

HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

We trace our origins to 2006 when Fuzhou Tianmeng was established in Fujian Province, PRC and IGG HK was incorporated in Hong Kong by Mr. Zongjian Cai and Mr. Yuan Chi with their personal fund. At that time, Fuzhou Tianmeng focused on research and development, licensing and publishing of games in the PRC while IGG HK focused on overseas publishing. Starting from 2007, we commenced the Corporate Reorganisation in preparation for the [●] investments. As part of the Corporate Reorganisation, our Company was incorporated in the Cayman Islands on 16 August 2007 to act as the holding company of our Group, and IGG USA was consolidated into our Group for marketing as well as servers hosting for our Group. On 30 June 2009, IGG Singapore was incorporated to take over the substantial overseas business from IGG HK in January 2010. Currently, substantially all of our business is conducted through IGG Singapore. In 2013, IGG Philippines was incorporated to provide global customer support services and other business process and information and communications technology-enabled services to support our overseas business.

BUSINESS MILESTONES

The following table summarises various key milestones in the development of our business:

2006

In February 2006, IGG was founded by Mr. Zongjian Cai and Mr. Yuan Chi.

In June 2006, IGG published its first licensed MMORPG - MythWar Online.

2007

Throughout 2007, IGG published more MMO games including popular Tales of Pirates and Angels Online.

In December 2007, IGG completed Series A funding led by the IDG Group.

2008

In March 2008, IGG published Wonderland Online.

In November 2008, IGG released its first in-house developed MMORPG, Godswar.

In November 2008, IGG completed Series B funding led by the IDG Group, Vertex and Hearst despite the global recession.

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2009

In March 2009, IGG launched the first in-house developed Real Time Strategy game, Galaxy Online.

In June 2009, IGG opened its headquarters in Singapore.

2010

Throughout 2010, IGG made expansion into Facebook gaming with a series of social games including Fish Isle, Crazy Clinic, Miracle Garden, Crazy Pirates, Lords Online, and Texas HoldEm Poker Deluxe.

2011

In January 2011, IGG released Galaxy Online II, with multiple versions worldwide, including French, German, Spanish, Turkish and several other languages.

In October 2011, Texas HoldEm Poker Deluxe, IGG’s widely popular and top rated poker app, became available on iOS.

Throughout 2011, IGG also released multiple high-end 3D browser games including 100 Years’ War and Age of Titans.

2012

In January 2012, the Android version of Texas HoldEm Poker Deluxe was released in Google Play.

Throughout 2012, IGG released new browser games including Heroes’ Social, Wings of Destiny and Dawn of Darkness.

2013

In February 2013, IGG released Dawn of Darkness Android version on Google Play.

In March 2013, IGG released FreeSky Online 2 on Facebook in Taiwan.

In March 2013, IGG released KaChing Slots Android version on Google Play.

In April 2013, IGG released Heroes Social on Facebooks Philippines and Heroes & Monsters Android version on Google Play.

In May 2013, IGG released Slot Machines by IGG Android version on Google Play.

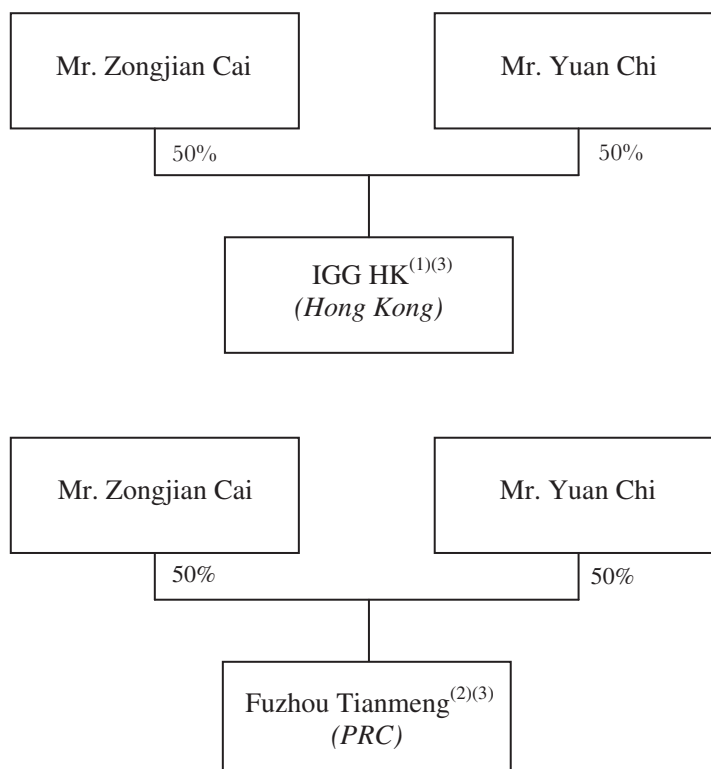
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In July 2013, IGG released Clash of Lords Android version on Google Play.

In July 2013, IGG released Castle Clash Android version on Google Play.

CORPORATE REORGANISATION

The corporate structure of our Group, immediately prior to the Corporate Reorganisation in 2007, is set out below:



Note:

- (1) IGG HK was incorporated under the laws of HK with limited liability on 20 February 2006. Upon its incorporation, IGG HK issued 5,000 shares in the par value of HK\$1.00 to Mr. Zongjian Cai and Mr. Yuan Chi respectively. Mr. Zongjian Cai and Mr. Yuan Chi have entered into an agreement of vote in concert in IGG HK effective since March 2006.
- (2) Fuzhou Tianmeng was established under the laws of the PRC with limited liability on 12 December 2006. Upon its establishment, the registered capital of Fuzhou Tianmeng was RMB1.01 million, which was owned as to 50% by Mr. Zongjian Cai and 50% by Ms. Xiaoyu Lin, the spouse of Mr. Yuan Chi. On 28 August 2007, Ms. Xiaoyu Lin transferred such 50% equity interest in Fuzhou Tianmeng to Mr. Yuan Chi for a consideration of RMB505,000, with reference to the then registered capital. According to our PRC legal advisers, Jingtian & Gongcheng, such equity transfer has been duly registered with the local registration authority in PRC. On 18 March 2008, the registered capital of Fuzhou Tianmeng was increased to RMB10 million. Mr. Zongjian Cai and Mr. Yuan Chi have entered into an agreement of vote in concert in Fuzhou Tianmeng effective since January 2007.
- (3) Mr. Zongjian Cai and Mr. Yuan Chi entered into act in concert agreements, pursuant to which Mr. Zongjian Cai and Mr. Yuan Chi agreed that they would act in concert with each other with respect to matters relating to the management and operation of Fuzhou Tianmeng and IGG HK, starting from their incorporations.

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At that time, some friends of Mr. Cai and Mr. Chi, including Mr. Feng Chen, Mr. Pintong Lin, Mr. Deqing Ruan, Mr. Chak Man Wu and Mr. Anyan Chen, who are businessmen and [●] (collectively “Individual Investors”), together with the Management Team would like to invest in our Company given they valued the prospects of our Group. Our Group was then planning reorganisation for the purpose of the Series A Investment, which included incorporation of our Company, acquisition of IGG HK and signing of the Structured Contracts to consolidate the financial results of Fuzhou Tianmeng into those of our Group. The above mentioned Individual Investors and Management Team reached verbal consensus with Mr. Cai and Mr. Chi that they would pay the considerations for the relevant interest in our Group to be acquired by each of them to Mr. Cai and Mr. Chi in advance prior to the incorporation of our Company and our Company would issue shares to them accordingly after its incorporation. The investment contributed by each of the Management Team amounted to RMB600,000, RMB275,000, RMB275,000 and RMB250,000 and RMB600,000 while the Individual Investors invested RMB1,025,000 in our Group in aggregate.

Establishment of our offshore shareholding structure

Incorporation of the offshore investment holding companies and our Company

On 10 September 2007, Duke Online was incorporated under the laws of the BVI as an exempted company. Upon its incorporation, one issued share in the par value of US\$1.00 was issued to CIA Nominees LTD. On 31 October 2007, such one issued share was transferred from CIA Nominees LTD. to Mr. Zongjian Cai.

On 10 September 2007, Edmond Online was incorporated under the laws of the BVI as an exempted company. Upon its incorporation, one issued share in the par value of US\$1.00 was issued to CIA Nominees LTD. On 31 October 2007, such one issued share was transferred from CIA Nominees LTD. to Mr. Yuan Chi.

On 16 August 2007, our Company was incorporated under the laws of the Cayman Islands as an exempted company. Upon its incorporation, the authorised share capital of our Company was US\$50,000 with 500,000,000 ordinary shares, each with a par value of US\$0.0001, and one ordinary Share was issued to N.D. Nominees LTD.

On 31 October 2007, the above mentioned one ordinary Share of our Company was transferred from N.D. Nominees LTD. to CIA Nominees LTD. and then to Duke Online. On the same date, our Company issued 4,499,999 ordinary Shares to Duke Online, and 4,500,000 ordinary Shares to Edmond Online.

Issue of Shares in our Company to the Management Team and Individual Investors

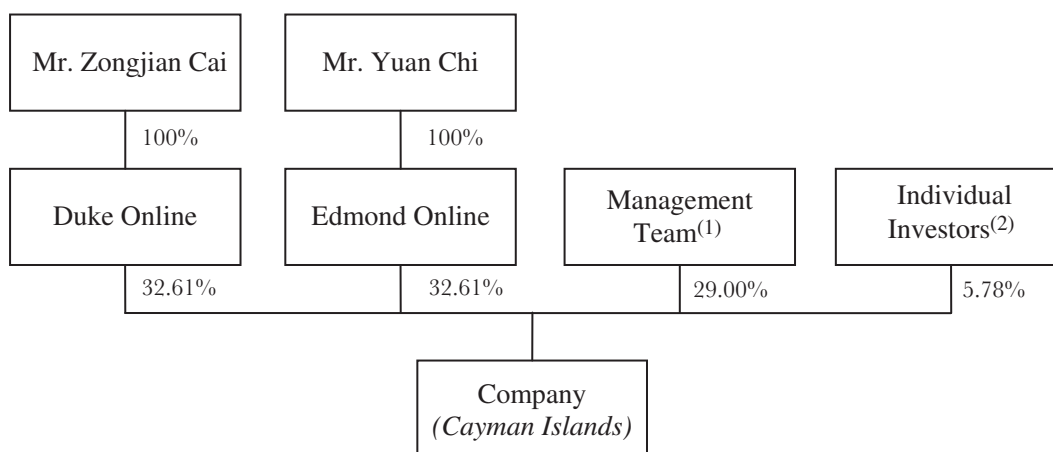
On 31 October 2007, our Company issued 1,200,000 ordinary Shares to Mr. Guo Wu, 550,000 Shares to Ms. Kai Chen, 550,000 ordinary Shares Mr. Zhixiang Chen, 1,200,000 ordinary Shares to Mr. Yuan Xu, and 500,000 ordinary Shares to Mr. Hong Zhang respectively, each with then par value of US\$0.0001, all of whom were key management team of our Group at that time.

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On the same date, our Company issued a total of 800,000 ordinary Shares to the Individual Investors, each with then par value of US\$0.0001.

The above issues of shares were conducted at par value in order to reflect their actual investments in our Group prior to the incorporation of our Company.

The following diagram sets out our shareholding structure immediately before the following restructuring of our Group:



Note:

(1) Management Team comprises the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Guo Wu	8.70% of issued share capital of our Company in the form of ordinary shares
Ms. Kai Chen	3.99% of issued share capital of our Company in the form of ordinary shares
Mr. Zhixiang Chen	3.99% of issued share capital of our Company in the form of ordinary shares
Mr. Yuan Xu	8.70% of issued share capital of our Company in the form of ordinary shares
Mr. Hong Zhang	3.62% of issued share capital of our Company in the form of ordinary shares

(2) Individual Investors comprise the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Feng Chen	2.72% of issued share capital of our Company in the form of ordinary shares
Mr. Pintong Lin	0.72% of issued share capital of our Company in the form of ordinary shares
Mr. Deqing Ruan	0.72% of issued share capital of our Company in the form of ordinary shares
Mr. Chak Man Wu	0.72% of issued share capital of our Company in the form of ordinary shares
Mr. Anyan Chen	0.90% of issued share capital of our Company in the form of ordinary shares

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Acquisition of IGG HK by our Company

On 9 November 2007, in preparation of for the investment by the [●] investors, our Company acquired all the issued 100,000 shares of IGG HK from Mr. Zongjian Cai and Mr. Yuan Chi at par value. Accordingly, IGG HK’s register of members was updated on 30 October 2007 and the relevant filing was made with the Companies Registry on 9 November 2007.

On the same date, IGG HK issued 14,900,000 shares to our Company at par value.

Establishment of Fuzhou Tianji by our Company

On 15 November 2007, Fuzhou Tianji was established in the PRC as a wholly foreign owned enterprise by our Company with a registered capital of US\$2 million to engage in research and development. On 15 April 2009, the registered capital of Fuzhou Tianji was increased to US\$5 million.

Signing of Structured Contracts between Fuzhou Tianji and Fuzhou Tianmeng

Fuzhou Tianmeng became controlled by Fuzhou Tianji through certain Structured Contracts entered into among Fuzhou Tianmeng, Fuzhou Tianji, Mr. Zongjian Cai and Mr. Yuan Chi in November 2007.

For further details, please refer to the paragraph headed “Structured Contracts” in this section of the [●].

Issue of Series A Preferred Shares

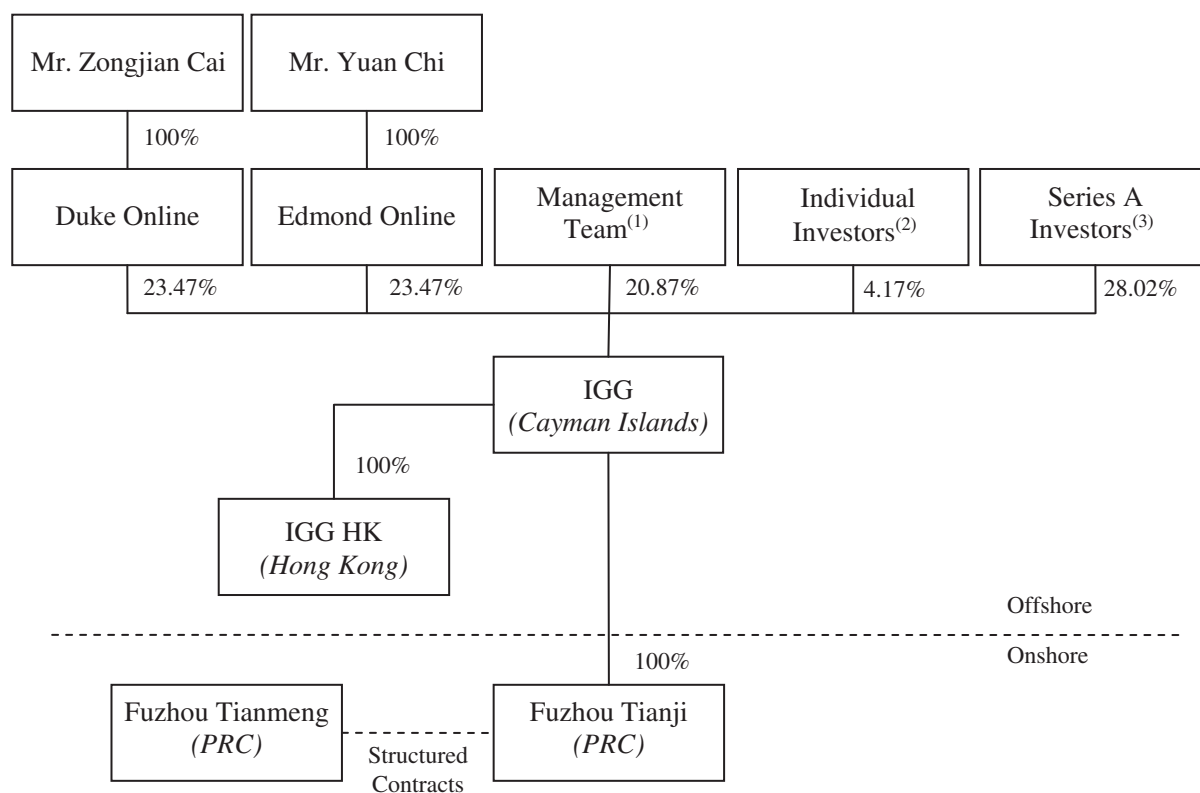
On 30 November 2007, a resolution was passed that the authorised share capital of our Company shall be US\$50,000 divided into: (i) 493,281,250 ordinary shares of then nominal or par value of US\$0.0001 each, and (ii) 6,718,750 preferred shares of then nominal or par value of US\$0.0001 each, of which 5,375,000 Preferred Shares are designated as Series A preferred shares, and 1,343,750 Preferred Shares are designated as Series A-1 Preferred Shares.

Pursuant to a Series A Preferred Share Purchase Agreement dated 30 November 2007 entered into by and among our Company, Duke Online, Edmond Online, IGG HK, Fuzhou Tianji, and Fuzhou Tianmeng, (i) our Company issued 5,375,000 Series A Preferred Shares to Series A Shareholders, (ii) our Company issued warrants to Series A-1 Shareholders, exercisable at an aggregate price of US\$1,500,000 for 1,343,750 Series A-1 Shares. For details of the investment made by the Series A investors, please refer to the paragraph headed “[●]” of this section in the [●].

On the same date, our Company entered into the restricted shares agreements (“RSAs”) with the Founders, Mr. Guo Wu, Ms. Kai Chen, Mr. Zhixiang Chen and Mr. Yuan Xu, pursuant to which certain amount of the issued shares to them were designated as restricted shares and our Company shall be entitled to repurchase certain amount upon termination of their employment of our Company or its subsidiaries.

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The following diagram sets out our shareholding structure immediately before the following restructuring of our Group:



Note:

(1) Management Team comprises the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Guo Wu	6.26% of issued share capital of our Company in the form of ordinary shares
Ms. Kai Chen	2.87% of issued share capital of our Company in the form of ordinary shares
Mr. Zhixiang Chen	2.87% of issued share capital of our Company in the form of ordinary shares
Mr. Yuan Xu	6.26% of issued share capital of our Company in the form of ordinary shares
Mr. Hong Zhang	2.61% of issued share capital of our Company in the form of ordinary shares

(2) Individual Investors comprise the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Feng Chen	1.96% of issued share capital of our Company in the form of ordinary shares
Mr. Pintong Lin	0.52% of issued share capital of our Company in the form of ordinary shares
Mr. Deqing Ruan	0.52% of issued share capital of our Company in the form of ordinary shares
Mr. Chak Man Wu	0.52% of issued share capital of our Company in the form of ordinary shares
Mr. Anyan Chen	0.65% of issued share capital of our Company in the form of ordinary shares

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(3) Series A Investors comprise the following investment entities:

Name of Shareholders	Approximate Shareholding in our Company
IDG-Accel China Growth Fund II L.P.	23.31% of issued share capital of our Company in the form of Preferred A Shares
IDG-Accel China Investors II L.P.	1.91% of issued share capital of our Company in the form of Preferred A Shares
Winston	2.80% of issued share capital of our Company in the form of Preferred A Shares

Establishment of Fuzhou Tianjie

On 3 June 2008, in order to strengthen our research and development, Fuzhou Tianjie was established in the PRC to engage in research and development. Upon the establishment, Fuzhou Tianjie was owned as to 75% by Fuzhou Tianji, 13% by Mr. Dehui Lin, 12% by Mr. Yi Ding, both of whom are currently [●]. Mr. Dehui Lin and Mr. Yi Ding were originally mainly responsible for research and development in our Group.

Issue of Series B Preferred Shares and share exchange in IGG USA

On 12 November 2008, a resolution was passed that the authorised share capital of our Company shall be reduced and redesignated by cancelling 459,415,000 Shares of then nominal or par value of US\$0.0001 each which have neither been taken nor agreed to be taken by any person and the authorised share capital of our Company be diminished, from US\$50,000 divided into (i) 493,281,250 ordinary Shares of then nominal or par value of US\$0.0001 each, and (ii) 6,718,750 Preferred Shares of then nominal or par value of US\$0.0001 each, of which 5,375,000 Preferred Shares are designated as Series A Preferred Shares and 1,343,750 Preferred Shares are designated as Series A-1 Preferred Shares to US\$4,058.50 divided into: (i) 28,600,450 ordinary Shares of then nominal or par value of US\$0.0001 each, and (ii) 11,984,550 Preferred Shares of then nominal or par value of US\$0.0001 each, of which 5,375,000 Preferred Shares are designated as Series A Preferred Shares, 1,343,750 Preferred Shares are designated as Series A-1 Preferred Shares, and 5,265,800 Preferred Shares are designated as Series B Preferred Shares.

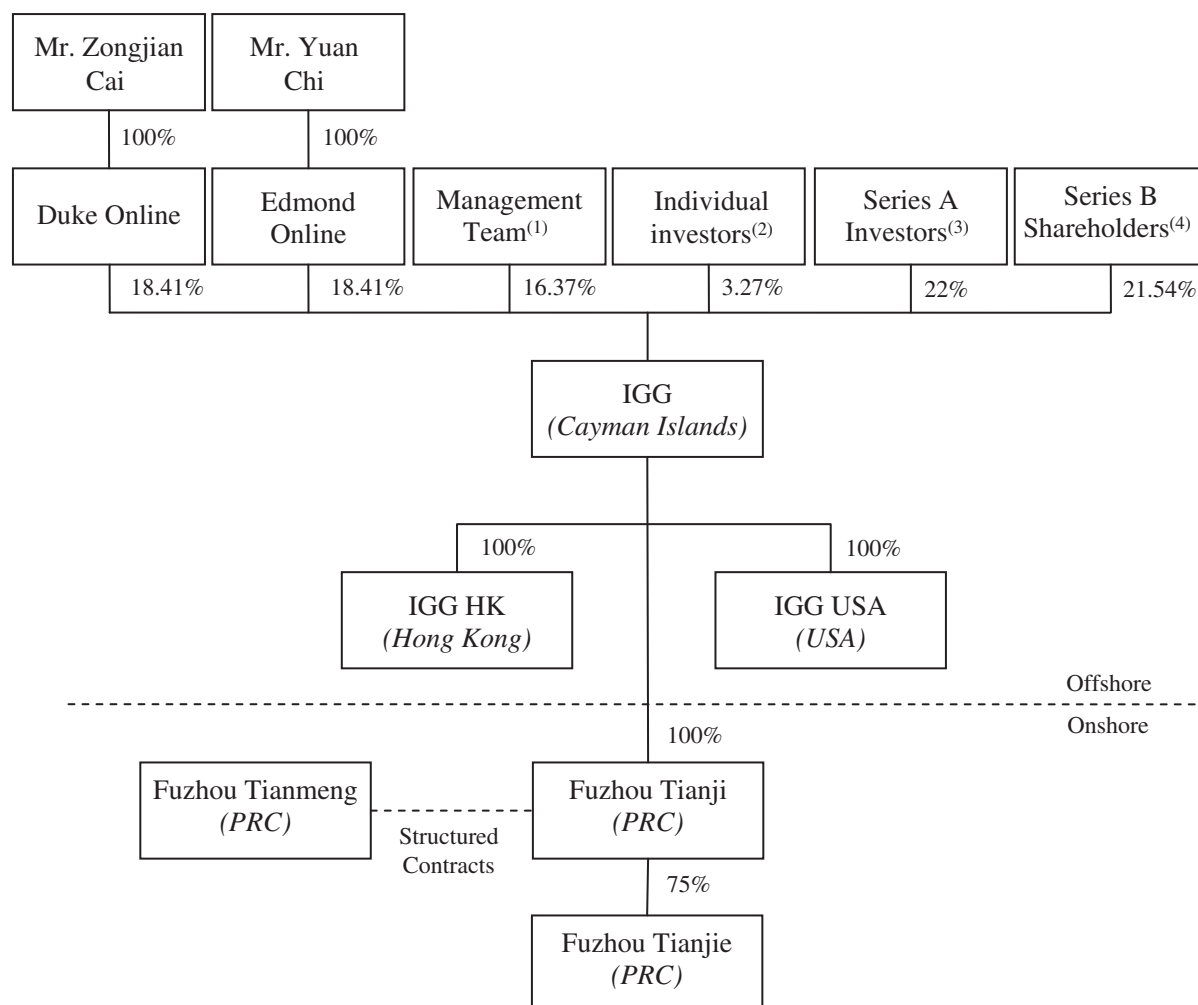
Pursuant to a Series B Preferred Share Purchase Agreement dated 12 November 2008 entered into by and among our Company, Duke Online, Edmond Online, IGG HK, IGG USA, Fuzhou Tianji, Fuzhou Tianmeng, Fuzhou Tianjie, and Series B Shareholders, our Company issued 5,216,091 Series B Preferred Shares to the Series B Investors. For details of the investments made by the Series B Investors, please refer to the paragraph headed “[●] Investments” of this section of the [●].

IGG USA was originally formed in Nevada, United States on 21 October 2005 as a limited liability company for the purpose of online game hosting and marketing support and all units in IGG USA were owned by the Original LLC Members. Under the Series B Preferred Share Purchase Agreement, IGG USA, which was originally owned by the Original LLC Members, shall convert into an entity to be treated as a corporation for US income tax purposes, and the Original LLC Members of IGG USA shall then transfer their units in IGG USA to our Company in exchange for 49,675 Series B Shares in our Company such that the IGG USA shall become a wholly owned subsidiary of our Company. IGG USA is mainly responsible for servers hosting and marketing support and collecting fees from the players globally.

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On the same date, the clauses regarding the repurchase rights and the assignment under RSAs were amended in order to (i) add the Series B Investors as parties to the prior agreement and (ii) clarify that the restricted shares of each restricted party be subject to the repurchase right upon termination for any reason, whether voluntarily or involuntarily.

The following diagram sets out our shareholding structure immediately before the following restructuring of the share capital of our Company:



Note:

(1) Management Team comprises the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Guo Wu	4.91% of issued share capital of our Company in the form of ordinary shares
Ms. Kai Chen	2.25% of issued share capital of our Company in the form of ordinary shares
Mr. Zhixiang Chen	2.25% of issued share capital of our Company in the form of ordinary shares
Mr. Yuan Xu	4.91% of issued share capital of our Company in the form of ordinary shares
Mr. Hong Zhang	2.05% of issued share capital of our Company in the form of ordinary shares

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- (2) Individual Investors comprise the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Feng Chen	1.53% of issued share capital of our Company in the form of ordinary shares
Mr. Pintong Lin	0.41% of issued share capital of our Company in the form of ordinary shares
Mr. Deqing Ruan	0.41% of issued share capital of our Company in the form of ordinary shares
Mr. Chak Man Wu	0.41% of issued share capital of our Company in the form of ordinary shares
Mr. Anyan Chen	0.51% of issued share capital of our Company in the form of ordinary shares

- (3) Series A Investors comprise the following investment entities:

Name of Shareholders	Approximate Shareholding in our Company
IDG-Accel China Growth Fund II L.P.	18.30% of issued share capital of our Company in the form of Preferred A Shares
IDG-Accel China Investors II L.P.	1.50% of issued share capital of our Company in the form of Preferred A Shares
Winston	2.20% of issued share capital of our Company in the form of Preferred A Shares

- (4) Series B Shareholders comprise the following investment entities:

Name of Shareholders	Approximate Shareholding in our Company
<i>Series B Investors</i>	
Vertex	12.20% of issued share capital of our Company in the form of Preferred B Shares
Hearst	3.05% of issued share capital of our Company in the form of Preferred B Shares
IDG-Accel China Growth Fund II L.P.	4.32% of issued share capital of our Company in the form of Preferred B Shares
IDG-Accel China Investors II L.P.	0.35% of issued share capital of our Company in the form of Preferred B Shares
Tian Xiang	0.51% of issued share capital of our Company in the form of Preferred B Shares
Mr. Yi Zhang	0.20% of issued share capital of our Company in the form of Preferred B Shares
Mr. Yuan Xu	0.41% of issued share capital of our Company in the form of Preferred B Shares
Martin Living Trust	0.30% of issued share capital of our Company in the form of Preferred B Shares
Subtotal	21.34% of issued share capital of our Company in the form of Preferred B Shares
<i>Original LLC Members</i>	
Mr. Zongjian Cai	0.05% of issued share capital of our Company in the form of Preferred B Shares
Mr. Yuan Chi	0.05% of issued share capital of our Company in the form of Preferred B Shares
Ms. Xiuping Wang	0.07% of issued share capital of our Company in the form of Preferred B Shares
Mr. Hong Zhang	0.03% of issued share capital of our Company in the form of Preferred B Shares
Subtotal	0.2% of issued share capital of our Company in the form of Preferred B Shares

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Incorporation of IGG Singapore

On 30 June 2009, in order to expand our global business, especially our business in Southeast Asia, IGG Singapore was incorporated in Singapore as a private company. Upon its incorporation, one ordinary share in the par value of one Singapore dollar was issued to our Company. On 1 October 2009, the capital of IGG Singapore was increased to Singapore dollar 1.5 million. In January 2010, our Group transferred our substantial overseas business together with intellectual properties and domain names to IGG Singapore. Currently, IGG Singapore is the business headquarter of our Group and is mainly engaged in the business of game development and operation. IGG Singapore’s former name is “Skyunion Pte. Ltd.”, which was changed to “IGG Singapore Pte. Ltd.” on 14 July 2011.

Conversion of the warrants under the Series A Preferred Shares Agreement into Series A-1 Preferred Shares

On 21 August 2009, the Series A-1 Investors exercised the conversion rights of warrants granted to them under the Series A Preferred Shares Agreement at the conversion price of US\$1.1163 per Share and our Company issued 1,209,375 Series A-1 Preferred Shares to the Series A-1 Investors accordingly.

Repurchase of 600,000 Shares from Mr. Wu Guo under the RSAs

Since Mr. Guo Wu left our Group in March 2008 due to personal reasons, therefore, on 21 August 2009, our Company exercised its rights under the RSAs to repurchase 600,000 ordinary Shares from Mr. Wu Guo for a consideration of RMB336,960, calculated by RMB0.5 per share plus 8% annual interest according to the RSAs.

Share transfer of Fuzhou Tianji

On 23 November 2009, IGG Singapore entered into a share transfer agreement with our Company to acquire all equity interest in Fuzhou Tianji from our Company at a consideration of US\$5 million with reference to the then registered capital of Fuzhou Tianji for the the purpose of global tax planning. As advised by our PRC advisers, Jingtian & Gongcheng, such equity transfer has been duly registered with the local registration authority in PRC.

Acquisition of the entire equity interest in Fuzhou Tianjie by Fuzhou Tianji

On 7 April 2011, Mr. Dehui Lin and Mr. Yi Ding left our Group, therefore, on 23 September 2011, Fuzhou Tianji entered into share transfer agreements with Mr. Dehui Lin and Mr. Yi Ding, respectively, to acquire 25% equity interest in Fuzhou Tianjie, for a consideration of RMB1.00. The Company confirms that the equity transfer was conducted at a nominal consideration because Fuzhou Tianjie was at accumulated loss position immediately prior to such equity transfer. As advised by our PRC advisers, Jingtian & Gongcheng, such equity transfer has been duly registered with the local registration authority in PRC.

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Disposal of entities

We invested in the below-mentioned entities and disposed them from our Group in the Track Record Period:

Xi’An Xiaoyao

On 15 February 2011, Fuzhou Tianmeng established Xi’An Xiaoyao with [●] engage in research and development. Upon its establishment, the registered capital of Xi’An Xiaoyao was RMB100,000 which was owned as to 51% by Fuzhou Tianmeng.

Pursuant to a share transfer agreement dated 16 September 2011, Fuzhou Tianmeng transferred the above mentioned 51% equity interest in Xi’An Xiaoyao to Mr. Shumian Wang, [●] for a consideration of RMB1.0.

Fuzhou Chuangyou

Pursuant to a share transfer agreement dated 29 December 2009, Fuzhou Tianmeng acquired 51% equity interest in Fuzhou Chuangyou for a consideration of RMB35,700 in order to expand our research and development team.

Pursuant to a share transfer agreement dated 12 September 2011, Fuzhou Tianmeng transferred the above mentioned 51% equity interest in Fuzhou Chuangyou to Mr. Hai Huang, [●] for a consideration of RMB1.0.

Fuzhou Tianhe

On 21 January 2010, Fuzhou Tianmeng established Fuzhou Tianhe with some [●] to engage in research and development. Upon its establishment, the registered capital of Fuzhou Tianhe was RMB30,000 which was owned as to 35% by Fuzhou Tianmeng.

Pursuant to share transfer agreements dated 26 August 2011, Fuzhou Tianmeng transferred the above mentioned 35% equity interest in Fuzhou Tianhe to Mr. Wenmiao Li and Mr. Bin Lin, [●], for a consideration of RMB1.0 each.

Shanghai Generic

Pursuant to a share transfer agreement dated 10 December 2009, Fuzhou Tianmeng acquired 19.5% equity interest in Shanghai Generic for a consideration of RMB1.0 in order to expand our research and development team.

Pursuant to an equity transfer agreement dated 9 April 2012 entered into by Fuzhou Tianmeng and the existing shareholders of Shanghai Generic, Fuzhou Tianmeng agreed to transfer 19.5% equity interest in Shanghai Generic to the existing shareholders of Shanghai Generic for a consideration of RMB1.0.

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Fuzhou Bookman

Pursuant to a share transfer agreement dated 1 February 2009, Fuzhou Tianji acquired 40% equity interest in Fuzhou Bookman for a consideration of RMB2.0 in order to expand our research and development team.

Pursuant to an equity transfer agreement dated 10 July 2011 entered into by Fuzhou Tianji and Mr. Yongwu Zheng, [●] Fuzhou Tianji agreed to transfer 40% equity interest in Fuzhou Bookman to Mr. Yongwu Zheng for a consideration of RMB2.0.

Shaanxi Taihe

Pursuant to a share transfer agreement dated 15 December 2009, Fuzhou Tianmeng acquired 19.5% equity interest in Shaanxi Taihe for a consideration of RMB2.0 in order to expand our research and development team.

Pursuant to an equity transfer agreement dated 12 April 2011 entered into by Fuzhou Tianmeng and two other existing shareholders of Shaanxi Taihe, namely, Mr. Changheng Bi and Mr. Wei Wang and [●] namely, Ms. Yihong Gu, pursuant to which Fuzhou Tianmeng and Mr. Changheng Bi agreed to transfer 19.5% and 36.225% equity interest in Shaanxi Taihe to Mr. Wei Wang and Ms. Yihong Gu, respectively, for a consideration of RMB1.0 each.

Fuzhou Online Game

On 5 August 2009, Fuzhou Online Game, mainly engaged in online game advertising, became wholly controlled by Fuzhou Tianji through a series of structured contracts. Thereafter, Mr. Zongjian Cai and Mr. Yuan Chi transferred their equity interest in Fuzhou Online Game to Fuzhou Tianmeng on 24 April 2012 for a consideration of RMB1,500,000 to replace the structured contracts. Fuzhou Online Game recorded losses during the Track Record Period because its operation results did not match its expansion costs.

Pursuant to a share transfer agreement dated 8 October 2012 entered into by Fuzhou Tianmeng, Mr. Xianghua Zheng and Ms. Xianglan Chen, [●] pursuant to which Fuzhou Tianmeng agreed to transfer all equity interest in Fuzhou Online Game to Mr. Xianghua Zheng and Ms. Xianglan Chen for a fixed consideration of RMB100,000 plus future earnings based contingent considerations. We acquired Fuzhou Online Game, which was mainly engaged in online game advertising in 2009 as we originally were planning to expand our game publishing business in the PRC. However, based on our further exploration of the PRC market at the time, our Group subsequently decided to change the publishing business model in the PRC into joint operations with other major [●] online game operators to make use of their existing market resources for the benefit of our Group. Therefore, we disposed Fuzhou Online Game in 2012. As at the Latest Practicable Date, Fuzhou Online Game has not recognised any contingent consideration given Fuzhou Online Game has not generated profits yet.

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All the above disposals were conducted at a nominal consideration, respectively, because (1) we originally did not invest much resource to the relevant entities; and (2) the entities did not contribute materially to the financial statements of our Group when they were subsidiaries of our Group or even recorded a loss immediately prior to the relevant disposal. According to our PRC legal advisers, Jingtian & Gongcheng, the above-mentioned disposals of entities have been conducted in line with the procedures under the applicable laws and regulations of PRC and all the equity transfers have been duly registered with the local registration authority of PRC.

In order to strengthen our research and development and expand our portfolio of online games softwares, we actively explored cooperation with companies specialized in research and development of online game softwares. We established or invested in the above-mentioned entities in order to obtain certain online game softwares developed by those third parties which are all specialized in development of online games softwares. Starting from 2011, since our Group decided to enhance our own research and development team, our Group commenced to change the cooperation mode by disposing of the equity interest in the above-mentioned entities to [●] and continuing to engage these entities to provide maintenance services to those online games softwares developed by them for our Group. We can still get economic benefits from the operation of these online game softwares but we are able to more concentrate our financial and human resources.

Increase of share capital of our Company

On 27 November 2012, a resolution was passed that the authorised share capital of our Company as increased from US\$4,058.50 divided into (i) 28,600,450 ordinary Shares of then nominal value of US\$0.0001 each, and (ii) 11,984,550 Preferred Shares of then nominal value of US\$0.0001 each, of which 5,375,000 Preferred Shares are designated as Series A Preferred Shares, 1,343,750 Preferred Shares are designated as Series A-1 Preferred Shares, and 5,265,800 Preferred Shares are designated as Series B Preferred Shares to US\$4,128.50 divided into: (i) 29,300,450 ordinary Shares of then nominal value of US\$0.0001 each, and (ii) 11,984,550 Preferred Shares of then nominal value of US\$0.0001 each, of which 5,375,000 Preferred Shares are designated as Series A Preferred Shares, 1,343,750 Preferred Shares are designated as Series A-1 Preferred Shares, and 5,265,800 Preferred Shares are designated as Series B Preferred Shares.

Incorporation of IGG Philippines

On 11 January 2013, IGG Philippines was incorporated under the laws of the Philippines as a subsidiary of IGG Singapore in order to provide customer support services, other business process, information and communications technology-enabled services. Upon incorporation, the authorised capital stock of IGG Philippines was Php4,000,000.00, divided into 40,000 shares with par value of Php100.00 per share, however, only 20,000 shares amounting to Php2,000,000.00 were subscribed and fully-paid. 19,995 shares were issued to IGG Singapore, while Mr. Hanling Fang, Mr. Zhixiang Chen, Mr. Marvin M. Celedio, Ms. Michelle O. Morano and Mr. Francis Allan S. Dela Cruz hold one share each as nominees of IGG Singapore. Mr. Marvin M. Celedio, Ms. Michello O. Morano and Mr. Francis Allan So. Dela Cruz are all residents of the Philippines and [●]. We arranged such shareholding

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structure of IGG Philippines because, according to the Corporation Code of the Philippines, a private corporation may be incorporated by at least five natural persons of legal age and majority of whom are residents of the Philippines and that its Board of Directors must be composed of at least five natural persons, holding 1 share each, and majority of whom are residents of the Philippines.

Conversion of Preferred Shares

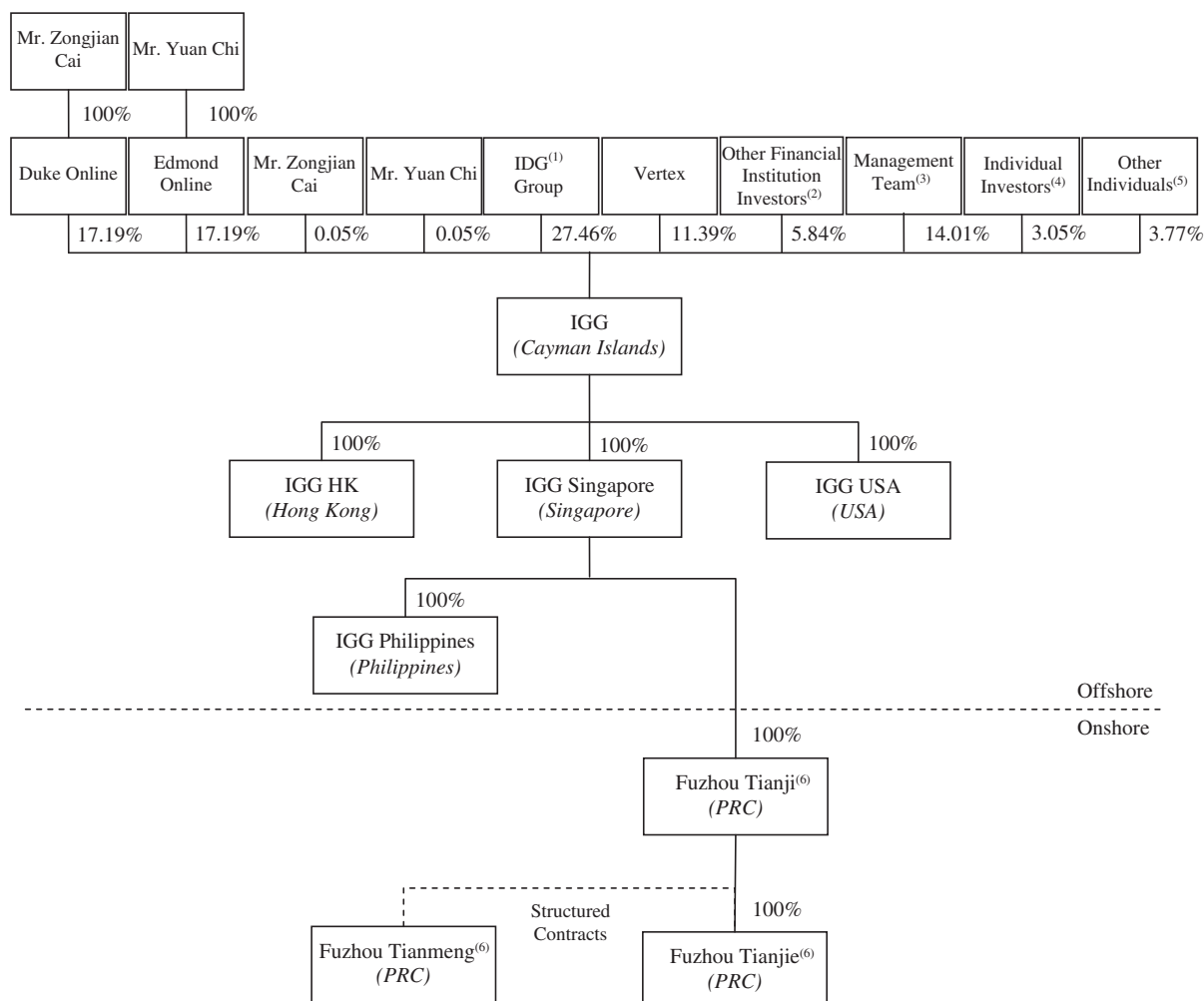
On 31 May 2013, all of the Preferred Shares were converted into ordinary Shares according to the conversion clause under the then applicable Articles. There was only one single class of Shares in the share capital of our Company immediately after the conversion so that all the ordinary Shares shall rank pari passu in all respects. For further details of such conversion clause, please see the paragraph headed “[●] Investments” under the section headed “History and Corporate Structure” of this document.

Restructuring of our Company

On 16 September 2013, our Shareholders resolved to approve, among other things, a redesignation and re-classification of the then existing authorised share capital of US\$4,128.50 into 41,285,000 ordinary Shares of a nominal or par value of US\$0.0001 each, (ii) a subdivision of each of the issued and unissued ordinary Share with a par value of US\$0.0001 each in the share capital of our Company into 40 ordinary Shares with a par value of US\$0.0000025 each and (iii) an increase in the authorised share capital of our Company to US\$5,000 divided into 2,000,000,000 ordinary Shares of US\$0.0000025 each.

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The corporate structure of our Group after the Corporate Reorganisation, the conversion of the Series A Preferred Shares, Series B Shares, Series A-1 Preferred Shares into ordinary Shares, and the Subdivision as described above.



Note:

- (1) IDG comprises the following investment entities:

Name of Shareholders	Approximate Shareholding in the Company
IDG-Accel China Growth Fund II L.P.	25.39% of issued share capital of the Company in the form of ordinary shares
IDG-Accel China Investors II L.P.	2.07% of issued share capital of the Company in the form of ordinary shares

- (2) Other financial institution investors comprises the following investment entities (collectively, “Other Financial Institution Investors”):

Name of Shareholders	Approximate Shareholding in the Company
Winston	2.05% of issued share capital of the Company in the form of ordinary shares

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Name of Shareholders	Approximate Shareholding in the Company
Hearst	2.85% of issued share capital of the Company in the form of ordinary shares
Tian Xiang	0.47% of issued share capital of the Company in the form of ordinary shares
Martin Living Trust	0.28% of issued share capital of the Company in the form of ordinary shares
Mr. Yi Zhang	0.19% of issued share capital of the Company in the form of ordinary shares

- (3) Management Team comprises the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Ms. Kai Chen	3.25% of issued share capital of our Company in the form of ordinary shares
Mr. Zhixiang Chen	3.25% of issued share capital of our Company in the form of ordinary shares
Mr. Yuan Xu	5.57% of issued share capital of our Company in the form of ordinary shares
Mr. Hong Zhang	1.94% of issued share capital of our Company in the form of ordinary shares

- (4) Individual Investors comprise the following persons:

Name of Shareholders	Approximate Shareholding in our Company
Mr. Feng Chen	1.43% of issued share capital of our Company in the form of ordinary shares
Mr. Pintong Lin	0.38% of issued share capital of our Company in the form of ordinary shares
Mr. Deqing Ruan	0.38% of issued share capital of our Company in the form of ordinary shares
Mr. Chak Man Wu	0.38% of issued share capital of our Company in the form of ordinary shares
Mr. Anyan Chen	0.48% of issued share capital of our Company in the form of ordinary shares

- (5) Other individuals include Ms. Xiuping Wang and the grantees under the [●] Share Option Scheme who exercised the options in 2012 and 2013 (including Mr. Jonas Paul Norman, Mr. Tsen Hu Chiu, Mr. Shiping Zheng, Mr. Dajian Yu, Ms. Yan Zhang, Mr. Yunfei Chen, Mr. Xiaolu Lu, Mr. Chengfeng Luo, Mr. Xingyong Lin, Mr. Dongli Li, Mr. Shuo Wang, Mr. Meilan Liang, Ms. Shenjing Lin, Mr. Guanghui Lan and Ms. Fei Chen), together with Mr. Guo Wu who cease to be a member of our Management Team (collectively, “Other Individuals”).

- (6) The detailed roles and functions of our PRC subsidiaries are listed as below:

Fuzhou Tianji

Fuzhou Tianji was mainly engaged in research and development of online games. Fuzhou Tianji had 290, 278 and 296 employees as at 31 December 2011, 31 December 2012 and 31 May 2013, respectively. Fuzhou Tianji has no external customers and all its revenue comes from intra-group transactions.

Fuzhou Tianmeng

Fuzhou Tianmeng was mainly engaged in research and development and operation of online games in the mainland of the PRC. Fuzhou Tianmeng had 190, 253 and 208 employees as at 31 December 2011, 31 December 2012 and 31 May 2013, respectively. In addition to joint operation with [●] online game operator in the mainland of PRC, Fuzhou Tianmeng’s external customers mainly include individual on-line game players in the mainland of PRC.

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Fuzhou Tianjie

Fuzhou Tianjie was originally mainly engaged in research and development. Since our Group decided to consolidate our resources and transferred Fuzhou Tianjie’s employees to Fuzhou Tianmeng and Fuzhou Tianji starting from April 2011, Fuzhou Tianjie had no employees as at 31 December 2011, 31 December 2012 and 31 May 2013. Currently, Fuzhou Tianjie is a dormant company. Fuzhou Tianjie had no external customers.

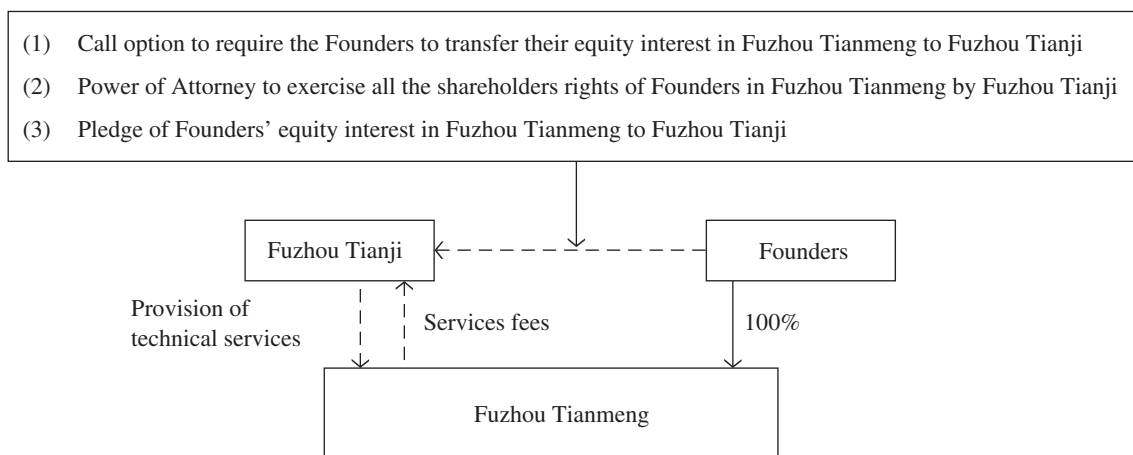
STRUCTURED CONTRACTS

(A) Introduction

The existing PRC laws and regulations restrict foreign investment in value-added telecommunication, Internet content and information services, and online games in the PRC. Our wholly-owned subsidiary, Fuzhou Tianji, being a foreign owned enterprise, does not have the requisite licenses to provide services regarding value-added telecommunication, Internet content and information services, and online games in the PRC.

In order to comply with PRC laws restricting foreign ownership in the value-added telecommunication, in China, or foreign ownership prohibitions on Internet content and information services, we historically operated our licensing and publishing of self-developed browser games and client-based games in China through Fuzhou Tianmeng, whose equity interests are owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi.

The following chart illustrates the arrangement stipulated under the Structured Contracts:



The principal business operation of Fuzhou Tianmeng includes (i) designing and developing browser games, client-based games and mobile games; (ii) providing online customer support services to end users in the PRC; (iii) operating and ongoing maintenance of Chinese versions of developed games in the PRC, which includes (a) uploading and maintaining the self-developed games for download and play by players in the PRC; (b) licensing games to third party licensees in the PRC; and (c) co-operating games our Group developed in-house with third party game operators in the PRC; and (iv) Fuzhou Tianmeng holds certain number of intellectual property rights in relation to the operation of our Chinese version of the online games. Fuzhou Tianmeng, as a domestic company, holds an ICP

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license, Internet Culture Operating License and Internet Publishing License, which are required to carry out the above-described operation and ongoing maintenance of developed games in the PRC, which licenses, PRC laws currently restrict or prohibit foreign-invested companies from obtaining. Therefore, despite the fact that the revenue contribution by Fuzhou Tianmeng was only 4.8%, 3.2% and 3.7% of our Group’s total revenue during the Track Record Period, by maintaining Fuzhou Tianmeng and the Structured Contracts arrangement, our Group retains the flexibility to expand our online games business in the PRC if and when an opportunity emerges in the future. For the two years ended 31 December 2012, Fuzhou Tianmeng did not transfer any operating profits to Fuzhou Tianji. In 2011, no operating profits were transferred since Fuzhou Tianmeng recorded a net loss of US\$0.8 million. In 2012, Fuzhou Tianmeng recorded a net profit of US\$4.5 million, as it had been operating at loss in the past and working capital was needed for its future day-to-day operation, such as research and development, and for future growth. Therefore, Fuzhou Tianmeng requested not to transfer its operating profit to Fuzhou Tianji for the three years ended 31 December 2010, 2011 and 2012, respectively. Fuzhou Tianji agreed to such arrangement and formally approved to waive such fees according to the confirmation letters issued by Fuzhou Tianji dated 10 April 2011, 10 April 2012 and 10 April 2013 respectively. The main function of Fuzhou Tianmeng is research and development, and the fluctuations in Fuzhou Tianmeng’s revenue and profits were mainly attributable to development cycle of online games and the uncertainty of the market feedback on online game research and development results and the costs to be involved in research and development. Set out below is the key financial figures of Fuzhou Tianmeng during the Track Record Period, extracted from the unaudited management accounts:

	Year ended		Five months ended	
	31 December		31 May	
	2011	2012	2012	2013
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue:	<u>3,678</u>	<u>11,744</u>	<u>2,752</u>	<u>3,882</u>
- Transfer of intellectual property rights to IGG Singapore	2,224	10,386	2,345	3,074
- Revenue from online game operation in the PRC	1,454	1,358	407	808
Total Expenses ⁽¹⁾ :	<u>5,046</u>	<u>7,519</u>	<u>2,223</u>	<u>3,516</u>
Net profit/ (loss):	<u>(757)</u>	<u>4,501</u>	<u>535</u>	<u>316</u>

Note:

(1) Total expenses include cost of sales, selling and distribution expenses, administrative expenses, research and development costs and other expenses.

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As illustrated above, the revenue of Fuzhou Tianmeng increased from US\$3.7 million in 2011 to US\$11.7 million in 2012. During the five months ended 31 May 2013, the revenue of Fuzhou Tianmeng amounted to US\$3.9 million, up from US\$2.8 million during the same period in 2012. The fluctuation in revenue was mostly caused by the changes in export income of intellectual property rights and was in line with the product launching schedule of our Group and the development cycle of games of one or two years.

The total expenses of Fuzhou Tianmeng increased from US\$5.0 million in 2011 to US\$7.5 million in 2012. During the five months ended 31 May 2013, the total expenses of Fuzhou Tianmeng amounted to US\$3.5 million, up from US\$2.2 million during the same period in 2012. The growth in total expenses of Fuzhou Tianmeng during the Track Record Period was mainly attributable to (i) the overall rise in payroll and related costs of Fuzhou Tianmeng; and (ii) the payment of US\$0.8 million to Fuzhou Tianji in return for the provision of technical services provided by Fuzhou Tianji in the five months ended 31 May 2013 under the terms of the Structure Contract.

Benefited from the growth of its revenue, in particular from the revenue arising from the transfer of intellectual property rights to IGG Singapore, Fuzhou Tianmeng recorded net profit of US\$4.5 million and US\$316,000 in 2012 and the five months ended 31 May 2013, respectively. Going forward, Fuzhou Tianji will require Fuzhou Tianmeng to transfer 100% Fuzhou Tianmeng’s total revenue deducting all related expenses, costs and taxes in accordance with the Structured Contracts through technical service fees on a quarterly basis.

As Fuzhou Tianji has the technical capability to develop game software and Fuzhou Tianmeng, which holds the ICP license, may operate the relevant games according to the Telecommunications Regulations (電信條例), the Administrative Measures for Telecommunications Business Operating Licenses (電信業務經營許可證管理辦法) and other applicable laws and regulations, details of which are set out in “Regulatory Overview — PRC Regulations — Regulation on Telecommunications Industry” of this document. Fuzhou Tianji, Fuzhou Tianmeng, the shareholders of Fuzhou Tianmeng entered into the Structured Contracts in 2007, supplemental agreements of which were entered into in 2009 and 2013, respectively, and provided Fuzhou Tianji with effective control over and (to the extent permitted by the PRC laws) the right to acquire the equity interests in and/or assets of Fuzhou Tianmeng. Pursuant to the Structured Contracts, our Group was also able to recognise and receive the economic benefits of the business and operation of Fuzhou Tianmeng. We intend to exercise such right and unwind the Structured Contracts as soon as possible, if and when the relevant PRC laws permit majority foreign ownership in the value-added telecommunication or foreign ownership in Internet content and information services which we operate.

Pursuant to the FITE Regulations, a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must, among other requirements, demonstrate a good track record and experience in providing value-added telecommunications services. However, as advised by our PRC legal advisers, there are no administrative or implementing rules in the PRC defining the term “a good track record and experience in providing value-added telecommunication services overseas”. The relevant governmental authority has great discretion in determining whether a foreign investor has satisfied such “good record and experience”. Our Directors believe that, with our record and experience in providing value-added telecommunications services in Singapore, the United States and other overseas countries, we may be able to demonstrate to the relevant

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governmental authority that we have well satisfied the good record and experience requirement. Our Directors undertake to provide periodic updates in our annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet these qualification requirements under the FITE Regulations.

Mr. Zongjian Cai and Mr. Yuan Chi undertake to our Company that in the event that the Company acquires Fuzhou Tianmeng’s shares when unwinding the Structured Contracts, they shall return to our Company any consideration they receive beyond the nominal consideration of RMB1.

(B) Summary of Structured Contracts

The following Structured Contracts were entered into in 2007 and their supplemental agreements were entered into in 2009 and 2013, respectively:

- (i) Call Option Agreement: on 30 November 2007, Fuzhou Tianji, Fuzhou Tianmeng and the Founders entered into an exclusive acquisition rights agreement (as supplemented by a supplemental agreement dated 16 September 2013 entered into by the same parties, collectively the “Call Option Agreement”), pursuant to which the Founders irrevocably granted the exclusive right to Fuzhou Tianji to require the Founders to transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji.
- (ii) Equity Pledge Agreement: on 30 November 2007, Fuzhou Tianji and the Founders entered into an equity interest pledge agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the “Equity Pledge Agreement”), pursuant to which Fuzhou Tianji was entitled to exercise its rights to sell the Founders’ pledged interests in the registered capital of Fuzhou Tianmeng on occurrence of certain specified events.
- (iii) Power of Attorney of Mr. Zongjian Cai: on 30 November 2007, Mr. Zongjian Cai issued a power of attorney (as supplemented by a supplemental letter of power of attorney dated 16 September 2013 issued by Mr. Zongjian Cai, collectively the “Power of Attorney of Mr. Zongjian Cai”), pursuant to which Mr. Zongjian Cai authorised Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Zongjian Cai in Fuzhou Tianmeng.
- (iv) Power of Attorney of Mr. Yuan Chi: on 30 November 2007, Mr. Yuan Chi issued a power of attorney (as supplemented by a supplemental letter of power of attorney dated 16 September 2013 issued by Mr. Yuan Chi, collectively the “Power of Attorney of Mr. Yuan Chi”), pursuant to which Mr. Yuan Chi authorised Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Yuan Chi in Fuzhou Tianmeng.
- (v) Exclusive Service Agreement: on 30 November 2007, Fuzhou Tianji and Fuzhou Tianmeng entered into an exclusive technical consultation and service agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the “Exclusive Technical Consulting Service

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Agreement”), pursuant to which Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng in consideration of services fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Fuzhou Tianmeng, to be paid on a quarterly basis.

- (vi) Online Game Licensing Agreement: on 16 September 2013, Fuzhou Tianji and Fuzhou Tianmeng entered in an agreement for online game licensing (the “**Online Game Licensing Agreement**”), pursuant to which Fuzhou Tianji will license various online game softwares to Fuzhou Tianmeng for operation in the PRC market for a consideration of an initial licensing fee and commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

Fuzhou Tianmeng and Fuzhou Tianji originally entered into a domain name transfer agreement, a domain name license agreement, a software and copyright transfer agreement and a software and copyright license agreement, all dated 30 November 2007. Given substantial domain names and software copyrights originally held by Fuzhou Tianmeng were transferred to IGG Singapore in January 2010, these agreements have never been actually implemented. The Company issued a confirmation on 16 September 2013 to confirm that these agreements were terminated.

The key terms of the Structured Contracts are set out below:

Call Option Agreement

The Call Option Agreement provided that Mr. Zongjian Cai and Mr. Yuan Chi irrevocably granted the exclusive right to Fuzhou Tianji or its designee(s) to acquire equity interest in or assets of Fuzhou Tianmeng as and when permitted by the PRC laws. The amount of consideration payable by Fuzhou Tianji to the equity holders of Fuzhou Tianmeng shall be RMB1 or the lowest possible amount permissible under the applicable PRC law.

In accordance with the terms under the Call Option Agreement, without the prior written consent of Fuzhou Tianji or its parent company, Mr. Zongjian Cai and Mr. Yuan Chi are not allowed to sell, transfer, pledge and/or dispose of their equity interests; further, Fuzhou Tianmeng is not allowed to sell, transfer, pledge and/or dispose of its assets or incomes or other interests.

Fuzhou Tianmeng undertakes that it will, among other matters:

- (i) without the written approval of Fuzhou Tianji or IGG Inc, not amend its article of association nor increase or decrease its registered capital;
- (ii) without the written approval of Fuzhou Tianji or IGG Inc, not sell, transfer, disposal, or deal with its assets in any way;
- (iii) without the written approval Fuzhou Tianji or IGG Inc, not enter into loan transaction (except as required in the ordinary course of business);

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- (iv) without the written approval of Fuzhou Tianji or IGG Inc, not enter into material contracts (except as required in the ordinary course of business);
- (v) without the written approval of Fuzhou Tianji or IGG Inc, not merge with other enterprises or invest in other enterprises;
- (vi) operate the business of Fuzhou Tianmeng on a normal basis to maintain the assets value of Fuzhou Tianmeng, and not do anything to materially affect Fuzhou Tianmeng’s operation or assets value;
- (vii) without the written approval of Fuzhou Tianji or IGG Inc, not declare or pay the dividends to its shareholders;
- (viii) take all necessary actions or sign all necessary documents to protect the ownership rights of Fuzhou Tianji in all assets of Fuzhou Tianmeng; and
- (ix) appoint directors of Fuzhou Tianmeng according to the instruction of Fuzhou Tianji.

Prior to exercising the call option to acquire all equity interest in or assets of Fuzhou Tianmeng by Fuzhou Tianji or its designee(s) and in the event of death, bankruptcy or divorce of the shareholders of Fuzhou Tianmeng resulting in a change in ownership of its shares, all registered shareholders of Fuzhou Tianmeng agreed that (i) the rights and obligations under the Call Option Agreement shall continue to bind on their successors; and (ii) the Call Option Agreement shall prevail over their wills, divorce agreements, debts arraignment and other legal instruments in any forms entered into by them after the signing of the Call Option Agreement, unless prior written approval of Fuzhou Tianji has been obtained.

In addition, Mr. Zongjian Cai and Mr. Yuan Chi, as equity interest holders of Fuzhou Tianmeng, undertake that they will, among other matters:

- (i) without the written approval of Fuzhou Tianji or IGG Inc, not sell, transfer or deal with their equity interests in Fuzhou Tianmeng in any way;
- (ii) without the written approval of Fuzhou Tianji or IGG Inc, not cause or agree Fuzhou Tianmeng to merge with other enterprises or invest in other enterprises;
- (iii) take all necessary actions or sign all necessary documents to protect the rights of Fuzhou Tianji in Fuzhou Tianmeng;
- (iv) upon request by Fuzhou Tianji, unconditionally transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji or the entities or persons designated by Fuzhou Tianji, and give up the pre-emptive rights they have over Fuzhou Tianmeng in accordance with the PRC laws and regulations, and the articles of association of Fuzhou Tianmeng;

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- (v) in the event of liquidation of Fuzhou Tianmeng, any assets of Fuzhou Tianmeng (excluding the tax, social insurance, and other statutory compensations) shall be transferred to Fuzhou Tianji or another entity of our Group at the lower of (i) RMB1.0; and (ii) the lowest consideration permitted under the relevant laws and regulations with any amount and any amount in excess of RMB1.0 will be reimbursed by the shareholders of Fuzhou Tianmeng;
- (vi) they will not exercise any right of initiating litigation or applying of arbitration under any of the Structured Contracts; and
- (vii) they will not seek any legal release relating to any of the Structured Contracts.

In addition, an undated equity interest transfer agreement (“**Transfer Agreement**”) for the transfer of all the registered capital of Fuzhou Tianmeng including all rights and obligations attached to the registered capital, unilaterally executed by Mr. Zongjian Cai and Mr. Yuan Chi was appended to the Call Option Agreement. Pursuant to the supplemental Call Option Agreement, it is agreed that if Mr. Zongjian Cai or Mr. Yuan Chi breaches any of the terms and conditions under any of the Structured Contracts, Fuzhou Tianji or its nominee will be entitled to execute the Transfer Agreement and date the same.

The formation of the Call Option Agreement, its validity, execution, revision, interpretation and termination shall be governed by the laws of the PRC. All disputes arising from the execution of, or in connection with the Call Option Agreement shall be settled through good faith negotiations between both parties hereto. In case no settlement to disputes can be reached within 30 days upon receipt of negotiation notice, the disputes shall then be submitted to CIETAC in Beijing for arbitration in accordance with the applicable arbitration rules and the procedures for the said Commission. The arbitration decision shall be final and binding upon both parties. Provided that applicable PRC laws and regulations and arbitration rules are being complied with, the CIETAC may grant relief over the shares or assets of Fuzhou Tianmeng, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets), and order the winding up of Fuzhou Tianmeng. In addition, the courts of Hong Kong, Cayman Islands, the PRC or the places where IGG Inc’s or Fuzhou Tianmeng’s principal assets are located will have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

The term for the Call Option Agreement shall continue indefinitely until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities.

Exclusive Service Agreement

For the two years ended 31 December 2012, Fuzhou Tianmeng did not pay any technical service fees to Fuzhou Tianji. In 2011, no technical service fees were paid since Fuzhou Tianmeng recorded a net loss of US\$0.8 million. In 2012, while Fuzhou Tianmeng recorded a net profit of US\$4.5 million, as it had been operating at loss in the past and working capital was needed for its future day-to-day operations, mainly including research and development, and

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further development, therefore, Fuzhou Tianmeng requested not to pay technical service fees to Fuzhou Tianji for the years ended 31 December 2010, 2011 and 2012 respectively. Fuzhou Tianji agreed to such arrangement and formally approved to waive such fees according to the confirmation letters issued by Fuzhou Tianji dated 10 April 2011, 10 April 2012 and 10 April 2013 respectively. Since Fuzhou Tianji has its own operation and its sustainable operation does not fully rely on the technical services fees to be paid by Fuzhou Tianmeng, therefore, the technical services fees does not equal Fuzhou Tianji’s revenue. Apart from the technical services fees, Fuzhou Tianji’s revenue is also generated from its customer services to IGG Singapore. Going forward, Fuzhou Tianji will require Fuzhou Tianmeng to transfer its revenues according to the Exclusive Service Agreement, details of which are set forth as followings.

Pursuant to the Exclusive Service Agreement, Fuzhou Tianmeng agreed to pay a fee to Fuzhou Tianji in return for Fuzhou Tianji providing exclusive technical services as required by Fuzhou Tianmeng to support its operations. According to the Exclusive Service Agreement, unless otherwise agreed by both parties, Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng, as the consideration, and the technical services fees will be paid on a quarterly basis and equal to Fuzhou Tianmeng’s total revenue deducting all related expenses, costs and taxes payable by Fuzhou Tianmeng.

Our Company is of the view that that it is fair and reasonable for Fuzhou Tianji to be entitled to all the economic benefits generated by the business operated by Fuzhou Tianmeng through the Structured Contracts for the following reasons: (i) Pursuant to the Exclusive Service Agreement, Fuzhou Tianji agreed to provide technical support and consultation services to Fuzhou Tianmeng including, but not limited to, (a) developing database software and licensing them to Fuzhou Tianmeng, (b) providing technical solutions to the operations of Fuzhou Tianmeng, (c) providing service support to Fuzhou Tianmeng’s Internet systems, including maintenance, security, testing and repairs, (d) provide consulting services with respect to Fuzhou Tianmeng’s hardware and software procurement, and (e) provide technical training and support to the staff and management of Fuzhou Tianmeng. To receive the above-mentioned services, Fuzhou Tianmeng shall pay a service fee on a quarterly basis equal to all its revenue deducting all related expenses, costs and taxes payable by Fuzhou Tianmeng; and (ii) as a support to Fuzhou Tianmeng’s operation, Fuzhou Tianji entered into with Fuzhou Tianmeng the Online Game Licensing Agreement, pursuant to which Fuzhou Tianji agreed to license certain self-developed game softwares to Fuzhou Tianmeng and as a consideration, Fuzhou Tianji agreed to charge license fee on Fuzhou Tianmeng pursuant to the customarily accepted practice in the gaming industry and on a fair and reasonable basis. Such arrangement enables Fuzhou Tianmeng to transfer the substantial portion of Fuzhou Tianmeng’s revenue to Fuzhou Tianji.

In the event that Fuzhou Tianmeng incurred any loss or encountered any operational crisis, Fuzhou Tianji may, but is not obliged to, provide financial support to Fuzhou Tianmeng, and Fuzhou Tianmeng shall unconditionally accept the decision of Fuzhou Tianji as to whether Fuzhou Tianmeng should continue its business.

In accordance with the terms under the Exclusive Service Agreement, without the prior written consent of Fuzhou Tianji, Fuzhou Tianmeng may not engage with any other third party to provide the similar technical services.

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In the event of death, bankruptcy or divorce of the shareholders of Fuzhou Tianmeng resulting in a change in ownership of its shares, all shareholders of Fuzhou Tianmeng agreed that (i) the rights and obligations under the Exclusive Service Agreement shall continue to bind on their successors; and (ii) the Exclusive Service Agreement shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the Exclusive Service Agreement, unless prior written approval of Fuzhou Tianji has been obtained.

The Exclusive Service Agreement shall be governed by the laws of the PRC. All disputes arising from the execution of, or in connection with the Exclusive Service Agreement shall be settled through good faith negotiations between both parties hereto. In case no settlement to disputes can be reached within 30 days upon receipt of negotiation notice, the disputes shall then be submitted to CIETAC (China International Economic and Trade Arbitration Commission) in Beijing for arbitration in accordance with the applicable arbitration rules and the procedures for the said Commission. The arbitration decision shall be final and binding upon both parties. Provided that applicable PRC laws and regulations and arbitration rules are being complied with, CIETAC may grant reliefs over the shares or assets of Fuzhou Tianmeng, injunctive relief (e.g. to conduct the business or to compel the transfer of assets), and order the winding up of Fuzhou Tianmeng. In addition, the courts of Hong Kong, Cayman Islands, the PRC or the places where IGG Inc’s or Fuzhou Tianmeng’s principal assets are located will have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

The term for the Exclusive Service Agreement shall continue indefinitely until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities.

Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, Mr. Zongjian Cai and Mr. Yuan Chi granted Fuzhou Tianji a continuing first priority security interests over their respective equity interests in Fuzhou Tianmeng (the “**Pledged Securities**”), representing all of the equity interest in Fuzhou Tianmeng’s registered capital, for the purpose of securing the performance of the contractual obligations by Fujian Tianmeng or under the Structured Contracts.

The Equity Pledge Agreement shall be governed by the laws of the PRC. All disputes arising from the execution of, or in connection with the Equity Pledge Agreement shall be settled through good faith negotiations between both parties hereto. In case no settlement to disputes can be reached within 30 days upon receipt of negotiation notice, the disputes shall then be submitted to CIETAC in Beijing for arbitration in accordance with the applicable arbitration rules and the procedures for the said Commission. The arbitration decision shall be final and binding upon both parties. Provided that applicable PRC laws and regulations and arbitration rules are being complied with, CIETAC may grant reliefs over the shares or assets of Fuzhou Tianmeng, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets), and order

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the winding up of Fuzhou Tianmeng. In addition, the courts of Hong Kong, Cayman Islands, the PRC or the places where IGG Inc’s or Fuzhou Tianmeng’s principal assets are located will have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

In the event of death, bankruptcy or divorce of the registered shareholders of Fuzhou Tianmeng resulting in a change in ownership of its shares, all registered shareholders of Fuzhou Tianmeng agreed that (i) the rights and obligations under the Equity Pledge Agreement shall continue to bind on their successors; and (ii) the Equity Pledge Agreement shall prevail over their wills, divorce agreements, debts arraignment and other legal instruments in any forms entered into by them after the signing of the Equity Pledge Agreement, unless prior written approval of Fuzhou Tianji has been obtained.

The term for the Equity Pledge Agreement shall continue indefinitely until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities. The pledge under the Equity Pledge Agreement was duly registered on 5 January 2009.

Power of Attorney

The Power of Attorney provided that Mr. Zongjian Cai and Mr. Yuan Chi irrevocably authorized the Directors of IGG Inc and their successors or IGG Inc’s liquidator to exercise all the shareholders’ rights of Mr. Zongjian Cai and Mr. Yuan Chi in Fuzhou Tianmeng, including but not limited to the following:

- (i) attending shareholders’ meetings of Fuzhou Tianmeng and signing shareholders’ meeting resolutions, minutes or other documents which shareholders of Fuzhou Tianmeng are entitled to sign;
- (ii) exercising all the rights as shareholders of Fuzhou Tianmeng under the applicable laws and articles of association of Fuzhou Tianmeng, including voting rights and right to sell, transfer, pledge shares in Fuzhou Tianmeng or any other right with respect to a portion or all of the equity interest in Fuzhou Tianmeng;
- (iii) the designation or selection of legal representative, executive director, supervisors, directors, general manager, or other management staff of Fuzhou Tianmeng; and
- (iv) According to Shareholders’ resolution, file with the relevant government authorities for registration with administrations of industry and commerce for Fuzhou Tianmeng.

The exercise of the aforesaid rights as shareholders of Fuzhou Tianmeng is in the discretion of Fuzhou Tianji, and does not require the consent or approval of the shareholders of Fuzhou Tianmeng. The term of the Power of Attorney shall continue until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities.

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In the event of death, bankruptcy or divorce of the shareholders of Fuzhou Tianmeng resulting in a change in ownership of its shares, all shareholders of Fuzhou Tianmeng agreed that (i) they shall ensure that their successors issue the same Power of Attorney designating their shareholders’ rights to Directors of IGG Inc and their successors; and (ii) the Power of Attorney shall prevail over their wills, divorce agreements, debts arrangements and other legal instruments in any forms entered into by them after the signing of the Power of Attorney, unless prior written approval of Fuzhou Tianji has been obtained.

The Power of Attorney shall be governed by the laws of the PRC. All disputes arising from the execution of, or in connection with the Power of Attorney shall be settled through good faith negotiations between both parties hereto. In case no settlement to disputes can be reached within 30 days upon receipt of negotiation notice, the disputes shall then be submitted to CIETAC in Beijing for arbitration in accordance with the applicable arbitration rules and the procedures for the said Commission. The arbitration decision shall be final and binding upon both parties. Provided that applicable PRC laws and regulations and arbitration rules are being complied with, CIETAC may grant reliefs over the shares or assets of Fuzhou Tianmeng, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets), and order the winding up of Fuzhou Tianmeng. In addition, the courts of Hong Kong, Cayman Islands, the PRC or the places where IGG Inc’s or Fuzhou Tianmeng’s principal assets are located will have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

The Power of Attorney shall continue indefinitely until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities.

Online Game Licensing Agreement

Pursuant to the Online Game Licensing Agreement, Fuzhou Tianji agreed to grant to Fuzhou Tianmeng usage rights on various online game softwares for operation in the PRC. As the consideration, Fuzhou Tianmeng is required to pay to Fuzhou Tianji (i) an initial licensing fee, payable after the signing date; and (ii) commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

In the event of death, bankruptcy or divorce of the registered shareholders of Fuzhou Tianmeng resulting in a change in ownership of its shares, all registered shareholders of Fuzhou Tianmeng agreed that (i) the rights and obligations under the Online Game Licensing Agreement shall continue to bind on their successors; and (ii) the Online Game Licensing Agreement shall prevail over their wills, divorce agreements, debts arraignment and other legal instruments in any forms entered into by them after the signing of the Online Game Licensing Agreement, unless prior written approval of Fuzhou Tianji has been obtained.

The Online Game Licensing Agreement is governed by the laws of the PRC. All disputes arising from the execution of, or in connection with the Online Game Licensing Agreements shall be settled through good faith negotiations between both parties hereto. In case no settlement to disputes can be reached within 30 days upon receipt of negotiation notice, the disputes shall then

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be submitted to CIETAC (China International Economic and Trade Arbitration Commission) in Beijing for arbitration in accordance with the applicable arbitration rules and the procedures for the said Commission. The arbitration decision shall be final and binding upon both parties. Provided that applicable PRC laws and regulations and arbitration rules are being complied with, CIETAC may grant reliefs over the shares or assets of Fuzhou Tianmeng, injunctive relief (e.g. to conduct the business or to compel the transfer of assets), and order the winding up of Fuzhou Tianmeng. In addition, the courts of Hong Kong, Cayman Islands, the PRC or the places where IGG Inc’s or Fuzhou Tianmeng’s principal assets are located will have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases.

The term of the Online Game Licensing Agreement shall continue indefinitely until all assets or equity interests of Fuzhou Tianmeng are transferred to Fuzhou Tianji or its designee and registration process required thereafter has been completed with the relevant local authorities.

(C) Settlement of Dispute

All the agreements comprising the Structured Contracts provide for dispute resolution by way of arbitration in Beijing by the arbitral body of CIETAC in accordance with its then prevailing arbitration rules. Each of the Structured Contracts is governed by PRC law.

Under the PRC law, the non-defaulting party can request the court or the arbitral tribunal to grant remedies by requiring the defaulting parties to perform specific obligations under the contract, including non-monetary obligations, or adopt interim measures such as freezing the defaulting party’s properties temporality to avoid non-performance of arbitral award. However, an arbitral body does not have the power to grant any liquidation or winding-up order for the purpose of protecting assets of or equity interest in case of disputes. In the event of non-compliance with such award, enforcement measures may be sought from the court by the arbitral body. However, at the time of enforcement, the court has the power to review the arbitral award and may not support the award of an arbitral body when deciding whether to take enforcement measures under certain circumstances.

In addition, under the PRC laws, court or judicial authorities in the PRC generally do not award remedies over the shares and/or assets of Fuzhou Tianmeng, injunctive relives or winding-up of Fuzhou Tianmeng as interim remedies before there is any final outcome of arbitration.

Furthermore, in respect of the breaches of Fuzhou Tianmeng and its shareholders, to the extent permitted by the relevant laws, Fuzhou Tianji is entitled to apply to the court or arbitrary tribunal with competent jurisdiction for statutory or other remedies over the shares, land or other assets held by the defaulting parties (including but not limited to remedies over the business operations of Fuzhou Tianmeng, the mandatory transfer of assets of Fuzhou Tianmeng or its shareholders, or the liquidation of Fuzhou Tianmeng). Each of the shareholders of Fuzhou Tianmeng, namely Mr. Zongjian Cai and Mr. Yuan Chi, has also irrevocably undertaken that, in the event of liquidation of Fuzhou Tianmeng, any assets of Fuzhou Tianmeng (excluding winding-up expenses, tax, social insurance, and other

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statutory compensations) shall be transferred to Fuzhou Tianji or another entity of our Group at the lower of (i) RMB1.0; and (ii) the lowest consideration permitted under the relevant laws and regulations and any amount in excess of RMB1.0 will be reimbursed by the shareholders of Fuzhou Tianmeng.

(D) Succession

The provisions set out in the Structured Contracts are also binding on the successors of the parties to the Structured Contracts (to the extent that such parties are individuals). Although the Structured Contracts do not specify the identify of successors to the parties, 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 Structured Contracts. In case of a breach, Fuzhou Tianji can enforce its rights against the successors. Therefore, the Directors believe that (i) the Structured Contracts are sufficient for the protection of our Group even in the event of death of one or more of the parties to the Structured Contracts, and (ii) Fuzhou Tianji can enforce its right under the Structured Contracts against the successors of the parties to the Structured Contracts.

(E) PRC legal opinions on the Structured Contracts

In the opinion of Jingtian & Gongcheng, our PRC legal advisers, (i) Fuzhou Tianmeng has been duly incorporated and is validly existing, and its establishment is valid, effective and complies with the relevant PRC laws, and Fuzhou Tianmeng has also obtained all necessary approvals and finished all registration as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licence; (ii) each of the Structured Contracts among Fuzhou Tianji, Fuzhou Tianmeng, Mr. Zongjian Cai and Mr. Yuan Chi is valid and binding on the parties thereto; (iii) each of the Structured Contracts complies with provisions of the articles of association of Fuzhou Tianmeng and Fuzhou Tianji; (iv) each of the Structured Contracts does not violate any compulsory requirements of any PRC laws, administrative regulations or the articles of association of Fuzhou Tianmeng and Fuzhou Tianji; and (v) according to the Contract Law of the PRC, the signing and effectiveness of each of the Structured Contracts does not require any approvals from or filing with the PRC governmental authorities.

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、網絡遊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 7 September 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 Network Cultural Business Permit (《網絡文化經營許可證》) from the relevant provincial level branch

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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.

Fuzhou Tianmeng is located in Fuzhou, Fujian Province, and engaged in the online game development and publishing business. Therefore, according to the aforementioned regulations, Fujian Department of Culture (福建省文化廳) is competent government authority to administer the online game business of Fuzhou Tianmeng in the PRC. As confirmed by our PRC legal advisers, Fujian Department of Culture (福建省文化廳) is responsible for the review, approval and issuance of the Network Culture Business Permits and general administration of online game companies in Fujian Province.

According to our PRC legal advisers’ telephone interview on 29 April 2013 with the GAPP, since the Structured Contracts were entered into before the effective date of the GAPP Notice, the GAPP had not and would not request the Structured Contracts to be declared void. Furthermore, our Company has further conducted a telephone interview on 5 September 2013 with an official at the GAPP’s Internet Publication Office under the Technology and Digital Publication Department, and such official has confirmed that GAPP will not declare void of contractual arrangement entered into prior to the effective date of the GAPP Notice just because that supplemental agreements to such arrangement were entered after the effective date of the GAPP Notice.

In addition, the GAPP confirmed that no implementation rule on or interpretation of Article 4 of the GAPP Notice has been issued by the GAPP or any other PRC regulatory authority. GAPP has also confirmed that it has not imposed any penalties on contractual arrangements entered into prior to the effective date of the GAPP Notice. Furthermore, pursuant to the confirmation letter issued by the Fujian Press and Publication Bureau, Fuzhou Tianmeng is in compliance with PRC laws and regulations concerning Internet publication and has not received any penalties due to violations of any relevant laws or regulations. Moreover, Fujian Department of Culture confirmed that they have the regulatory authority to regulate the online gaming industry in Fujian Province, as to whether our Structured Contracts violate the relevant PRC laws and regulations on foreign investment in online gaming industry.

In addition, our PRC legal advisers conducted an interview with Fujian Department of Culture (福建省文化廳) on 18 September 2013, who provided oral confirmation that

- (i) Fujian Department of Culture has the sole regulatory authority over the online game industry in Fujian Province, and they are competent in regulating online game business in Fujian Province;
- (ii) No implementation rules on or interpretation of Article 4 of the GAPP Notice have been issued by any PRC regulatory authority;
- (iii) They have no objection to the Structured Contracts;

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- (iv) The Structured Contracts do not violate any PRC laws, regulations, rules or notice concerning online game operations; and
- (v) The Structured Contracts will not result in any administrative proceedings or penalties on Fuzhou Tianmeng.

Our PRC legal advisers are of the view that GAPP is a competent government authority in regulating and administering Internet publication and Fujian Culture Department is the competent local government authority in regulating and administering culture activities in Fujian Province. Their respective personnel consulted in the interviews are competent to interpret the relevant laws, regulations and rules of the PRC in respect to online game industry.

Since the Structured Contracts were entered into prior to the effective date of the GAPP Notice and based on the abovementioned interviews, our PRC legal advisers are of the view that the adoption of Structured Contracts does not constitute a breach or violation of the GAPP Notice in the view of the governmental authorities competent to regulate the online gaming industry in the PRC and will not result in any administrative proceedings or penalties on the Company.

(F) Compliance with the Structured Contracts

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on a occurrence basis;
- our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;
- our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the law-compliance of Fuzhou Tianji and Fuzhou Tianmeng deal with specific issues or matters arising from the Structured Contracts.

In addition, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently under the following measures:

- (a) the decision-making mechanism of the Board set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

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- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefit and in the best interests of our Group;
- (c) we have appointed two non-executive Directors and three independent non-executive Directors, comprising the majority of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

In addition to the Equity Pledge Agreement, the following measures are also in place to ensure that the shareholders of Fuzhou Tianmeng will discharge their obligations under the Structured Contracts:

- (1) The Equity Pledge Agreement has been registered with the Administration for Industry and Commerce of Fuzhou. In accordance with the Property Rights Law of the PRC (中華人民共和國物權法), the pledge interest shall be created at the time of registration of the pledge interest by the administration of industry and commerce. After registration, the share pledge shall be enforceable against a third party.
- (2) An undated equity interest transfer agreement (the “Transfer Agreement”) for the transfer of all the registered capital and assets of Fuzhou Tianmeng unilaterally executed by Mr. Zongjian Cai and Mr. Yuan Chi was appended with the Call Option Agreement. Pursuant to the Call Option Agreement, it is agreed between parties that if Mr. Zongjian Cai or Mr. Yuan Chi breaches any of the terms and conditions under any of the Structured Contracts, Fuzhou Tianji or its nominee will be entitled to execute the Transfer Agreement and date it the same as the breaching date and the transfer will take effect immediately upon the signing of the Transfer Agreement.
- (3) Fuzhou Tianmeng’s shareholders have confirmed that they will surrender their rights to any legal actions arising from the Structured Contracts, including, without limitation, the rights of bringing legal actions or applying for arbitration, and will not seek any form of legal relief relating to the Structured Contracts.

Our Company has adopted a number of measures to ensure that Fuzhou Tianji does not engage in any restricted business under the PRC laws, regulations and rules. First, the business scope of Fuzhou Tianji does not include the operation of the restricted business, and therefore it is not legally permitted to conduct such business. Second, the relevant operating licensing (including ICP license, Internet Culture Business License, and Internet Publishing License) are owned by Fuzhou Tianmeng instead of Fuzhou Tianji. Third, Fuzhou Tianmeng, not Fuzhou Tianji, owns the relevant assets and resources and employs the relevant personnel relating to the restricted business. In addition, our Group from time to time retains external legal advisers by way of general retainer and according to its needs and has set up an internal legal department in August 2013 to monitor its compliance with relevant laws, regulations and rules. Accordingly, our Group will be able to obtain timely legal advice in this aspect. During the Track Record Period and up to the Latest Practicable Date, Fuzhou Tianji was not engaged in any restricted business under the rules, regulations and laws of the PRC.

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Fuzhou Tianji has the necessary resources to discharge its various responsibilities under the Structured Contracts on an ongoing basis. In particular, as at the 31 May 2013, Fuzhou Tianji had an aggregate of 296 employees providing various services including (a) research and development of online games, (b) providing technical consultation and management services to Fuzhou Tianmeng in the ordinary course of business, (c) providing customer supporting services to IGG Singapore, and (d) managing the licensing activities of self-developed games to intra-group entities. In addition, our key management team in the PRC is retained by Fuzhou Tianji. Accordingly, Fuzhou Tianji has and will continue to have the resources and expertise in providing technical support and consultation services to Fuzhou Tianmeng.

Furthermore, the Company’s PRC legal advisers, Jingtian & Gongcheng are of the view that based on the tax certificates issued by the relevant tax authorities issued by relevant independent tax auditors, the types of taxes applicable to Fuzhou Tianji and Fuzhou Tianmeng are the same, and Fuzhou Tianmeng does not have a higher corporate income tax rate than Fuzhou Tianji based on the current status of applicable tax rate in these two companies. As such, the Structured Contracts and the transactions do not create any favourable impact on the tax liabilities of the Group. Thus, the Structured Contracts are not likely to be challenged by the PRC tax authorities.

Concur with Jingtian & Gongcheng’s legal opinions on the Structured Contracts, our Directors are of the view that each of the Structured Contracts conferring significant control and economic benefits from Fuzhou Tianmeng to our Company is enforceable under the PRC and local law. In addition, considering that, among others, (i) each of the Structured Contracts is legal and in compliance with the relevant laws and regulations and is binding on each of the parties to the Structured Contracts; (ii) each of the relevant parties to the Structured Contracts has the legal capacity to execute the Structured Contracts with appropriate legal rights and authorities; (iii) as advised by the PRC advisers, Jingtian & Gongcheng, Fuzhou Tianmeng complies with the provisions in the MIIT Notice, including but not limited to the requirements on Fuzhou Tianmeng relating to its ownership of domain names, trademarks and operating facilities; (iv) the Structured Contracts had not been challenged by the relevant authorities in the PRC as at the Latest Practicable Date; (v) the equity interests of Fuzhou Tianmeng shall not be transferred or otherwise disposed of by any of its equity holders without the written consent of Fuzhou Tianji to ensure that Fuzhou Tianji retains control over Fuzhou Tianmeng; (vi) the obligations of the equity holders of Fuzhou Tianmeng under the Structured Contracts are binding on all of their respective successors; (vii) all the directors in Fuzhou Tianmeng shall be nominated by Fuzhou Tianji and they are responsible for overseeing its business and operations. Other than by reason of retirement, resignation, incapacity or death, a director of Fuzhou Tianmeng may only be removed with the consent of Fuzhou Tianji; and (viii) all equity holders of Fuzhou Tianmeng have irrevocably authorised IGG Inc’s Directors or a nominee designated by IGG Inc’s Directors to exercise all their voting rights at general meetings, our Directors confirm that our Company is able to maintain due implementation of the provisions set forth in the Structured Contracts and the sound and proper operation of the Structured Contracts. To date, the Company has not encountered any interference or encumbrance from any PRC authorities in operating its business through Fuzhou Tianmeng under the Structured Contracts.

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Our PRC legal adviser has taken all possible actions and steps to enable it to reach the said conclusion. To reach its legal conclusions, our PRC legal adviser has conducted due diligence works on our interests in the PRC, studied relevant PRC legal issues, and on 29 April 2013 through anonymous telephone interviews, consulted the market management department under the information bureau of MIIT which is responsible for supervising and administrating the value-added telecommunications business in the PRC, as well as GAPP. Our PRC legal advisers are of the view that MIIT is the competent government authority in regulating and administering telecommunication services in the PRC and its personnel consulted in the interview is competent to interpret the relevant laws, regulations and rules of the PRC in respect to value-added communication services. In the verbal consultations, the MIIT have confirmed that they have not rendered or claimed void, or requested for confirmation on the validity and legality of any Structured Contracts. As (i) each of the Structured Contracts has been duly authorized, executed and delivered by the parties to the Structured Contracts and does not contravenes any compulsory provision of applicable PRC laws as promulgated by the National People’s Congress and administrative regulations; (ii) Fuzhou Tianmeng complies with the provisions in the MIIT Notice, including but not limited to the requirements on Fuzhou Tianmeng relating to its ownership of domain names, trademarks and operating facilities; (iii) according to our PRC legal adviser’s consultation, the relevant and competent authorities have not requested for confirmation on the validity and legality of the Structured Contracts since the issuance of the MIIT Notice or the “Three Determinations”, our PRC legal adviser has advised that no confirmation on the validity and legality of the Structured Contracts was required to be obtained from any authorities in the PRC under the PRC Contract Law; (iv) as confirmed by relevant competent governmental authorities, the adoption of Structured Contracts does not constitute a breach or violation of any PRC laws or regulations and will not result in any administrative proceedings or penalties on us in the view of the governmental authorities competent to regulate the online gaming industry in the PRC; (v) our Directors confirmed that the Structured Contracts had not been challenged by the relevant authorities in the PRC as at the Latest Practicable Date; and (vi) the Directors confirmed that as at the Latest Practicable Date, our Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng under the Structured Contracts, our PRC legal adviser is of the view that each of the Structured Contracts is enforceable under the PRC Contract Law.

(G) Reported court decision relevant to Structured Contracts and the PRC Contract Laws

Pursuant to Article 52 of the Contract Law of the PRC, under the following circumstances, a contract shall be void:

- (1) a contract is concluded through the use of fraud or coercion by one party to damage the interests of the State;
- (2) malicious collusion is conducted to damage the interests of the State, a collective or a third party;
- (3) an illegitimate purpose is concealed under the guise of legitimate acts;

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- (4) damaging to public interests; and
- (5) violating the compulsory provisions of laws and administrative regulations.

The Company’s PRC legal adviser, Jingtian & Gongcheng, is of the view that each of the Structured Contracts is legal, valid and binding on the parties thereto and each of the Structured Contracts does not violate any compulsory requirements of any PRC laws as promulgated by the National People’s Congress and administrative regulations. Meanwhile, according to prevailing academic views on Article 52 of the Contract Law of the PRC, the sub-clause 3 “an illegitimate purpose under the guise of legitimate acts” is a supplemental provision to sub-clause 5 and it stipulates a particular situation where a contract shall be deemed to be “violating the compulsory provisions of laws and administrative regulations”; hence if a contract does not violate any compulsory provisions of laws and administrative regulations, it shall not be considered void under sub-clause 3.

Notwithstanding the above, “an illegitimate purpose under the guise of legitimate acts” that is stipulated in Article 52 of the Contract Law of the PRC is only general legal provisions relevant to the legality and validity of the Structured Contracts and when disputes arise, the court or arbitration institution will decide on a case-by-case basis.

Reference is also made to the section headed “Risk Factors” in this document, pursuant to which it is disclosed that there is one reported court decision involving dispute on the contracts under the Structured Contracts. Except for these one court decision and two arbitration decisions reported in the New York Times Article, the Directors are not aware of any other court or arbitration decision which invalidated Structured Contracts.

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Based on the following, the Company’s PRC legal adviser, Jingtian & Gongcheng, is of the view that the reported court decision does not have a material impact on the legality and enforceability of the Structured Contracts:

- (1) According to the Company’s PRC legal adviser, Jingtian & Gongcheng, the contractual arrangement in above-mentioned reported court case, which involved a trust and lending agreement, is fundamentally different from the Structured Contracts, as followings;

Fundamental Differences Trust and Lending Agreement Structured Contracts

Legal relationship	An arrangement of shareholding entrustment, which is a unilateral entrusting legal relationship	An arrangement consisting of a series of agreements, including Call Option Agreement, Equity Pledge Agreement, Power of Attorney, Exclusive Service Agreement, which are bilateral legal relationship. Structured Contracts stipulate reciprocal rights and obligations for each party involved. Under the Structured Contracts, our Group is able to receive technical service fees from a domestic entity and has an option to purchase all of the equity rights of such domestic entity
Purpose	The relevant party is able to become an anonymous shareholder through such entrusting arrangement and the anonymous shareholder is able to enjoy legal status of a registered shareholder; the anonymous shareholder holds the relevant shares under the name of a registered shareholder	The purpose is to receive technical service fees from the domestic entity which is the holder of operating licences in the PRC and the Structured Contracts will be unwind as soon as the relevant PRC laws permit majority foreign ownership in the value-added telecommunication or foreign ownership in Internet content and information services
Interest alignment	Vulnerable to conflicts of interest because the trustee and the beneficiary are not the same person or entity	The major individual shareholders of domestic and overseas entities to the agreements are the same; thus, the likelihood of potential conflicts of interests is low

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Fundamental Differences	Trust and Lending Agreement	Structured Contracts
Applicable regulations and regulatory environment	<p>The subject company entrusted is a commercial bank. Pursuant to <i>Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks</i> and other relevant PRC laws and regulations, the qualification of a shareholder of a commercial bank is subject to strict scrutiny by the competent banking regulatory commission</p>	<p>The domestic entity holds an ICP License, which in turn is controlled indirectly by the listed issuer. Similar arrangements contemplated under the Structured Contracts are adopted by other companies in the PRC engaging in the value-added telecommunications business and in the Internet industry for the purpose of [●]. Some renowned PRC Internet companies had received no-action letters from the CSRC before their [●]. Ministry of Industry and Information Technology of the PRC has not raised any objections to or imposed any regulatory measures on such arrangement.</p>
Nature of interests	<p>allowing the trustor to achieve shareholder status under <i>The Company Law of the People’s Republic of China</i> via trust arrangement</p>	<p>our Group will be able to enjoy the property rights of and obtain the profits and economic benefits from a domestic operating entity, namely Fuzhou Tianmeng; the principal purpose is to enjoy the property rights due to the party’s contractual rights in accordance to the PRC Contract Law</p>

- (2) the PRC adopts a civil law system and, unlike the common law system, does not require *stare decisis* doctrine, namely, prior court decisions do not have precedential authority in the PRC. Pursuant to the PRC laws, neither the judgments of the people’s courts nor the arbitral decisions of the arbitral tribunals may be taken as authority in deciding other cases, except for the cases specifically published by the Supreme People’s Court of the PRC as “guiding cases” (指導性案例) pursuant to the Regulation of Issues on Guiding Cases (《關於案例指導工作的規定》) issued by the same in 2010, which will be used as guidance by all levels of courts of law when judging similar cases. In addition, the Company’s PRC legal adviser confirmed that up to the Latest Practicable Date, the Supreme People’s Court has not published any Guiding Cases which ruled on the validity of VIE structure. Upon

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inquiry through the available public channels, the above-mentioned reported PRC court case is not a guiding case. On the above basis, our Directors and the Company’s PRC legal adviser, Jingtian & Gongcheng is of the view that the decision of the above-mentioned reported court case does not have any direct relevance to our Structured Contracts; and

- (3) as at the Latest Practicable Date, since the publication of the reported court decision, there were no implementing rules prohibiting the existence of Structured Contracts in the value-added communication service industry having been promulgated or implemented.

INVESTMENTS

Series A Investment

Pursuant to a Series A Preferred Share Purchase Agreement dated 30 November 2007 entered into by and among our Company, Duke Online, Edmond Online, IGG HK, Fuzhou Tianji, and Fuzhou Tianmeng, (i) our Company issued 5,375,000 Series A Preferred Shares to Series A Shareholders, and (ii) our Company issued warrants to Series A-1 Shareholders, exercisable at an aggregate price of US\$1,500,000 for 1,343,750 Series A-1 Shares. On the same date, the same parties entered into a shareholders’ agreement to confirm their respective rights and obligations.

Principle terms of the Series A Preferred Share Purchase Agreement and the shareholders agreement:

Background of Series A Investors

IDG Group and Winston

The IDG Group is comprised of two limited partnerships. Each member of the IDG Group is managed by its general partner, who has the full and exclusive power and authority to manage and control the fund and its business. Each member of the IDG Group also consists of limited partner or limited partners who merely play the passive function of injecting capital into the fund and have no voting or management rights. The members of the IDG Group are equity investment in portfolios with China-related business and operations. Prior to the investment into our Group, the IDG Group was [●]. Upon the [●], the IDG Group will hold approximately 21.96% Shares of our Company and will be treated as one of the substantial shareholders of our Company.

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Winston is a limited liability company incorporated in the BVI, wholly owned by Mr. Jingbo Wang, [●], prior to holding Shares through Winston. Winston was introduced to invest in us by the IDG Group. Apart from holding Shares in our Company, Winston is [●].

Date of the agreement	30 November 2007
Number of subscribed Shares	Our Company issued 4,471,785 Preferred A Shares to IDG-Accel China Growth Fund II L.P., 365,715 Preferred A Shares to IDG-Accel China Investors II L.P. and 537,500 Preferred A Shares to Winston; and our Company issued each of the Series A Investors warrants which shall be exercisable at an aggregate price of US\$1,500,000 for 1,343,750 Series A-1 Shares or approximately US\$1.1163 per Share and shall have an exercise period of 18 months from the closing of the Series A investment.
Total consideration	US\$3,000,000
Basis of determination	Arm’s length negotiation
Rights	All rights under the shareholders’ agreement have been amended and restated in its entirety in the shareholders’ agreement during the Series B investment. Please see the paragraph headed “Series B Investment” for details.
Payment date	Series A Shares: IDG Group: 5 December 2007 Winston: 6 December 2007 Series A-1 Shares: IDG Group: 2 June 2009
Use of proceeds	The proceeds have been used for research and development and obtaining licencing rights of some online games.

Series B Investment

Pursuant to a Series B Preferred Share Purchase Agreement dated 12 November 2008 entered into by and among our Company, Duke Online, Edmond Online, IGG HK, IGG USA, Fuzhou Tianji, Fuzhou Tianmeng, and Fuzhou Tianjie, and Series B Shareholders, our Company issued 5,216,091 Series B Preferred Shares to the Series B Investors. On the same date, the same parties entered into the Shareholders’ Agreement to confirm their respective rights and obligations. Except for the Shareholders’ Agreement, there are no other separate shareholders’ agreements entered into by any of the Series A Investors, Series A-1 Investors, Series B Investors and our Company.

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Background of Series B Investors

Vertex, Hearst, IDG Group, Tian Xiang, Mr. Yi Zhang, Mr. Yuan Xu, The Martin Living Trust.

Vertex is wholly owned by Vertex Venture Holdings Limited, which is ultimately owned by Temasek Holdings (Private) Limited. Vertex was introduced to invest in us by Mr. Yuan Xu.

The IDG Group is comprised of two limited partnerships. Each member of the IDG Group is managed by its general partner, who has the full and exclusive power and authority to manage and control the fund and its business. Each member of the IDG Group also consists of limited partner or limited partners who merely play the passive function of injecting capital into the fund and have no voting or management rights. The members of the IDG Group are equity investment in portfolios with China-related business and operations.

Tian Xiang is a limited liability company incorporated in the BVI, currently wholly owned by Mr. Yinqu Ke, a friend of Mr. Yuan Chi and [●], prior to holding Shares through Tian Xiang. When Tian Xiang invested in us, its wholly-owned shareholder was Mr. Zhixiang Chen, a Controlling Shareholder of our Company. On 4 May 2009, since Mr. Zhixiang Chen needs fund for personal reasons, Mr. Zhixiang Chen transferred all his interest in Tian Xiang to Mr. Yinqu Ke for a consideration of US\$251,200, with reference to his original investment plus some administrative expenses incurred.

Hearst is a limited liability company incorporated in the State of Delaware, beneficially owned by The Hearst Family Trust. All beneficiaries under The Hearst Family Trust are [●] prior to holding Shares through Hearst. Hearst was introduced by Mr. Yuan Xu to invest in our Group.

Mr. Yi Zhang is a friend of Mr. Yuan Xu.

Mr. Yuan Xu is a senior management of our Group.

The Martin Living Trust is owned as to 50% by Raymond S Martin III and 50% by Lingli Martin, friends of Mr. Yuan Xu.

Date of the agreement

12 November 2008

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Number of subscribed Shares	<p>Our Company issued 2,980,625 Series B Preferred Shares to Vertex, 745,156 Series B Preferred Shares to Hearst, 1,056,194 Series B Preferred Shares to IDG-Accel China Growth Fund II L.P., 86,378 Series B Preferred Shares to IDG-Accel China Investors II L.P., 124,192 Series B Preferred Shares to Tian Xiang, 49,677 Series B Preferred Shares to Mr. Yi Zhang, 99,354 Series B Preferred Shares to Mr. Yuan Xu, 74,515 Series B Preferred Shares to The Martin Living Trust.</p> <p>In addition, our Company issued 49,675 Series B Preferred Shares to Mr. Zongjian Cai, Mr. Yuan Chi, Ms. Xiuping Wang (Mr. Hong Zhang’s mother, a connected person of the Company upon the [●]) and Mr. Hong Zhang in return for them to transfer all units in IGG USA to our Company.</p>
Price per Share	<p>Approximately US\$2.01 (prior to subdivision effect), representing a discount of 98.24% to the maximum offer price and a discount of 97.77% to the minimum offer price.</p>
Total consideration	<p>US\$10,499,991.23</p>
Basis of determination	<p>Arm’s length negotiation</p>
Special Rights	<p><i>Conversion rights</i></p> <p><i>Conversion Rights.</i> Unless converted earlier pursuant to the conversion below, each holder of Preferred Shares shall have the right, at such holder’s sole discretion, to convert all or any portion of the Preferred Shares into ordinary Shares at any time.</p> <p>The conversion rate for each series of Preferred Shares shall be determined by dividing the Preferred Share Issue Price of such series by the conversion price of such series then in effect at the date of the conversion. The initial conversion price for each series of Preferred Shares will be the Preferred Share Issue Price of such series (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect stock dividends, stock splits and other events, as provided in the Articles (the “Preferred Share Conversion Price”).</p>

HISTORY AND CORPORATE STRUCTURE

Conversion. Each Preferred Share shall automatically be converted into Ordinary Shares, at the then applicable Preferred Share Conversion Price for such share (A) upon consummation of a firm commitment underwritten public offering of the Ordinary Shares (or American Depository Receipts representing such Ordinary Shares) in the United States, that has been registered under the United States Securities Act of 1933, as amended, including any successor statutes, the public offering price of which values the Company for not less than two hundred and fifty million U.S. dollars (US\$250,000,000) and which results in the aggregate net proceeds of the Company for not less than fifty million U.S. dollars (US\$50,000,000), or in a similar public offering of the Ordinary Shares of the Company in Hong Kong or another jurisdiction which results in the Ordinary Shares trading publicly on a recognised international securities exchange, provided that (i) the public offering price of which values the Company for not less than one hundred million U.S. dollars (US\$100,000,000) and which results in the aggregate net proceeds of the Company for not less than twenty million U.S. dollars (US\$20,000,000), and (ii) the Board of the Company has decided to have the Company listed on Hong Kong securities exchange or other recognised international securities exchange (a “Qualified Public Offering”) or (B) on the date specified by written consent or agreement of the holders of more than fifty percent (50%) of the then outstanding Series A Preferred Shares and the holders of more than fifty percent (50%) of the then outstanding Series B Shares (such holders shall include Vertex). In the event of the automatic conversion of the Preferred Shares upon a Qualified Public Offering as aforesaid, the person(s) entitled to receive the Ordinary Shares issuable upon such conversion of Preferred Shares shall not be deemed to have converted such Preferred Shares until immediately prior to the closing of such Qualified Public Offering.

Conversion pursuant to method B above occurred on 31 May 2013 and all Preferred Shares were converted into ordinary Shares, representing approximately 49.06% of total issued Shares as at that date.

HISTORY AND CORPORATE STRUCTURE

Appointment of Directors

Subject to the Articles, the size of the Board shall be five (5) members, and at each annual meeting of the Members of the Company, at any meeting of the Members of the Company or any written consent in which members of the Board of Directors of the Company are to be elected, (A) the holders of a majority of the outstanding Series A Shares and Series A-1 Shares, voting together as a single class and on an as-converted basis, shall be entitled to appoint and remove one (1) Director (the “Series A Director”), (B) the holders of a majority of the outstanding Series B Shares, voting together as a single class and on an as-converted basis, shall be entitled to appoint and remove one (1) Director (the “Series B Director”), (C) the holders of a majority of the outstanding Ordinary Shares shall be entitled to appoint and remove two (2) Directors (the “Ordinary Directors”), and (D) the holders of a majority of the outstanding Series A Shares and Series A-1 Shares, the holders of a majority of the outstanding Series B Shares, and the holders of a majority of the outstanding Ordinary Shares, each voting together as a single class and on an as-converted basis, shall be entitled to jointly appoint one (1) independent Director (the “Independent Director”). Any class of holder or holders having the right to elect a member of the Board of Directors pursuant to the foregoing may remove its designated Director at any time and from time to time, with or without cause (subject to any requirements of law), in their sole discretion, and any vacancy thereby created may be filled by such holder or holders at the meeting or pursuant to written consent, subject to compliance with the Articles.

Dividends

No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on any other class or series of shares of the Company unless and until a dividend in like amount is first paid in full on the Series B Shares pro rata based on the number of Series B Shares then held by each holder (on an as-converted basis). After payment of such dividends, any additional dividends may be distributed among the holders of Series A Shares and Series A-1 Shares pro rata based on the number of Series A Shares and Series A-1 Shares then held by each holder (on an as-converted basis). After payment of the dividends described above to the holders of Preferred Shares, any additional dividends may be distributed among the holders of Ordinary Shares pro rata based on the number of Ordinary Shares then held by each holder.

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Holders of the Preferred Shares shall also be entitled to receive any non-cash dividends declared by the Board on an as-converted basis.

Subject to receipt of all approvals required under the Memorandum or elsewhere in these Articles, the Company may by a resolution of directors declare and pay dividends in money, shares, or other property. In the event that dividends are paid in specie the directors shall have responsibility for establishing and recording in the resolution of directors authorizing the dividends, a fair and proper value for the assets to be so distributed.

Redemption rights:

At any time commencing on December 1, 2011 (inclusive), and subject to the applicable laws of the Cayman Islands and, if so requested by the holders of at least seventy-five percent (75%) of the Preferred Shares voting together as a single class on an as-converted basis, which holders in each case shall include Vertex, the Company shall redeem all of the outstanding Preferred Shares out of funds legally available therefor (the “Redemption”). The price at which each Preferred Share shall be redeemed shall be equal to

$IP \times (108 \%) N$, where

IP = applicable Preferred Share Issue Price (as defined below) for the Preferred Share; and

N = a fraction the numerator of which is the number of calendar days between the date the holder of the applicable Preferred Shares acquired their Preferred Shares and the relevant Redemption Date on which such Preferred Share is redeemed and the denominator of which is 365,

plus all declared but unpaid dividends thereon up to the date of redemption, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers (the “Redemption Price”). “Preferred Share Issue Price” means US\$0.5581 per Series A Share, US\$1.1163 per Series A-1 Share, and US\$2.013 per Series B Share, as applicable.

If the Company does not have sufficient cash or funds legally available to redeem all of the Preferred Shares required to be redeemed, then the number of Preferred Shares then redeemed shall be allocated to the holders of Preferred Shares on a pro rata basis based ratably on the number of Preferred Shares

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held by each holder to be redeemed, and the remainder shall be carried forward and will be redeemed in the form of a one-year promissory note issued by the Company to such holders of Preferred Shares, which shall bear an interest at the rate of 8% per annum.

Other preferential rights:

The Preferred Shareholders are also entitled to other customary preferential rights, as long as the Preferred Shares are outstanding, including information rights, right of participation, right of first refusal, protective provisions, liquidation preference, drag-along rights, and registration rights.

Conversion

On 31 May 2013, all the Preferred Shares were converted into ordinary Shares by conversion according to the conversion clause under the then applicable Articles of the Company. There was only one single class of Shares in the share capital of our Company immediately after the conversion so that all the ordinary Shares shall rank *pari passu* in all respects.

Payment date

Vertex: 14 November 2008
IDG Group: 14 November 2008
Hearst: 17 November 2008
Mr. Yi Zhang: 13 November 2008
The Martin Living Trust: 13 November 2008
Tian Xiang: 13 November 2008
Mr. Yuan Xu: 13 November 2008

Use of proceeds

The proceeds from the Series B investment have been used for research and development and obtaining licensing rights of certain online games.

Save as disclosed in this document, each of the Series A Investors, Series B Investors and Series A-1 Investors are independent from each other.

Strategic Benefits

We consider that the introduction of the various investors into our Group is favourable to the long-term development of our Group. The enlargement of our Shareholder base by the introduction of these investors who have different backgrounds and experience can ensure important business decisions are only made after thorough discussions from different perspectives. In addition, and in particular, we consider (i) IDG Group and Vertex are professional investors which can provide us with professional advice on our Group’s development; (ii) Vertex, a well-known fund based in Singapore, can strengthen our fame and position in Singapore.

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SAFE REGISTRATION

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Circular No. 75 as SPVs. PRC residents who are shareholders of SPVs established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. Further, PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments. The SAFE subsequently issued relevant guidance to its local branches for the implementation of the SAFE Circular No. 75. This guidance standardizes more specific and stringent supervision on the registration requirement relating to the SAFE Circular No. 75 and further requests PRC residents holding any equity interests or options in SPVs, directly or indirectly, controlling or nominal, to make an overseas investment foreign exchange registration with the SAFE.

Our PRC legal advisers, Jingtian & Gongcheng, have advised that, given the above, a PRC resident (whether a natural or legal person) is required to complete the initial registration with the local SAFE counterpart, and further amend the registration or filing pursuant to the the SAFE Circular No. 75 and it implementing rules and guidelines. Currently, our indirect PRC resident Shareholders, Xiuping Wang, Deqing Ruan, Hong Zhang, Yuan Xu, Anyan Chen, Yi Zhang, Pintong Lin, Zhixiang Chen, Kai Chen, Yuan Chi, Zongjian Cai and Yinqu Ke who are PRC residents, have made relevant registration or filing under SAFE registration requirements.

OUR CORPORATE REORGANISATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “M&A Rules”) promulgated by PRC governmental and regulatory agencies on 8 August 2006, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into an foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the appraisal result on the equity or assets to be acquired. According to Article 15 of the M&A Rules, where parties to an acquisition are related including where the control is only de facto, the parties must “provide an explanation on the purpose of the acquisition and whether the appraisal result is consistent with fair market value”. Avoiding this requirement by using trusts, nominees, or other means is prohibited.

HISTORY AND CORPORATE STRUCTURE

As advised by our PRC legal advisers, Jingtian & Gongcheng, given the Company incorporates Fuzhou Tianji by means of new establishment instead of acquisition, the M&A Rules shall not apply to the incorporation of Fuzhou Tianji. Our PRC legal advisers further understand that the arrangement of the Structured Contracts between Fuzhou Tianji and Fuzhou Tianmeng does not fall into the definition of shares acquisition under the M&A Rules. Therefore, as advised by our PRC legal advisers, unless new laws and regulations are enacted, or MOFCOM, CSRC or other competent authorities has new provisions or interpretations on the M&A Rules to the effect that the Structured Contracts fall into the definition of foreign investors’ acquiring domestic enterprises under the M&A Rules, the application by our Company for the issuance and [●] of its shares on the [●] does not require approval from the MOFCOM or the CSRC under the M&A Rules.