.3

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Objectives	Activities	Use of proceeds (HK\$ million)
Expand our business through acquisition or cooperation with external parties	<ul style="list-style-type: none"> ● We intend to acquire PRC or overseas medium size game development studios and game operators specialising in MMORPGs. ● We intend to establish cooperation partnership with PRC or overseas medium to large size well-known Internet portals. ● We will evaluate other merger and acquisition opportunities that complement or benefit our business strategies. 	83.7
Strengthen our corporate image and promote our games	<ul style="list-style-type: none"> ● We will continue to engage marketing consultants to formulate marketing strategies to promote our corporate image and our games. ● We will continue the cooperation with well-known Internet portals for game promotion and corporate image advertisement. ● We will continue to participate in game industry events. ● We will engage a number of advertising agents to place advertisements on various media, including newspapers and magazines. ● We will engage an international public relationship firm to promote our corporate image in the online game industry. 	29.9

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Period IV

**Scheduled business objectives and activities for the period from
1 January 2009 to 30 June 2009**

Objectives	Activities	Use of proceeds (HK\$ million)
Further strengthen our core game development capabilities	<ul style="list-style-type: none">● We will expand our development team, mainly game designers and graphic artists, to cope with our game development. ● We intend to work closely with universities and game development academics by sponsoring competitions and offering scholarships for students in the PRC and overseas. ● We will offer more training programmes and seminars to enhance our developers' skills. ● We will continue to upgrade our computers and game development software. ● We intend to set up different development centres in the PRC to cope with our expanding business.	19.3
Further enhance our integrated operation model	<ul style="list-style-type: none">● We will integrate our accounting system and customer information system. ● We will test and fine-tune the integration of accounting system and distribution and payment system, and provide trainings on the integrated system to our staff.	2.0
Enrich our product portfolio and extend our game life cycles	<ul style="list-style-type: none">● We will launch one new online game to the PRC market. ● We will rollout upgraded versions of our existing games. ● We will customise our existing games into different languages. ● We will recruit additional experienced staff to operate our games.	12.1

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Objectives	Activities	Use of proceeds (HK\$ million)
Expand our business through acquisition or cooperation with external parties	<ul style="list-style-type: none"> ● We intend to acquire PRC or overseas medium size game development studios and game operators specialising in MMORPGs. ● We intend to establish cooperation partnership with PRC or overseas medium to large size well-known Internet portals. ● We will evaluate other merger and acquisition opportunities that complement or benefit our business strategies. 	83.7
Strengthen our corporate image and promote our games	<ul style="list-style-type: none"> ● We will continue to engage marketing consultants to formulate marketing strategies to promote our corporate image and our games. ● We will continue the cooperation with well-known Internet portals for game promotion and corporate image advertisement. ● We will continue to participate in game industry events. ● We will engage a number of advertising agents to place advertisements on various media, including newspapers and magazines. ● We will engage an international public relationship firm to promote our corporate image in the online game industry. 	28.1

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Period V

Scheduled business objectives and activities for the period from 1 July 2009 to 31 December 2009

Objectives	Activities	Use of proceeds (HK\$ million)
Further strengthen our core game development capabilities	<ul style="list-style-type: none"> ● We will expand our development team, mainly game designers and graphic artists, to cope with our game development. ● We intend to work closely with universities and game development academics by sponsoring competitions and offering scholarships for students in the PRC and overseas. ● We will offer more training programmes and seminars to enhance our developers' skills. ● We will continue to upgrade our computers and game development software. ● We intend to set up different development centres in the PRC to cope with our expanding business. 	15.9
Further enhance our operation model	<ul style="list-style-type: none"> ● We will integrate our accounting system and ERP system. ● We will test and fine-tune the integration of accounting system and customer information system, and provide trainings on the integrated system to our staff. 	3.9
Enrich our product portfolio and extend our game life cycles	<ul style="list-style-type: none"> ● We will launch two new games to the PRC market. ● We will rollout upgraded versions of our existing games. ● We will customise our existing games into different languages. ● We will recruit additional experienced staff to operate our games, especially for the overseas operation. 	18.0

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Objectives	Activities	Use of proceeds <i>(HK\$ million)</i>
Expand our business through acquisition or cooperation with external parties	<ul style="list-style-type: none"> ● We intend to acquire PRC or overseas medium size game development studios and game operators specialising in MMORPGs. ● We intend to establish cooperation partnership with PRC or overseas medium to large size well-known Internet portals. ● We will evaluate other merger and acquisition opportunities that complement or benefit our business strategies. 	451.7
Strengthen our corporate image and promote our games	<ul style="list-style-type: none"> ● We will continue to engage marketing consultants to formulate marketing strategies to promote our corporate image and our games. ● We will continue the cooperation with well-known Internet portals for game promotion and corporate image advertisement. ● We will continue to participate in game industry events. ● We will engage a number of advertising agents to place advertisements on various media, including newspapers and magazines. ● We will continue to engage an international public relationship firm to promote our corporate image in the online game industry. 	35.6

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REASONS OF THE INTERNATIONAL PLACING AND THE USE OF PROCEEDS

We believe that the Listing will enhance our profile and expand our capital base for our future growth and development. The net proceeds from the International Placing, after deducting related underwriting fees and expenses payable by us, and assuming a Placing Price of HK\$12.18 per Share (being the mid-point of the stated range of the Placing Price between HK\$11.18 and HK\$13.18 per Share), are estimated to amount to approximately HK\$1,082.1 million (equivalent to approximately RMB1,060.5 million). We currently intend to apply such net proceeds as follows:

- as to approximately HK\$75.0 million to further strengthen our core game development capabilities
- as to approximately HK\$10.0 million to further enhance our integrated operation model
- as to approximately HK\$60.0 million to enrich our product portfolio and extend our game life cycles
- as to approximately HK\$682.3 million to expand our business through acquisition or cooperation with external parties
- as to approximately HK\$146.6 million to strengthen our corporate image and promote our games
- the remaining net proceeds of approximately HK\$108.2 million for our general working capital

Further details on use of proceeds are set out in “- Implementation plans” of this prospectus.

As at the Latest Practicable Date, we have not yet identified any suitable target for acquisition or cooperation with external parties.

In the event that the Placing Price is fixed at HK\$11.18 or HK\$13.18 (being the respective lowest and highest points of the indicative range of the Placing Price as stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds of the International Placing are approximately HK\$990.4 million (equivalent to approximately RMB970.6 million) and HK\$1,173.9 million (equivalent to approximately RMB1,150.4 million), respectively after deduction of all underwriting fees and expenses paid and payable by us. We currently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above. We will not receive any of the proceeds from the sale of shares by the Selling Shareholders in the International Placing.

In the event that the Over-allotment Option is exercised in full and assuming the Placing Price is HK\$12.18 (the mid-point price of the indicative price range as indicated in this prospectus), the Company will receive additional net proceeds of approximately HK\$189.4 million. We intend to apply the additional net proceeds for expanding our business through acquisition or cooperation with external parties.

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In case that the net proceeds from the International Placing do not immediately apply for the aforesaid purposes, we currently intend that the amount be placed on short term deposits with licensed banks in Hong Kong and/or commercial banks in the PRC or other financial institutions.

SCHEDULE OF USE OF PROCEEDS

The following table sets out the schedule of use of proceeds for each of the 6-month period ending on 31 December 2009:

(in million HK\$)	Period I: Latest Practicable Date- 31 December 2007	Period II: 1 January 2008- 30 June 2008	Period III: 1 July 2008- 31 December 2008	Period IV: 1 January 2009- 30 June 2009	Period V: 1 July 2009- 31 December 2009	Sub-total by category
Further strengthen our core game development capabilities	2.0	29.4	8.4	19.3	15.9	75.0
Further enhance our integrated operation model	1.3	1.5	1.3	2.0	3.9	10.0
Enrich our product portfolio and extend our game life cycles	8.3	10.3	11.3	12.1	18.0	60.0
Expand our business through acquisition or cooperation with external parties	—	63.2	83.7	83.7	451.7	682.3
Strengthen our corporate image and promote our games	25.6	27.4	29.9	28.1	35.6	146.6
Working capital	9.2	14.2	17.3	17.3	50.2	108.2
Total	<u>46.4</u>	<u>146.0</u>	<u>151.9</u>	<u>162.5</u>	<u>575.3</u>	<u>1,082.1</u>

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BASES AND ASSUMPTIONS

In formulating our business strategies and implementation plans set out above, the Directors have made reference to their industry knowledge and experience, after evaluating the existing market conditions and growth potential for our online games, and based on a number of bases and assumptions. Although the Directors are of the view that such bases and assumptions are reasonable, there is no assurance that such bases and assumptions are correct and complete. In the event that any part of the implementation plans of the Company does not materialise or proceed as planned, the Directors will carefully evaluate the situation and may reallocate the proceeds from the International Placing to be received by the Company to other plans and/or new projects of the Company as long as the Directors consider it to be in the best interests of the Company and its Shareholders taken as a whole.

The following are the general bases and assumptions in relation to the implementation plans of the Company:

- there will be no material changes in the existing laws (whether in the PRC, the Cayman Islands or any other parts of the world), policies or industry or regulatory treatments relating to us, or in the political, economic or market conditions where we operate or market;
- there will be no material adverse changes taking place in the markets where we operate;
- there will be no material changes in the bases or rates of taxation applicable to us;
- there will be no material changes in the inflation rates, interest rates and exchange rates as prevailed in this prospectus as at the Latest Practicable Date;
- our game development will be on schedule and receive positive results;
- qualified personnel can be recruited and retained by us;
- our external financing can be readily available if and when needed;
- we will be able to obtain copyrights or licences, if necessary, for applications filed or to be filed in relation to our new products to be developed and launched during the period concerned;
- our online games will remain their popularity;

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- the International Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the International Placing” in this prospectus; and
- we will not encounter any difficulty or disruption adversely affecting our operations or development plans in any way, including but not limited to:
 - disruption in services provided by suppliers;
 - serious industrial accidents, natural and political disasters, labour disputes, or litigation affecting our operation;
 - serious malfunction of our online games; and
 - any other force majeure event.