
COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 launched Zero Online in April 2007 and Tou Ming Zhuang Online in December 2007. In addition, we have four games in the pipeline, all with different themes and gaming experience, with target launch dates from the second quarter of 2008 to 2009.

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. In January 2008, we entered into a content development and distribution agreement with BVIG to develop and operate a MMORPG encompassing the graphical representations of selected Disney characters and certain Disney themes and stories owned by or licensed to BVIG. 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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USE OF PROCEEDS FROM THE INTERNATIONAL PLACING IN NOVEMBER 2007

We raised approximately HK\$1,386.2 million of net proceeds through the International Placing and the exercise of the Over-allotment Option in November 2007. Set out below is the intended use of proceeds since the GEM Listing up to 31 December 2009 according to the same percentages as stated in the Prospectus:

- approximately HK\$81.9 million for further strengthen our core game development capabilities;
- approximately HK\$10.9 million for further enhance our integrated operation model;
- approximately HK\$65.5 million for enrich our product portfolio and extend our game life cycles;
- approximately HK\$949.8 million for expand our business through acquisition or cooperation with external parties;
- approximately HK\$160.0 million for strengthen our corporate image and promote our games; and
- approximately HK\$118.1 million for working capital.

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COMPARISON OF THE COMPANY'S ACTUAL BUSINESS PROGRESS

Comparison of use of proceeds

During the period from GEM Listing to 31 December 2007, we conducted our business in accordance with the business plan and business objectives as stated in the Prospectus. However, due to, among others, the changes in the launch date of our new games, the proceeds had not been used exactly as expected. Details of the comparison between the business objectives as stated in the Prospectus and the actual business progress has stated in the section headed "Comparison of actual business progress" below. The following is the comparison between the intended use of proceeds and actual applications of net proceeds (excluding the general working capital purpose) raised through the International Placing and the exercise of the Over-allotment Option since the GEM Listing up to 31 December 2007:

Business Objectives	Proposed applications upto 31 December 2007, as set out in the Prospectus <i>HK\$ million</i>	Actual amount of proceeds used upto 31 December 2007 <i>HK\$ million</i>
Further strengthen our core game development capabilities	2.0	8.8
Further enhance our integrated operation model	1.3	0.0
Enrich our product portfolio and extend our game life cycles	8.3	3.4
Expand our business through acquisition or cooperation with external parties	0.0	0.0
Strengthen our corporate image and promote our games	<u>25.6</u>	<u>15.0</u>
Total	<u>37.2</u>	<u>27.2</u>

Going forward, we expect to achieve the business objectives as set out in the Prospectus for 2008 and 2009 as scheduled.

Comparison of actual business progress

The following is a summary of comparison of the Company's actual business progress with its business objectives as set out in the Prospectus for the period from 18 October 2007, being the latest practicable date as stated in the Prospectus, to 31 December 2007 (the "Listing Period").

Further strengthen our core game development capabilities

Business objectives as stated in the Prospectus

- We will recruit additional experienced game developers to cope with our game development.

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- 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.

Actual business progress

To strengthen our game development capabilities and cope with the launch of Tou Ming Zhuang Online with the movie of “The Warlords”, we have devoted significant resource to our game development department including (i) recruited more than 100 game developers to join our game development team; (ii) developed some game development software to replace some manual operation which improved the efficiency on our game development process; and (iii) purchased additional computers and software required for our game development. We have also introduced the GEM Share Option Scheme to enhance our incentive programme for our game development team.

In addition, we have also invited professionals from different industries and professors to conduct training sessions to further reinforce the technical knowledge and skills of our game development team.

As a result of the above resources devoted, we have used approximately HK\$8.8 million of the net proceed during the Listing Period to further strengthen our core game development capabilities which was about 4 times of the proposed use of proceed. Such increase was mainly attributable to the additional game developers recruited and resources devoted to cope with the launch of Tou Ming Zhuang Online.

Further enhance our integrated operation model

Business objectives as stated in the Prospectus

- 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.

Actual business progress

To further improve the efficiency and profitability of our operation, since the GEM Listing, we have formed (i) a committee led by our Chairman and chief game designer to oversee, and (ii) a new

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department to implement the development and integration of our customer information system, accounting system, distribution and payment system and ERP system. To further utilize the customer information captured by our customer information system, we have also formed a team to focus on these area.

Since the integration of our customer information system, accounting system, distribution and payment system and ERP system had not been implemented during the Listing Period, net proceed had not been used in this respect.

Enrich our product portfolio and extend our game life cycles

Business objectives as stated in the Prospectus

- We will launch the Chinese version of Way of the Five (previously named as 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.

Actual business progress

To broaden our product portfolio to enable us to capture a wide variety of players, we have launched (i) the English version of Zero Online with customised features targeting overseas market; (ii) Tou Ming Zhuang Online; and (iii) upgraded versions of Endemons Online and Zero Online during the Listing Period. As to the new games, we have conducted closed and open beta testings of Way of the Five in the fourth quarter of 2007 and expect to launch the Chinese version of Way of the Five in the second quarter of 2008.

During the Listing Period, as a result of the delay in launch of our new games, we had only used approximately HK\$3.4 million of the net proceed to enrich our product portfolio which is less than our proposed use of the net proceed.

Expand our business through acquisition or cooperation with external parties

Business objectives as stated in the Prospectus

- 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.

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Actual business progress

To evaluate the opportunities to expand our business through mergers and acquisitions, we have formed a business development team to evaluate acquisition and merger opportunities and were negotiating with potential game development studios and game operators to evaluate cooperation and merger and acquisition possibilities.

In addition, to gain access to new customer base, strong product content and development talents of international cooperation, we had, during the Listing Period, negotiated the cooperation opportunity with BVIG, and had entered into a content development and distribution agreement with BVIG in January 2008 to develop and operate a MMORPG encompassing the graphical representations of selected Disney characters and certain Disney themes and stories owned by or licensed to BVIG.

Since no mergers and acquisition and cooperation with international cooperation had been taken place during the Listing Period, net proceed had not been used in this respect during such period.

Strengthen our corporate image and promote our games

Business objectives as stated in the Prospectus

- 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.

Actual business progress

To strengthen our corporate image and further promote our game, we (i) have continued to engage Ogilvy to formulate marketing strategies to promote our games; (ii) have engaged a number of advertising agents to place advertisements in various media; and (iii) have engaged well-known Internet portals such as those operated by SINA and Tencent for corporate image advertisement and game promotion, during the Listing Period.

During the Listing Period, as a result of the delay in launch of our new games, we have used only approximately HK\$15.0 million to strengthen our corporate image and promote our games which is less than our expected use of the proceed.