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Application Proof of

Zengame Technology Holding Limited

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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IMPORTANT

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

Zengame Technology Holding Limited

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Total Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED] and adjustment)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[●]**

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Capital Limited

[REDACTED]

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The [**REDACTED**] is expected to be determined by agreement between the [**REDACTED**], on behalf of the [**REDACTED**], and our Company on or before [**REDACTED**] or such later time as may be agreed between the parties, but in any event, no later than [**REDACTED**]. If, for any reason, the [**REDACTED**], on behalf of the [**REDACTED**], and our Company are unable to reach an agreement on the [**REDACTED**] by [Friday], [**REDACTED**], the [**REDACTED**] will not proceed and will lapse immediately. The [**REDACTED**] will be not more than [**REDACTED**] per Share and is expected to be not less than HK$[**REDACTED**] per Share, unless otherwise announced. Investors applying for the Public [**REDACTED**] must pay, on application, the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the [**REDACTED**] is lower than [**REDACTED**]. The [**REDACTED**], on behalf of the [**REDACTED**], may, with the consent of our Company, reduce the number of [**REDACTED**] being offered under the [**REDACTED**] and/or the indicative [**REDACTED**] range below that stated in this document at any time prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.zen-game.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the [**REDACTED**].

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this document, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the [**REDACTED**], the Sole [**REDACTED**], on behalf of the [**REDACTED**], have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the [**REDACTED**] pursuant to the [**REDACTED**] at any time prior to 8:00 a.m. on the [**REDACTED**]. Further details of the terms of the termination provisions are set out in the section headed "[**REDACTED**] – Grounds for Termination". It is important that you refer to that section for further details.

The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the [**REDACTED**] may be offered, sold or delivered in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

EXPECTED TIMETABLE*(NOTE 1)*

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this document in any jurisdiction other than Hong Kong.*

You should rely only on the information contained in this document and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of the* [**REDACTED**], *any of their respective directors, officers, representatives or advisors or any other person involved in the* [**REDACTED**].

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This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read the document in its entirety before you decide whether to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in our Shares.*

OVERVIEW

We are an established mobile game developer and operator in the PRC with special focus on card and board and other casual mobile games. According to the Frost & Sullivan Report, we were among the top five players in the card and board mobile games market in the PRC in terms of revenue in 2017[1], and we ranked fourth in the card and board mobile games market in the PRC by average MAU of our card and board games in 2017, with estimated average MAU of approximately 21.6 million. Our signature card game series, Fight the Landlord (鬥地主), ranked third among all Fight the Landlord mobile games in the PRC in terms of average MAU in 2017, with an estimated average MAU of approximately 17.3 million.

According to the Frost & Sullivan Report, the market for card and board mobile games in the PRC experienced significant growth in recent years, growing from revenue of approximately RMB1.0 billion in 2013 to approximately RMB11.4 billion in 2017, representing a CAGR of approximately 83.7%, and is expected to continue to grow to reach approximately RMB24.0 billion in 2022. With our established market position in card and board mobile games, we believe that we are well positioned to capture the significant opportunities presented by this growth.

Our goal is to further strengthen our position as a leading player in the card and board and other casual mobile games market in the PRC.

We develop and maintain a large portfolio of mobile games. Prior to 2015, all of the games we operated had also been developed by us. In 2015, we also started operating games that had been developed by third parties. As of the Latest Practicable Date, we offered 36 self-developed and eight third party-developed mobile games. Our games are divided into three main categories, namely card games, board games and other games (including other casual games and hard core games). Most of our games are based on classic real-world card and board games which enjoy wide popularity and long histories. According to the Frost & Sullivan Report, card and board mobile games usually have longer life cycles due to their existing large and stable player base in the real world and the nature of traditional card and board games that have fixed gameplay rules with which players are familiar.

We operate all of our games using a Free-to-Play model, which we believe helps us attract and retain a large player base, enabling us to cross-sell new games via-in-game advertisements and in-game portals. We believe such cross-selling helps enhance existing player stickiness and further expand our player base. For example, primarily due to the in-game promotion of our Mahjong games in our Fight the Landlord games, the number of newly registered users of our Mahjong games grew by approximately 3.0 million from May 2018 to August 2018.

Historically, we generated substantially all of our revenue from sales of virtual items to players of our games. Since May 2018, we also started generating revenue from our advertising business and we expect contribution to our revenue from such business to increase going forward.

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[1] We had a market share of approximately 4.0%.

We are led by a senior management team with a comprehensive understanding of the mobile games market, based on extensive direct experience in successfully developing and operating a leading online card and board and casual games platform in the PRC. Mr. Ye, our chairman and chief executive officer and Mr. Yang, our vice chairman and chief technology officer, were product director and technical director, respectively, in the products department at one of China's leading online game companies and were involved in building that company's card and board game platform into one of China's largest online card and board and casual game platforms.

We have well-established, strong relationship with several of the top tier mobile phone manufacturers in China, including Huawei, Oppo and Vivo. Our signature card game series, Fight the Landlord, has consistently ranked among the top of all such games that can be downloaded from the built-in platforms on devices sold by such mobile phone manufacturers. For example, our Tiantian Fight the Landlord (Live-action Version) was recognized by Huawei as one of the best performing card and board games and one of the top performing casual games on the Huawei platform in 2017.

Our business experienced rapid growth over the Track Record Period. Our cumulative registered players increased from approximately 9.6 million as of December 31, 2015 to approximately 212.6 million as of December 31, 2017 and further to approximately 289.9 million as of June 30, 2018. Our average MAU increased from approximately 7.6 million for the year ended December 31, 2015 to approximately 22.4 million for the year ended December 31, 2017 and further to 27.9 million for the six months ended June 30, 2018. Our average DAU increased from approximately 1.2 million for the year ended December 31, 2015 to approximately 4.8 million for the year ended December 31, 2017 and further to approximately 6.0 million for the six months ended June 30, 2018. Our ARPPU increased from approximately RMB15 for the year ended December 31, 2015 to approximately RMB27 for the year ended December 31, 2017 and further to RMB34 for the six months ended June 30, 2018. As such, our revenue increased from approximately RMB129.8 million for the year ended December 31, 2015 to approximately RMB459.7 million for the year ended December 31, 2017 and from approximately RMB224.0 million for the six months ended June 30, 2017 to approximately RMB267.8 million for the six months ended June 30, 2018. Our profit increased from approximately RMB25.0 million for the year ended December 31, 2015 to approximately RMB66.4 million for the year ended December 31, 2017 and from approximately RMB35.4 million for the six months ended June 30, 2017 to approximately RMB50.8 million for the six months ended June 30, 2018.

OUR OPERATIONS

We operate games developed by our own development team as well as by third parties. All of our games are operated on a Free-to-Play model and we generate revenue primarily through sales of virtual items that can enhance game experience. We typically price our in-game virtual items with reference to the functions and privileges that the virtual item brings to player's virtual character, the popularity of the virtual item among our players, the price of similar virtual item offered in the market and the consumption power of targeted users. We operate third party-developed games either through a distribution model pursuant to which third party games are accessible on our game interface or a co-publication model pursuant to which we also provide marketing, promotion, operation, billing and customer services. Our players can make payments through various third party payment channels including online payment platforms such as Alipay and WeChat and major mobile carriers. We promote our games through third party distribution platforms such as social networking websites, online application stores, game portals and mobile device manufacturers. We have also started to monetize our player base through in-game advertising, beginning in May 2018.

OUR GAMES

As of the Latest Practicable Date, our game portfolio consisted of 44 games, including 19 card games, 12 board games and 13 other games (including other casual games and hard core games). The following table sets forth a breakdown of our game revenue by game category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Card games	114,168	87.9	293,595	86.9	432,034	94.0	208,289	93.0	236,436	89.0
Board games	14,348	11.1	42,487	12.6	25,319	5.5	14,546	6.5	6,826	2.6
Other games[(1)]	1,317	1.0	1,871	0.5	2,371	0.5	1,158	0.5	22,500	8.4
Game Revenue	**129,833**	**100.0**	**337,953**	**100.0**	**459,724**	**100.0**	**223,993**	**100.0**	**265,762**	**100.0**

Note:

(1) Other games includes other casual games and hard core games.

OUR CUSTOMERS

We consider players who purchase our in-game virtual items to be our paying customers. We did not rely on any single player during the Track Record Period. Apart from paying players, our customers also include third-party game developers for whom we operate and publish games. Our five largest customers together accounted for less than 5% of our revenue for each year/period in the Track Record Period. The table below sets forth our player information for all our games collectively and for each type of game for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
Our Games	**2015**	**2016**	**2017**	**2018**
	('000)	*('000)*	*('000)*	*('000)*
All of our Group's games[(1)]				
DAU	1,214	2,218	4,830	5,954
MAU	7,574	12,581	22,447	27,879
Cumulative registered players (at year/period end)	9,565	94,804	212,564	289,945
Card Games				
DAU	1,067	1,947	4,376	4,991
MAU	6,374	10,310	18,875	18,516
Cumulative registered players (at year/period end)	8,005	75,434	169,358	205,913
Board Games				
DAU	143	261	378	275
MAU	1,167	2,177	2,709	1,775
Cumulative registered players (at year/period end)	1,522	18,537	35,345	39,752
Other games				
DAU	4	10	76	688
MAU	33	94	863	7,588
Cumulative registered players (at year/period end)	38	833	7,861	44,280

Note:

(1) Includes data from both self-developed games and third-party games we distribute.

OUR SUPPLIERS

Our primary suppliers include distribution platforms, payment channels and server suppliers. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our largest supplier accounted for approximately 22.8%, 18.3%, 26.0% and 23.0%, respectively, of our total transaction amount with suppliers during the same periods. Transaction amount with our five largest suppliers for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 accounted for approximately 60.2%, 48.4%, 61.0% and 67.5%, respectively, of our total transaction amount with suppliers during the same periods.

OUR STRENGTHS

We believe that our competitive strengths are as follows, each of which is discussed in detail in the section headed "Business – Our Strengths" in this document:

- Established mobile game developer and operator with a large player base in card and board and other casual games;
- Management team with extensive experience in developing and operating a leading online card and board and casual game platform with a large player base;
- Established strong relationships with leading mobile phone manufacturers and telecommunications carriers;
- Integrated mobile game platform development and operating capabilities; and
- Strong monetization capabilities driven by sophisticated, effective data analytics.

OUR STRATEGIES

Our goal is to further strengthen our position as a leading player in the card and board and other casual mobile games market in the PRC. We plan to achieve this goal by pursuing the following strategies, each of which is discussed in details in the section headed "Business – Our Strategies" in this document:

- Build and strengthen our portfolio of games and expand our business scale;
- Further strengthen our operating capabilities;
- Strengthen our human resources with targeted recruitment;
- Enhance monetization of our player base;
- Pursue acquisition and strategic cooperation opportunities; and
- Explore opportunities to expand into overseas markets.

RISK FACTORS

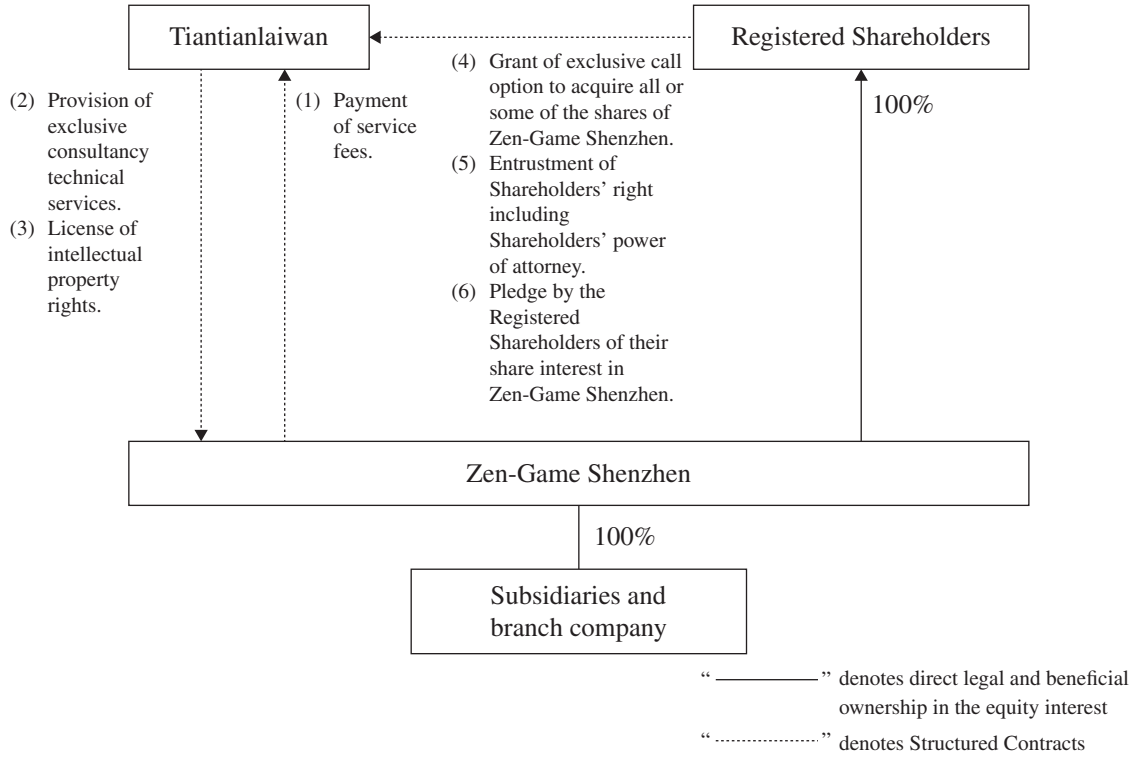
Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (1) risks relating to our business and industry, (2) risks relating to China, (3) risks relating to our Structured Contracts, and (4) risks relating to the [**REDACTED**]. A detailed discussion of all the risk factors involved are set forth in the section headed "Risk Factors" in this document and you should read the whole section carefully before you decide to invest in the [**REDACTED**].

Some of the major risks we face include:

- We derived a majority of our revenue over the Track Record Period from our signature game Fight the Landlord. Our revenue could decline significantly if this game loses popularity among our players;
- If we fail to develop and successfully launch new games to expand our revenue sources, our business may be materially and adversely affected;
- If we fail to retain and increase our player base, our business and growth may not be sustainable;
- We rely on various game distribution platforms to distribute our games, and our business may be materially and adversely affected if we are unable to maintain our relationship with them, if such distribution platforms lose popularity among Internet users or if access to them is limited by laws and regulations;
- We rely on a small portion of our total players for a significant majority of our revenue, and may not be able to monetize our users effectively;
- We cannot guarantee that PRC laws and regulations about virtual currency and anti-gambling will not be interpreted in ways that could affect our business; and
- PRC laws regulating the playing time and players' age of online games may adversely affect our business and operations.

STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Structured Contracts. See "Structured Contracts – Operation of the Structured Contracts" in this document for further details.



CONTROLLING SHAREHOLDERS

Upon completion of the [**REDACTED**], Sky-zen Capital and J&L Y will hold approximately [**REDACTED**]% and [**REDACTED**]%, respectively, of our total issued share capital (assuming that the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any option to be granted under the Share Option Scheme). Sky-zen Capital is controlled by Mr. Ye as it is owned as to (i) 80% by YeFT Nominee, the holding vehicle used by Core Trust, the trustee of the Ye Family Trust which is a discretionary trust established by Mr. Ye as the settlor and beneficiary; and (ii) 20% by Mr. Ye. J&L Y is controlled by Mr. Yang as it is owned as to (i) 80% by YFT Nominee, the holding vehicle used by Core Trust, the trustee of the Yang Family Trust which is a discretionary trust established by Mr. Yang as the settlor and beneficiary; and (ii) 20% by Mr. Yang.

Pursuant to the acting in concert agreements with a term of three years signed by Mr. Ye and Mr. Yang dated August 30, 2012 and August 30, 2015, Mr. Ye and Mr. Yang agreed to act in concert in respect of the exercise of voting rights as shareholders of Zen-Game Shenzhen. Furthermore, on October 29, 2018, Mr. Ye and Mr. Yang entered into an acting in concert agreement, pursuant to which Mr. Ye and Mr. Yang confirmed that since August 30, 2012, they have been, and undertook that they will continue to act in concert to, among others, manage and control our Group on a collective basis and make collective decisions in respect of the resolutions to be passed in any general meeting or directors' meeting of any member of our Group until Mr. Ye and Mr. Yang cease to be interested in or otherwise be in control of any share of our Company, whether directly or indirectly.

As Mr. Ye and Mr. Yang, together as a concert group, will be interested in more than 30% equity interest indirectly in our Company through their respective controlled companies, namely, Sky-zen Capital and J&L Y, upon [**REDACTED**], Mr. Ye, Sky-zen Capital, Mr. Yang and J&L Y are regarded as a group of Controlling Shareholders of our Group.

PRE-IPO INVESTMENT

Pursuant to the Pre-[**REDACTED**] Investment Agreements, Xizang Taifu subscribed for shares in Zen-Game Shenzhen, and after the Corporate Reorganization, G-MEI, at the direction of Xizang Taifu, holds [1,055,564] Shares. Upon the [**REDACTED**], G-MEI will hold [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued Shares in our Company (assuming the [**REDACTED**] is not exercised). As at the Latest Practicable Date, all the total proceeds of RMB18 million from the Pre-[**REDACTED**] Investment has been fully utilized as the business operation and working capital of our Group. For further details, see "History and Corporate Structure – Pre-[**REDACTED**] Investment" in this document.

SUMMARY COMBINED FINANCIAL STATEMENTS

The below summary combined financial information should be read together with the combined financial information in Appendix I to this document, including the accompanying notes and the information set forth in "Financial Information" in this document. Our combined financial information was prepared in accordance with HKFRS.

Combined Statements of Profit or Loss

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	129,833	337,953	459,724	223,993	267,826
Cost of sales	(93,249)	(264,903)	(301,792)	(158,012)	(166,487)
Gross profit	36,584	73,050	157,932	65,981	101,339
Other income and gains	7,918	2,148	4,518	884	4,588
Selling and distribution expenses	(3,226)	(10,002)	(39,247)	(12,194)	(25,576)
Administrative expenses	(8,589)	(9,610)	(16,698)	(6,012)	(10,470)
Research and development costs	(7,624)	(13,562)	(23,649)	(7,216)	(13,208)
Other expenses	(73)	(879)	(6,566)	(851)	(398)
Finance costs	–	(19)	(824)	(433)	(128)
Share of profits and losses of:					
a joint venture	–	(243)	(515)	(461)	–
an associate	(9)	(490)	(888)	(452)	–
Profit before tax	24,981	40,393	74,063	39,246	56,147
Income tax credit/(expense)	41	18	(7,667)	(3,877)	(5,386)
Profit for the year/period	25,022	40,411	66,396	35,369	50,761

Our revenue increased during the Track Record Period, primarily due to the increases in sales of in-game virtual items which drove an increase in ARPPU. Our gross profit also increased steadily from approximately RMB36.6 million for the year ended December 31, 2015 to approximately RMB157.9 million for the year ended December 31, 2017 and from approximately RMB66.0 million for the six months ended June 30, 2017 to approximately RMB101.3 million for the six months ended June 30, 2018. Our gross profit margin fluctuated somewhat over the Track Record Period. Our gross profit margin fell from 28.2% in 2015 to 21.6% in 2016 primarily due to the higher rates charged by certain SMS payment channels with which we entered into contracts in 2016. Our gross profit margin subsequently increased to 34.4% for 2017 and 37.8% for the six months ended June 30, 2018 primarily due to increased use of online payment channels which usually charge us lower rates compared with SMS payment channels.

Selected Combined Balance Sheet Items

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Trade receivables	35,301	93,262	68,299	58,368
Contract costs	8,357	21,830	26,326	23,762
Financial assets at fair value through profit or loss	25,735	19,896	149,878	212,037
Prepayments, deposits and other receivables	774	818	7,263	5,407
Amounts due from a related party	269	1,022	403	–
Cash and cash equivalents	2,490	10,060	9,342	13,333
Total current assets	72,926	146,888	261,511	312,907
Current liabilities				
Trade payables	14,483	27,080	23,816	20,532
Contract liability	10,807	29,954	42,278	36,774
Other payables and accruals	5,679	13,656	18,141	15,309
Interest-bearing bank borrowings	–	8,000	7,600	17,600
Tax payable	–	–	1,484	1,971
Total current liabilities	30,969	78,690	93,319	92,186
Net current assets	41,957	68,198	168,192	220,721

Key Financial Ratios

	As at/for the year ended December 31,			As at/for the six months ended June 30,
	2015	2016	2017	2018
Profitability ratios				
Return on equity[(1)] (%)	39.3	26.2	29.9	36.3
Return on total assets[(2)] (%)	25.7	15.8	20.3	26.4
Liquidity ratios				
Current ratio[(3)] (times)	2.4	1.9	2.8	3.4
Capital adequacy ratios				
Gearing ratio[(4)] (%)	N/A	5.2	3.4	6.2
Debt to equity ratio[(5)] (%)	N/A	N/A	N/A	1.5
Interest coverage ratio[(6)] (times)	N/A	2,126.9	90.9	439.6

Notes:

(1) For the three years ended December 31, 2017, return on equity is calculated by dividing profit for the year by the equity attributable to owners of the parent as at the respective year-end date. For the six months ended June 30, 2018, return on equity is calculated by dividing profit for the period by the equity attributable to owners of the parent as at the respective period-end date, multiplying 365/181.

(2) For the three years ended December 31, 2017, return on total assets is calculated by dividing profit for the year by the total assets as at the respective year-end date. For the six months ended June 30, 2018, return on total assets is calculated by dividing profit for the period by the total assets as at the respective period-end date, multiplying 365/181.

(3) Current ratio is calculated by dividing current assets by current liabilities as at the year/period-end date.

(4) Gearing ratio is calculated by dividing total debts (being interest-bearing bank borrowings) by total equity as at the respective year/period-end date.

(5) Debt to equity ratio is calculated by dividing net debts (being interest-bearing bank borrowings less cash and cash equivalents) by total equity as at the respective year/period-end date.

(6) Interest coverage ratio is calculated by dividing profit before finance costs and tax by finance costs.

[**REDACTED**]

All statistics in the table below are based on the assumption that the [**REDACTED**] is not exercised.

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market capitalization of our Shares[(1)]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted combined net tangible asset value per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] expected to be issued under the [**REDACTED**], and assuming that [**REDACTED**] are issued immediately following the completion of the [**REDACTED**].

(2) The unaudited pro forma adjusted combined net tangible asset per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" and on the basis that [**REDACTED**] were in issue, which represents the number of Shares in issue immediately following the completion of the [**REDACTED**] of [**REDACTED**].

[**REDACTED**] EXPENSES

The total estimated [**REDACTED**] expenses (based on the mid-point of our indicative price range of [HK$[**REDACTED**]] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, including [**REDACTED**] commissions and excluding any discretionary incentive fee which may be payable by us) in relation to the [**REDACTED**] are approximately HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million), of which HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million) is directly attributable to the [**REDACTED**] and is expected to be capitalized after the [**REDACTED**]. The remaining amount of HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million) is expected to be charged to our Company's combined statements of profit or loss and is expected to be incurred for the four months ending December 31, 2018. During the Track Record Period, we did not incur any [**REDACTED**] expenses.

DIVIDENDS

Zen-Game Shenzhen declared dividends in an aggregate amount of nil, RMB16.0 million, RMB20.0 million and nil for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, to its then shareholders. Zen-Game Shenzhen further declared dividends of RMB78.0 million in September 2018 which had been fully settled as at the Latest Practicable Date. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars. We currently do not have any pre-determined dividend pay-out ratio. The payment and the amount of any future dividends will be at the discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant. Any declaration and payment of dividends and the amount of such dividends will be subject to our Articles and the Cayman Companies Law, including the approval of our Shareholders and that dividends can only be paid out of profits or other distributable reserves.

[**REDACTED**]

We estimate that the net [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] fees and expenses payable by us in connection with the [**REDACTED**], will be approximately HK$[**REDACTED**], if the [**REDACTED**] is not exercised, or approximately HK$[**REDACTED**], if the [**REDACTED**] is exercised in full, assuming an [**REDACTED**] per [**REDACTED**], being the mid-point of the proposed [**REDACTED**] range.

We intend to use the net [**REDACTED**] from [**REDACTED**] for the purposes and in the amounts set out below:

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or [**REDACTED**], will be used to strengthen our research and development capabilities;
- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or [**REDACTED**], will be used to fund promotional and marketing activities;
- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or [**REDACTED**], will be used to acquire other card and board and casual mobile game developers and companies whose business that supplement ours;
- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or [**REDACTED**], will be used to fund our expansion to overseas markets; and
- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or [**REDACTED**], will be used for working capital and general corporate purposes.

RECENT DEVELOPMENTS

Our player base has experienced additional growth since June 30, 2018. Our average MAU increased from 27.9 million for the six months ended June 30, 2018 to 29.9 million for the nine months ended September 30, 2018. Our average DAU increased from 6.0 million to 6.1 million for the same periods.

Our portfolio of games has also increased from 42 games as of June 30, 2018 to 44 games as of the Latest Practicable Date.

Since June 30, 2018, we have engaged an additional seven advertising agents to further expand our advertising business. Our revenue generated from cooperation with existing advertising agents also experienced growth since the same date.

Tiantianlaiwan, an indirectly wholly-owned subsidiary of our Company, was established in the PRC on September 29, 2018. On October 27, 2017, Tiantianlaiwan entered into a series of agreements that constitute the Structured Contracts with, among others, Zen-Game Shenzhen, under which all economic benefits arising from the business of our PRC Operating Entities are transferred to Tiantianlaiwan by means of service fees payable by Zen-Game Shenzhen to Tiantianlaiwan. Following the execution of the Structured Contracts, Tiantianlaiwan is subject to income tax at a rate of 25% as well as value-added tax in the PRC, which may cause our effective tax rate to increase, and resulting in an increase in our tax expenses which in turn may reduce our net profit.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading position of our Group since June 30, 2018, being the date on which our latest audited combined financial statements were prepared.

In this document, unless the context otherwise requires, the following expressions have the following meanings.

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
	[**REDACTED**]
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted on [●], 2018 and as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Atlas"	Atlas Technology Co., LTD, a limited liability company established under the laws of BVI on August 9, 2018 and wholly-owned by an Independent Third Party
"Befortune"	Shenzhen Befortune Investment Co., Ltd.* (深圳市伯符投資有限公司), a limited liability company established under the laws of the PRC on January 30, 2011 and wholly-owned by an Independent Third Party
"BeFuture"	BeFuture Limited, a limited liability company established under the laws of BVI on August 9, 2018 and wholly-owned by an Independent Third Party
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	British Virgin Islands

"Bao Family Trust"	the personal trust established by Mr. Bao Zhoujia as the settlor, with Core Trust as the trustee, details of which are set out in the section headed "History and Corporate Structure" in this document
"BFT Nominee"	Sky Snow Limited, a limited liability incorporated in the BVI on September 27, 2018 and a wholly-owned subsidiary of Core Trust, the trustee of the Bao Family Trust, and the nominee of the Bao Family Trust

[**REDACTED**]

"Changke"	Dongguan Changke Network Planning Company Limited* (東莞市常科網絡策劃有限公司), a limited liability company established under the laws of the PRC on May 27, 2004 and wholly-owned by Mr. Ye
"China" or "PRC"	the People's Republic of China excluding for the purpose of this document, Hong Kong, the Macau Special Administrative Region and Taiwan

"Circular 13"	the Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (關於進一步簡化和改進直接投資外滙管理政策的通知)
"Circular 37"	the Circular on Relevant Issues of Management of Overseas Investment, Financing, Return Investment in Foreign Exchange of Domestic Resident via Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Zengame Technology Holding Limited, an exempted company with limited liability incorporated in the Cayman Islands on August 28, 2018 under the Companies Law
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Sky-zen Capital, Skyzen, J&L Y, Y&J, Mr. Ye and Mr. Yang
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Core Trust"	The Core Trust Company Limited (匯聚信託有限公司), an Independent Third Party professional trust company established in Hong Kong

"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for [**REDACTED**], details of which are set out in the section headed "History and Corporate Structure – Corporate Reorganization" in this document
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"D Fun"	D Fun Limited, a limited liability company established under the laws of the BVI on August 27, 2018 and owned as to 20% by D Zen and 80% by ZFT Nominee
"D Zen"	D Zen Limited, a limited liability company established under the laws of the BVI on August 16, 2018 and wholly-owned by Ms. Zhang
"D Zing"	D Zing Limited, a limited liability company established under the laws of the BVI on August 9, 2018 and is wholly-owned by Ms. Li Wen, a non-executive Director
"Dechangqing"	Shenzhen Dechangqing Technology Co., Ltd.* (深圳市德常青科技有限公司), a limited liability company established under the laws of the PRC on May 29, 2012 and owned as to 99% by Dezhiqing and 1% by Ms. Zhang
"Deed of Indemnity"	a deed of indemnity dated [●], 2018 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, details of which are set out in the section headed "G. Other Information – 1. Deed of Indemnity" in Appendix IV to this document
"Deed of Non-competition"	a deed of non-competition dated [●], 2018 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding the non-competition undertaking

"Dewenshiji"	Shenzhen Dewenshiji Technology Co., Ltd.* (深圳德文世紀科技有限公司), a limited liability company established under the laws of the PRC on May 30, 2012 and owned as to 70% by Ms. Li Wen, a non-executive Director, and 30% by an Independent Third Party
"Dezhiqing"	Shenzhen Dezhiqing Investment Co., Ltd.* (深圳德之青投資有限公司), a limited liability company established under the laws of the PRC on December 30, 2016 and owned as to 99% by Ms. Zhang and 1% by Ms. Li Wen, a non-executive Director
"Dingyi"	Shenzhen Dingyi Technology Co., Ltd.* (深圳市鼎翌科技有限公司), a limited liability company established under the laws of the PRC on May 29, 2012 and owned as to 90% by Mr. Yang and 10% by Ms. Jiang
"Director(s)"	the director(s) of our Company
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿)) issued by the MOFCOM on January 19, 2015 for public consultation
"EIT Law"	the PRC Enterprise Income Tax Law* (中華人民共和國企業所得税法) adopted by the National People's Congress of the PRC on March 16, 2007, became effective on January 1, 2008, and amended on February 24, 2017
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Tiantianlaiwan, Zen-Game Shenzhen and the Registered Shareholders dated October 27, 2018
"Exclusive Consultancy and Technical Service Agreement"	the exclusive consultancy and technical service agreement entered into by and among Tiantianlaiwan and Zen-Game Shenzhen dated October 27, 2018
"Family Wall"	Family Wall technology Co., LTD, a limited liability company established under the laws of the BVI on August 9, 2018 and owned as to 81.182% by Mr. Zhu Weijie, one of our senior management members, 13.474% by Ms. Xie Biyu, one of our founders and employees, and 5.344% by Mr. Kang Yonghong, our employee

"FIE"	foreign invested enterprise
"Foreign Investment Catalog"	the Guidance Catalog of Industries for Foreign Investment (外商投資產業指導目錄(2017)), which was promulgated jointly by the MOFCOM and the NDRC of the PRC (中華人民共和國國家發展和改革委員會) on June 28, 2017 and became effective from July 28, 2017, which is amended from time to time
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the PRC mobile game and card and board mobile game market and prepared by Frost & Sullivan
"GAPP"	General Administration of Press and Publication (中華人民共和國新聞出版總署)
"G-MEI"	G-MEI NETWORK TECHNOLOGY CO., LIMITED* (智美網路科技有限公司) a limited liability company established under the laws of the BVI on January 4, 2012 and a wholly-owned subsidiary of Wuhu 37, an Independent Third Party
	[**REDACTED**]
"Group", "our Group", "we" or "us"	our Company, our subsidiaries and our PRC Operating Entities (the financial results of which have been combined and accounted for as subsidiaries of our Company by virtue of the Structured Contracts) from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong

[**REDACTED**]

"HKFRS(s)"	Hong Kong Financial Reporting Standards

[**REDACTED**]

"Hezhongshiji"	Shenzhen Hezhongshiji Technology Co., Ltd.* (深圳市和眾世紀科技有限公司), a limited liability company established under the laws of the PRC on May 29, 2012 and owned as to 6.411% by Mr. Ye, 11.178% by Tianchan, 9.523% by Dingyi, 7.140% by Mr. Zhu Weijie, 1.185% by Ms. Xie Biyu, 0.470% by Mr. Kang Yonghong, 9.994% by two Independent Third Parties and 54.099% by Mr. Ye who held shares underlying the restricted share units granted by Hezhongshiji on behalf of certain eligible participants
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"Hudongyule"	Shenzhen Zen-Game Hudongyule Co.,Ltd.* (深圳市禪遊互動娛樂有限公司), one of our PRC Operating Entities established under the laws of the PRC on November 30, 2011 and wholly-owned by Zen-Game Shenzhen
"ICP License"	a value-add telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information service
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Interactive HK"	Zengame Interactive Limited, a limited liability company established under the laws of Hong Kong on September 13, 2018 and an indirect wholly-owned subsidiary of our Company
"International Mobile"	International Mobile Entertainment Co., Limited (國際移動娛樂有限公司), a limited liability company incorporated under the laws of Hong Kong on February 26, 2014 and an indirect wholly-owned subsidiary of our Company

[**REDACTED**]

"IP License Agreement"	the intellectual property license agreement dated October 27, 2018
"J&L Y"	J&L Y Limited, a limited liability company established under the laws of the BVI on August 27, 2018 and owned as to 20% by Y&J and 80% by YFT Nominee
"Jiadatong"	Shenzhen Jiadatong Investment Consultancy Company Limited* (深圳市嘉達通投資顧問有限公司), a limited liability company established under the laws of the PRC on May 22, 2001 and wholly-owned by Mr. Ye
"JIAWEI"	JIA WEI INVESTMENTS LIMITED, a limited liability company established under the laws of the BVI on August 9, 2018 and is wholly-owned by an Independent Third Party

"Jinhui"	Shenzhen Jinhui Equity Investment Centre (Limited Partnership)* (深圳金慧股權投資中心(有限合夥)), a limited partnership established in the PRC on May 27, 2014 which has ceased to be a shareholder of Zen-Game Shenzhen in August 2018
"Latest Practicable Date"	October 29, 2018, being the latest practicable date for the purpose ascertaining certain information in this document prior to its publication
"Leduohudong"	Shenzhen Leduohudong Technology Co., Ltd.* (深圳市樂多互動科技有限公司), one of our PRC Operating Entities established under the laws of the PRC on June 4, 2015 and wholly-owned by Zen-Game Shenzhen
"Leqi Technology"	Shenzhen Leqi Technology Co., Ltd.* (深圳市樂其科技有限公司), one of our PRC Operating Entities established under the laws of the PRC on June 29, 2015 and wholly-owned by Zen-Game Shenzhen
	[**REDACTED**]
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mangguo Investment"	Mangguo Wenchuang (Shanghai) Holding Investment Fund Partnership (Limited Partnership)* (芒果文創(上海)股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 11, 2015 which has ceased to be a shareholder of Zen-Game Shenzhen in August 2018

"Meidada"	Meidada technology CO., LTD, a limited liability company established under the laws of the BVI on August 9, 2018 and wholly-owned by an Independent Third Party
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on [●], 2018 and as amended from time to time
"MCT"	Ministry of Culture and Tourism (中華人民共和國文化和旅遊部)
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOC"	Ministry of Culture of the PRC (中華人民共和國文化部), predecessor of MCT
"MOE"	Ministry of Education of the PRC (中華人民共和國教育部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MPS"	Ministry of Public Security (中華人民共和國公安部)
"Mr. Yang"	Mr. Yang Min (楊民), an executive Director, chief technology officer and one of the Controlling Shareholders of our Company
"Mr. Ye"	Mr. Ye Sheng (葉升), an executive Director, chief executive officer and one of the Controlling Shareholders of our Company
"Mr. Zeng"	Mr. Zeng Liqing (曾李青), one of the founders of our Group and the spouse of Ms. Zhang
"Ms. Jiang"	Ms. Jiang Qian (江茜), the spouse of Mr. Yang
"Ms. Xie"	Ms. Xie Yingying (謝瑩瑩), the spouse of Mr. Ye
"Ms. Zhang"	Ms. Zhang Wei (張巍), a substantial shareholder of our Company

"M&A Rules"	Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
"National People's Congress"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NCA"	National Copyright Administration of the PRC (中華人民共和國國家版權局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations

[**REDACTED**]

"Online Game Measures"	Interim Measures on the Administration of Online Games (網絡遊戲管理暫行辦法)

[**REDACTED**]

"Palaya"	Shenzhen Palaya Technology Co., Ltd.* (深圳帕拉亞科技有限公司), a limited liability company established under the laws of the PRC on May 30, 2012 and owned as to 90% by an Independent Third Party and 10% by Mr. Lin Cong, a non-executive Director
"Playa"	Playa Technology Limited, a limited liability company established under the laws of the BVI on August 27, 2018 and owned as to 20% by Atlas and 80% by BFT Nominee
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors" or "PRC Legal Advisers"	Commerce & Finance Law Offices, our legal advisors as to PRC Laws
"PRC Operating Entities"	the entities we control through the Structured Contracts, being Zen-Game Shenzhen, Hudongyule, Shenzhen Laiwan, Leduohudong, Leqi Technology, Zen-Game Shanghai and Zen-Game Shanghai (Shenzhen Branch), the financial accounts of which have been combined and accounted for as if they were subsidiaries of our Company by virtue of the Structured Contracts
"Pre-[**REDACTED**] Investment"	the pre-[**REDACTED**] investment made by Xizang Taifu, details of which are set out in "History and Corporate Structure – Pre-[**REDACTED**] Investment" in this document
"Pre-IPO Investment Agreements"	a series of transaction documents, as amended, entered into, among others, by Zen-Game Shenzhen and Xizang Taifu in connection with the Pre-[**REDACTED**] Investment

[**REDACTED**]

"Registered Shareholders"	direct shareholders of Zen-Game Shenzhen, being Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya, Befortune, Xizang Taifu and Dewenshiji
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"RSU(s)"	the restricted share unit(s) to be granted under the RSU Scheme
"RSU Nominee"	Hezhong Power Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of Core Trust which will hold the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme
"RSU Scheme"	the restricted share unit scheme approved and adopted by a resolution of our Board dated October 9, 2018, the principal terms of which are summarized under the paragraph headed "F. RSU Scheme and Share Option Scheme – 1. RSU Scheme" in Appendix IV to this document
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration Industry and Commerce"	State Administration for Industry and Commerce for of the PRC (中華人民共和國國家工商行政管理總局)
"SART"	State Administration of Radio and Television (中華人民共和國國家廣播電視總局)

"SAPPRFT"	State Administration of Press, Publication, Radio, Film and Television (中華人民共和國國家新聞出版廣播電影電視總局), predecessor of SART
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC" or "Securities and Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [●], 2018, the principal terms of which are summarized under the paragraph headed "F. RSU Scheme and Share Option Scheme – 2. Share Option Scheme" in Appendix IV to this document
"Share Pledge Agreement"	the share pledge agreement entered into by and among the Registered Shareholders, Zen-Game Shenzhen and Tiantianlaiwan dated October 27, 2018
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, and Tiantianlaiwan dated October 27, 2018
"Shenzhen Laiwan"	Shenzhen Laiwan Technology Co., Ltd.* (深圳市來玩科技有限公司), one of our PRC Operating Entities established under the laws of the PRC on September 15, 2014 and wholly-owned by Zen-Game Shenzhen
"Sky-zen Capital"	Sky-zen Capital Limited, a limited liability company established under the laws of the BVI on August 27, 2018 and owned as to 20% by Skyzen and 80% by YeFT Nominee

"Skyzen"	Skyzen Limited, a limited liability company established under the laws of the BVI on August 9, 2018 and is wholly-owned by Mr. Ye
	[**REDACTED**]
"Spouse Undertakings"	collectively, the spouse undertakings executed by Ms. Xie, the spouse of Mr. Ye, and Ms. Jiang, the spouse of Mr. Yang, respectively, dated October 27, 2018
"State Council"	the State Council of the PRC (中華人民共和國國務院)
	[**REDACTED**]
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Exclusive Consultancy and Technical Service Agreement, the IP License Agreement, the Exclusive Call Option Agreement, the Share Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney and the Spouse Undertakings, details of which are set out in the section headed "Structured Contracts" in this document
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tianchan"	Shenzhen Tianchan Technology Co., Ltd.* (深圳市天禪科技有限公司), a limited liability company established under the laws of the PRC on May 25, 2012 and owned as to 99% by Mr. Ye and 1% by Ms. Xie

"Tiantianlaiwan"	Shenzhen Tiantianlaiwan Technology Co., Ltd.* (深圳市天天來玩科技有限公司), a limited liability company established under the laws of PRC on September 29, 2018 and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder

[**REDACTED**]

"Wuhu 37"	Wu Hu Shunrong 37 Interactive Entertainment Network Technology Co., Ltd.* (蕪湖順榮三七互娛網路科技股份有限公司), a limited liability company established under the laws of the PRC on May 26, 1995 whose shares are listed on the Shanghai Stock Exchange (stock code: 002555) and the holding company of Xizang Taifu
"Xizang Taifu"	Xizang Taifu Wenhua Chuanmei Co., Ltd.* (西藏泰富文化傳媒有限公司), a limited liability company established under the laws of the PRC on December 22, 2014 and a wholly-owned subsidiary of Wuhu 37

[**REDACTED**]

"Y&J"	Y&J Capital Limited, a limited liability company established under the laws of the BVI on August 9, 2018 and wholly-owned by Mr. Yang
"Yang Family Trust"	the personal trust established by Mr. Yang as the settlor, with Core Trust as the trustee, details of which are set out in the section headed "History and Corporate Structure" in this document
"YFT Nominee"	Y&J Family Limited, a limited liability company incorporated in the BVI on September 27, 2018 and a wholly-owned subsidiary of Core Trust, the trustee of the Yang Family Trust, and the nominee of the Yang Family Trust
"Ye Family Trust"	the personal trust established by Mr. Ye as the settlor, with Core Trust as the trustee, details of which are set out in the section headed"History and Corporate Structure" in this document
"YeFT Nominee"	YS Limited, a limited liability company incorporated in the BVI on September 27, 2018 and a wholly-owned subsidiary of Core Trust, the trustee of the Ye Family Trust, and the nominee of the Ye Family Trust
"Zen-Game HK"	ZEN-GAME (HONGKONG) LIMITED (禪遊(香港)有限公司), a limited liability company incorporated in Hong Kong on May 21, 2015 and an indirect wholly-owned subsidiary of our Company
"Zen-Game Shanghai"	Shanghai Zen-Game Technology Co., Ltd.* (上海禪遊科技有限公司), one of our PRC Operating Entities established under the laws of the PRC on August 9, 2016 and wholly-owned by Zen-Game Shenzhen
"Zen-Game Shanghai (Shenzhen Branch)"	Shanghai Zen-Game Technology Co., Ltd. (Shenzhen Branch)* (上海禪遊科技有限公司深圳分公司), a branch Company of Zen-Game Shanghai established under the laws of the PRC on September 2, 2016
"Zen-Game Shenzhen"	Shenzhen Zen-Game Technology Co. Ltd.* (深圳市禪遊科技股份有限公司), a company established as a limited liability company under the laws of the PRC on July 20, 2010 and converted into a joint stock company with limited liability on September 2015 and an indirect wholly-owned subsidiary of our Company

"Zen Interactive"	Zen Interactive Limited, a limited liability company established under the laws of the BVI on August 31, 2018 and a direct wholly-owned subsidiary of our Company
"Zhang Family Trust"	the personal trust established by Ms. Zhang as the settlor, with Core Trust as the trustee, details of which are set out in the section headed "History and Corporate Structure" in this document
"ZFT Nominee"	Bonaza Limited, a limited liability incorporated in the BVI on September 27, 2018 and a wholly-owned subsidiary of Core Trust, the trustee of Zhang Family Trust and the nominee of the Zhang Family Trust
"%"	Percent

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

In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.88 = HK$1.00 or RMB6.87 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all relevant information in this document assumes no exercise of the [**REDACTED**].

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"ARPPU"	monthly average revenue per paying user, which represents the revenue for the period divided by the number of paying players in such period, and then divided by the number of months in such period
"card and board mobile game(s)"	mobile version of card game(s), board game(s) and other associated game(s)
"DAU"	daily active users; in any given period, refers to an existing registered player that has entered and played any of the mobile games on any device at least once during such period; repeated entries by the same player from the same device are counted once only. The DAU of our Group in this document is calculated based on available data of our Group since November 2015
"Free-to-Play"	a business model used in gaming industry, under which players can play games for free, but may need to pay for virtual items sold in games to enhance their game experience
"FVOCI"	fair value through other comprehensive income
"Hadoop"	a collection of open-source software utilities
"HBase"	an open source database that provides real-time read/write access to large datasets
"HTML5"	being the fifth and current major version of HTML Standards, a recent markup language used for structuring and presenting content on the World Wide Web
"MAU"	monthly active users; in any given period, refers to an existing registered player that has entered and played any of the mobile games on any device at least once during such period; repeated entries by the same player from the same device are counted once only. The MAU of our Group is calculated based on available data of our Group since November 2015

"mobile game"	an online game that is downloaded and played on mobile devices
"MPU"	monthly paying users; refers to the number of paying users of an online game or a game company in a given month or period; a user who makes more than one purchase in such period is counted once only
"paying player" or "paying user"	in any given period, refers to a player who pays money to purchase the in-game virtual items, including virtual units and other virtual items, offered by our Group in our online games at least once; a player who makes more than one purchase in such period is counted once only
"registered player"	a player becomes a registered player when such player (i) enters any of our Group's web-based games the first time, or (ii) has downloaded any of our Group's mobile games onto any mobile device and enters such game on such mobile device the first time
"SDK"	software development kit
"Spark"	a calculation engine designed for massive data processing
"penetration rate"	penetration rate refers to penetration rate of certain applications, which equals the number of active devices on which the application installed divided by total number of active devices where active device refers to a device that connects to the Internet at least once in the track period

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", "wish" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business operations and prospects;
- our ability to enhance our existing games and launch new games;
- our ability to attract and retain our users;
- our ability to maintain and strengthen our relationship with distribution platforms and payment channels;
- our ability to attract and retain qualified employees and key personnel;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- changes to regulatory environment, policies, operating conditions and general outlook in the industry and markets in which we operate;
- our ability to control or reduce costs;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors;

- certain statements included in the section headed "Financial Information" in this document with respect to operations, margins, overall market trends, risk management and exchange rates; and

- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

By their nature, certain disclosure relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors."

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

You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your investment.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (1) risks relating to our business and industry, (2) risks relating to China, (3) risks relating to our Structured Contracts, and (4) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We derived a majority of our revenue over the Track Record Period from our signature game, Fight the Landlord. Our revenue could decline significantly if this game loses popularity among our players.

Historically, we have strategically focused on the development of certain classic card and board games and a limited number of our most popular games, in particular our signature card game, Fight the Landlord (鬥地主), have contributed a significant majority of our total revenues. Fight the Landlord contributed 79.9%, 84.4%, 93.1% and 88.0% of our total revenue for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. We cannot guarantee that this game will continue to remain popular among current players or that we will be able to attract new players to play. Our players may lose interest in our version of this game or may become more interested in versions offered by our competitors who may be able to devote more resources to development than we can to introduce new features and functions to enhance game experience. We might need to devote significant time and resources to provide updates of this game to retain current players and attract new players. If we experience any decline in the number of paying or non-paying players of this game, or in ARPPU of this game due to competition, changing player preferences and/or our inability to update and enhance the game in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to develop and successfully launch new games to expand our revenue sources, our business may be materially and adversely affected.

In order to increase our revenue, expand our game portfolio, diversify our sources of revenue to increase our competitiveness and mitigate risk of relying too heavily on a single game, we are actively looking to develop and launch new quality games. We cannot assure you that we will be able to develop or launch new games on a timely basis or that the games we do launch will be successful in attracting a dedicated player base or converting non-paying players into paying players. Our ability to successfully launch new games that are profitable and attractive to our current player base or are able to attract new players to expand our player base depends on a number of factors including our ability:

- to anticipate, identify and respond to market trends;
- to identify, analyze and respond to changes in player habits and preferences;
- to strengthen our technology infrastructure to support game development;
- to attract and retain talented employees with strong research and operation skills;
- to successfully promote new games;
- to effectively deal with player complaints and system malfunctions; and
- to operate new games effectively and profitably.

If we encounter any significant issues in any of the above aspects, our business and results of operation may be materially and adversely affected.

If we fail to retain and increase our player base, our business and growth may not be sustainable.

As of June 30, 2018, we had approximately 289.9 million cumulative registered users and 27.9 million MAU. Our ability to grow our player base is crucial for us to sell more virtual items, advertise effectively and profitably and to get sufficient data to analyze player tastes and preferences, and is the foundation to the success of our business. We must retain our existing players and attract more new players to support consistent growth of our business and realize efficient monetization. This requires us to release new games with high quality and attractiveness, provide updates and new features and functions for existing games and consistently improve player experience. If we are unable to launch new games that match players' taste and preferences, or if we fail to provide timely updates for our existing games, especially our most popular games, to retain existing players, or if we are unable to introduce new features and functions and improve system operation and player communication, we may lose our players.

We cannot guarantee that the new games we launch will gain popularity within a short period of time, or at all. Neither can we guarantee that our existing games will retain current levels of popularity among our players. Players may lose interest in our games and become more interested in games developed by our competitors for various reasons many of which are out of our control. There might be change of trends in the gaming industry which adversely affects our popular games, adverse change of regulatory system or policies or competitors with more resources and better reputation entering into the market. All of these may result in a decrease of our player base and our results of operation may be materially and adversely affected.

We rely on various game distribution platforms to distribute our games, and our business may be materially and adversely affected if we are unable to maintain our relationship with them, if such distribution platforms lose popularity among Internet users or if access to them is limited by laws and regulations.

We utilize various third-party game distribution platforms, including major social networking websites, such as WeChat, major online app marketplaces, such as Apple Inc.'s App Store, major telecommunications carriers, such as China Mobile, China Telecom and China Unicom as well as top tier mobile manufacturers, such as Huawei, Vivo and Oppo, for the distribution and promotion of our games and the collection of proceeds from in-game purchases. See "Business – Game Distribution Platforms."

These game distribution platforms have strong bargaining power in dealing with game developers like us. We are subject to their standard service terms and conditions with regard to the promotion, distribution, operation and payment methods for our games. Our business may be materially and adversely affected if these game distribution platforms discontinue or limit our access to their platforms, fail to effectively promote our games or otherwise fulfill their contractual obligations, establish more favorable relationships with one or more of our competitors, or do not obtain or maintain the licenses needed to distribute our games.

Disputes with our game distribution platforms, such as disputes relating to game intellectual properties, liability limitations, risk allocation or revenue sharing arrangements, may also arise from time to time, and we cannot assure you that we will be able to resolve such disputes amicably or at all. If our collaboration with a major game distribution platform terminates for any reason, we may not be able to find a replacement in a timely manner or at all, and the distribution of our games may be adversely affected. Any failure to maintain a stable business relationship with a sufficient number of popular platforms could cause the number of our game downloads to decrease, which would have a material adverse effect on our business, financial condition and results of operations.

In addition, we have benefited from the widely recognized brand names and large player bases of certain of our game distribution platforms. If any of them lose their market position or otherwise fall out of favor with users, or any other factor causes their player base to stop growing or shrink, or if any of them fail to perform their contractual obligations to us, we would need to identify alternative platforms for marketing, promoting and distributing our games, which, if available at all, would consume substantial resources and could adversely affect our business.

Access to these platforms may also be limited by laws and regulations or governmental agencies. In recent years, there has been rising concerns on negative social impact of various online platforms, including gaming platforms, on players, especially young players. Laws and regulations may be enacted to limit access to these distribution platforms and governmental agencies may conduct regular supervision on related activities. Our access to these platforms may be blocked if these platforms operate in a way contravening the applicable laws and regulations or if the governmental agencies identify potential issues and order temporary or longer suspension of such platforms.

If we had to find new distribution platforms due to any of the aforesaid reasons, we would need to invest significant time and resources and our business and results of operations could be materially and adversely affected.

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

During the Track Record Period, we generated a significant majority of our revenue from our mobile games. As all of our games use a Free-to-Play model, we generate revenue primarily from the sale of virtual units and other virtual items. Consistent with industry norms, only a relatively small portion of users who play our games within a certain period are paying users. In the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, average MPU for our games were approximately 0.7 million, 1.4 million, 1.4 million and 1.3 million, respectively, representing approximately 9.8%, 11.5%, 6.3% and 4.6% respectively of the average MAU for the same periods. As a result, the numbers of our cumulative registered users and average MAU do not necessarily indicate our actual and potential revenue generating capabilities. Our sustainable revenue growth, therefore, largely depends on our ability to effectively monetize our player base by converting non-paying users into paying users.

Our users are willing to pay for virtual units or items in the games because of their perceived value, which is dependent on the in-game benefits such units and items confer upon the users. Spending in our games is discretionary and our users can be sensitive to the price, restricting our ability to convert non-paying users to paying users. To stimulate in-game spending, we need to continue to launch new games or new features and functions for existing games to drive user interest. We must also provide easy, fast and safe payment solutions to our users to facilitate in-game purchases so that they are not discouraged or inconvenienced by online payment processing procedures. We cannot guarantee that our payment system will operate consistently in an efficient way or that our competitors will not invest more resources to design better systems that are more attractive to our players. If we are unable to monetize our users, our revenues and profit margin will be materially and adversely affected.

Our data analysis capabilities are crucial to our business, and any adverse impact on such capabilities would materially affect our business and results of operation.

Our data analysis capabilities are essential to our business. We assess our business performance using a set of key performance indicators, such as MAU, DAU, MPU and ARPPU. However, collecting accurate data is subject to various limitations. For example, we may be unable to verify the data collected from third parties, including distribution platforms, payment channels, advertisers or other industry organizations. Therefore, the key performance indicators we use may not always reflect our actual performance, and we cannot assure you that we will be able to capture accurate user information in the future. Similarly, we may incorrectly assess our key performance indicators and in turn make incorrect operational and strategic decisions. Failure to capture accurate data or an incorrect assessment of this data may adversely affect our ability to form appropriate business strategies, which in turn may adversely affect our results of operation.

In addition, we cannot assure you that our data will not be damaged or lost due to technical errors, security breaches or hacking incidents. Nor can we assure you that our data analysis methodology will be as effective as expected and continue to capture the latest market trends and user preferences.

We also rely on our data analysis to direct our game operation and increase effectiveness of advertising. If we are unable to collect sufficient and accurate data and conduct proper assessment of these data, our ability to advertise effectively and profitably will be affected, which in turn would adversely affect our results of operation.

If any of the foregoing occurs, our business, financial condition and results of operation may be materially and adversely affected.

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

We launched our first online game in 2013. Although we experienced significant growth in the number of registered players, MAU, and revenue over the Track Record Period, we have a limited operation history to evaluate the viability and sustainability of our business. Our growth rate during the Track Record Period should not be considered indicative of our future performance. Instead, you should consider our future prospects in light of the risks and uncertainties regarding our ability to:

- manage our expanding business, including attracting and retaining talented employees;

- continue to release new games and enhance existing games to attract and retain players and increase paying players and ARPPU;

- maintain and strengthen our collaboration with game distribution platforms to deepen the penetration in existing markets and expand into new markets in China; and

- anticipate and adapt to evolving player preferences, industry trends, market conditions and competition.

If we fail to successfully address any of these risks and uncertainties, our business, financial condition and results of operations may be materially and adversely affected.

The online game industry is a rapidly evolving industry with unpredictable regulatory prospects, low entry barriers and fierce competition, which makes it difficult to evaluate our business and financial prospects.

The online game industry in China is rapidly evolving. Our future results of operations will depend on a number of factors affecting the online game industry, many of which are beyond our control, including:

- continued growth in the adoption and use of social networks such as WeChat and Sina Weibo;

- changes in user demographics and user tastes and preferences; the number of new players entering the online game industry;

- changes in regulatory environment; and

- general economic conditions, particularly as they affect discretionary user spending.

Our ability to plan for game development, distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of our existing and prospective users as well as in the regulatory system. Other forms of entertainment may emerge and become popular at the expense of online games. A decline in the popularity of online games in general, or our games in particular, would harm our business and prospects.

The online game industry's relatively low entry barriers result in easy access by new market players and increasing competition. During the Track Record Period, there have been an increasing number of new competitors entering into the online game industry and we expect the trend to continue in the foreseeable future. Numerous new games, updates and other new concepts/types of games will emerge and compete with our games and products. Our limited game portfolio and the reliance on a limited number of card and board games make it difficult for us to compete with others which have broader portfolio and more resources. If we fail to expand our portfolio and retain our player base, our financial results may be materially and adversely affected.

If we fail to manage potential risks relating to our payment channels, our operation and financial results may be adversely affected.

We primarily utilize third-party payment channels, including online payment channels such as WeChat and Alipay and major mobile carriers in the PRC, to facilitate in-game purchases of virtual units and other virtual items. Any interruption in the ability of our users to use these and other third-party payment systems could adversely affect our payment collection, and in turn, our revenue. Secured transmission of private and confidential information, including credit card numbers and personal information, is essential for us to maintain our player confidence in us and our games. We also rely on the stability of such payment transmissions to ensure the uninterrupted payment services available to our players. We do not have control over the security measures of third-party online payment channels. If any of these third-party online payment channels fails to process, or ensure the security of, player payments for any reason, our reputation will be damaged and we may lose our paying users and discourage the potential purchases, which in turn, will materially and adversely affect our business, financial condition and prospects.

We rely on a limited number of payment channels to collect our revenues, making us more vulnerable to collection risks if one or more of these third-party payment channels become unable or unwilling to share the proceeds they receive with us, if our relationship with any of our major payment channels deteriorates or terminates, or if any of them experience a decrease in their business generally or an increase in non-payment from users. If any of the foregoing occurs, or if we need to find new payment channels to replace any of our current major payment channels, our business and results of operation could be materially and adversely affected.

Furthermore, our payment channels are subject to various laws and regulations regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted in a way that adversely affect their compliance. If our payment channels experience any non-compliance incidents, they may be subject to fines and higher transaction fees and even lose their ability to accept online payments from our users, which in turn would materially and adversely affect our ability to monetize our users.

We face competition within the broader entertainment industry and our existing and prospective users may be attracted to competing forms of entertainment such as client and console games, television, movies and sports, as well as other entertainment options on the Internet.

A vast variety of entertainment options are available to our users. Other forms of entertainment, such as client and console games, television, movies, music, electronic books, sports and other entertainment options on the Internet, may be more attractive to our users due to their better user experience such as greater variety, affordability, interactivity and enjoyment. These other forms of entertainment compete for the discretionary time and income from our users. Although we have devoted significant time, resource and capital to developing technologies that enhance player experience, we cannot guarantee that our future games and

products will be compatible with our current game offerings, fit into our business models, or become popular among our users. If we are unable to sustain sufficient interest in our games and products in comparison to other forms of interactive entertainment, we may lose our users and our player base, which is the foundation of success of online games, may suffer substantive decrease and our financial results may be materially and adversely affected.

Any failure, malfunction or significant interruption in our network infrastructure could adversely impact our operations and harm our business.

The stable operation and performance of our network infrastructure and technology system are essential for our operations in that it ensures smooth game functioning and uninterrupted player experience. Our infrastructure, however, may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, such as increasing pressure on our servers and networks, network disruption of our third party partners such as telecommunications carriers, Internet viruses or hacking or other attacks on our infrastructure, and damage or interruption as a result of natural disasters.

We cannot assure you that we will be able to maintain adequate disaster recovery systems, effectively address capacity constraints, upgrade our systems as needed and continue to develop our technology and network architecture to accommodate increasing traffic. If we are unable to achieve any of these targets, our business and results of operations may suffer.

Violations of our game policies may adversely affect the gameplay experience of our players and our ability to grow revenue and maintain our brand reputation.

We have established game policies against unauthorized and inappropriate activities such as transfer of virtual items and cheating practices. However, unrelated third parties may develop cheating practices that enable users to exploit vulnerabilities in our games or obtain unfair advantages over other users who play fairly. In addition, unrelated third parties may attempt to scam our users with fake offers for virtual items or other in-game benefits.

We have game policies in place which impose sanctions upon user accounts found to have engaged in suspicious transactions of virtual items directly or through unauthorized third parties, including suspension and permanent termination of accounts. We have also employed measures to discover and disable unauthorised practices and activities. However, we cannot assure you that we can completely prevent any such unauthorized activities. If any unauthorized activities occur, our operations may be disrupted, our reputation may be damaged and users may quit our games, which in turn may cause legal claims, losses of revenue from paying users, increased cost of developing technological measures to combat these practices and activities.

If we are unable to obtain, renew, or retain licenses, permits or approvals or to comply with applicable laws and regulations, our operations could be materially and adversely affected.

According to our PRC Legal Advisors, we are primarily required to hold an ICP License and Internet Culture Business License to conduct the business of our PRC subsidiaries. Although we have in the past successfully applied for and renewed such licenses, we cannot assure you that we will not encounter any obstacles in renewal or retention of such licenses. The successful renewal of such licenses is also subject to wide discretion of the relevant authorities which are out of our control. If we fail to retain such licenses or if we are unable to renew them in a timely manner, our operations may be suspended or disrupted and our business and reputation could be materially affected.

In addition, as the laws and regulations relating to the online game industry are evolving, we cannot assure you that there will not be new laws and regulations imposing stricter requirements with which it will be difficult for us to comply in a timely manner or at all. Even if we are able to comply with new requirements, we may need to allocate substantial resources and incur large cost related to such compliance and as a result our financial performance may be materially affected.

If we fail to comply with the laws, regulations and other governmental requirements concerning data privacy, our business could be harmed, and the continual evolution of such obligations could prevent us from providing our current games to our users or require us to modify our games, thereby incurring significant expenses to us.

We process, store and use personal information and other user data. We are subject to laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other user data on the Internet and mobile platforms, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules.

We strive to comply with all applicable laws and regulations relating to privacy and data protection. Any failure or perceived failure by us to comply with our privacy policies, including privacy-related obligations to users or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us and could cause our users to lose trust in us, which could have a material adverse effect on our business. In addition, if third parties we work with, such as users, vendors or developers, violate applicable laws or our policies, such violations may also put our users' information at risk and could in turn have a material adverse effect on our business.

We cannot guarantee that PRC laws and regulations about virtual currency and anti-gambling will not be interpreted in ways that could affect our business.

As set out in the paragraph headed "Regulatory Overview – Regulations on Online Games – Virtual Currency and Anti-gambling", there are certain rules and regulations in the PRC concerning gambling. We believe that our games do not constitute gambling under the definitions of the aforesaid rules, mainly on the basis that our virtual units can only be used in our games, cannot be cashed out or sold/transferred otherwise and have no monetary value outside our games. Nevertheless, we are required to continuously comply with all the relevant laws and regulations. Our PRC Legal Advisors are of the view that we have not violated the Anti-gambling Notice in relation to the provisions on utilizing online games for gambling, and our mobile games do not involve gambling activities prohibited under the Anti-gambling Notice and the Virtual Currency Notice and as at the Latest Practicable Date, none of our games had been challenged or subject to any regulatory actions by any governmental authorities. However, there can be no assurance that the government may not take a contrary view and resulting in our games being deemed as illegal or inappropriate. Any failure, or perceived failure, by us to comply with the above and other regulatory requirements or laws, rules and regulations could result in reputational damages, proceedings or actions against us by governmental authorities. These proceedings or actions could subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and disrupt our business.

Prolonged suspension in the approval and registration process of new online games by the PRC government may adversely affect our business in the long run.

Since March 2018, the PRC government has suspended the approval and registration process of new online games. It is unclear as to whether and when the suspension will be lifted. Such suspension could materially impact the ability of game developers to launch new games. Currently, we do not have application for registration of new games pending for approval. As at the Latest Practicable Date, we had 56 game publication numbers registered for our existing games. Several of our games have been very popular among players and form the foundation of our large user base. According to our consultation with the SART, updates or enhancements of existing games do not need application for game publication numbers provided that such updates or enhancements do not constitute explicit changes in view of the SART and the original name of such game remains exactly the same. See "Business – Our Games – Game Pipeline." Our current development plan and pipeline mainly include enhancements of several of our existing games on condition that the above requirements are satisfied. These enhancements include variations, upgrades, additional functions and effects, and new programming language for playing on different social platform (such as playing the same games on HTML5 platform on WeChat). However, we cannot assure you that regulators will not take a stricter view on updates and enhancements in the future. In addition, if the suspension prolongs, our ability to introduce new games and our business expansion may be adversely affected.

PRC laws regulating players' age and the playing time of online games may adversely affect our business and operations.

In 2007, several governmental authorities, including the GAPP, the MOE and the MIIT, jointly issued a notice requiring all Chinese online game operators to adopt an "anti-fatigue compliance system" in an effort to curb addiction to online games by minors ("**Anti-addiction Notice**"). Under the anti-fatigue compliance system, three hours or less of continuous play is defined to be "healthy", three to five hours is defined to be "fatiguing" and five hours or more is defined to be "unhealthy". Under the anti-addiction compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy," three to five hours is deemed "fatiguing," and five hours or more is deemed "unhealthy". Game operators are required to reduce the value of in-game benefits to an online game player by half if it discovers that the amount of a time an online game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level. On July 25, 2014, the SAPPRFT issued the Notice on Deepening Implementation of Authentication of Real Names for Anti-addiction System on Online Games (關於深入開展網絡遊戲防沉迷實名驗證工作的通知) and effected on October 1, 2014, which specifies that subject to the hardware, technology and other factors, the anti-addiction compliance system applies to all online games excluding mobile games temporarily. The Service Guidance for the Approval of Publishing Domestic Online Games (出版國產網絡遊戲審批事項服務指南) issued by the SAPPRFT on January 12, 2017 further clarifies that, the introduction of the adopted anti-addiction system and the evidential documents of the real-name authentication procedures are required for applying for publishing online games excluding mobile names temporarily. As such, we believe that anti-fatigue compliance system is not a compulsory requirement for mobile games at the moment. However, we cannot assure you that the governmental authorities will not subsequently take a view contrary to our understanding.

In addition, as disclosed in the paragraph headed "Regulatory overview – Regulations on real-name registration and anti-addiction system – real-name registration", pursuant to the Online Game Measures (網絡遊戲管理暫行辦法(2010)) promulgated in 2010 and further amended on December 15, 2017, online game operators shall require online game users to use valid identity documents for real-name registration, and save the users' registration information. Where an online game operator violates the aforementioned requirement, culture authorities or the comprehensive law enforcement agency for cultural market at county level or above may order it to make correction, and impose a fine up to RMB20,000 for each game in operation depending on the seriousness of the circumstances. We are in the process of implementing real-name registration. However, we cannot assure you that the government authorities will not enforce more stringent requirements which may force us to implement real name registration within a short period of time or which may otherwise adversely affect the game experience of our players and thus our operations.

Unauthorized use of our intellectual properties by third parties and the potential expenses we may incur in defending against infringement may adversely affect our business and operation.

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual properties critical to our business operations. We rely on trademark and copyright laws, trade secret protection, restrictions on disclosure, and other agreements that restrict the use of our intellectual properties to protect our intellectual properties. Our employees are generally required to sign propriety and confidentiality agreements pursuant to which they assign to us any ownership rights that they may claim and agree to keep confidential the intellectual properties to which they have access during their employment with us. In addition, our agreements with distribution platforms and payment channels prohibit unauthorized use of our intellectual properties. Despite the measures we take to protect our intellectual properties, third parties may obtain and use our intellectual properties without our consent and it might be difficult for us to police such unauthorized activities in a timely manner. The validity, enforceability and scope of protection of intellectual property in Internet-related industries in China is uncertain and still evolving. In particular, the laws and enforcement procedures in China do not protect intellectual properties to the same extent as do the laws and enforcement procedures of other developed countries. Unauthorized use of our intellectual properties by third parties and the expenses we may incur in protecting our intellectual property rights may materially and adversely affect our business and financial results.

Third parties may claim that we infringe their intellectual properties, which could materially harm our reputation and require us to incur significant expenses.

Despite our efforts to comply with laws and regulations relating to intellectual property protection, we may be subject to legal proceedings and actions from third parties from time to time in the ordinary course of our business relating to the intellectual property rights of third parties. Any such proceedings or actions or claims, with or without merit, could be costly and distract our management from day-to-day operations. If we fail to successfully defend against such claims or do not prevail in such proceedings, we could be required to modify, redesign or cease operating certain of our games, pay damages, or enter into royalty or licensing arrangements. Any royalty or licensing arrangements that we may seek in such circumstances may not be available to us on commercially reasonable terms or at all. Also, if we acquire technology to include in our products from third parties, our exposure to infringement actions may increase because we must rely upon these third parties to verify the origin and ownership of such technology. This exposure to liability could result in disruptions to our business that could materially and adversely affect our results of operations.

In addition, some of our employees were previously employed at other companies, including our current and potential competitors. To the extent these employees are involved in the development of content or technology similar to ours at their former employers, and if they mistakenly or wrongfully utilise the intellectual property rights of their ex-employers, we may become subject to claims that these employees or we have appropriated proprietary information or intellectual properties of the former employers of our employees. If we fail to successfully defend against such claims, we may be exposed to liabilities which could have a material adverse effect on our business and reputation.

We rely heavily on our key employees and our ability to attract and retain talented employees.

Our senior management team and other key employees are the foundation of our success. In particular, we rely on the expertise and experience of Mr. Ye and Mr. Yang, our chief executive officer and chief technology officer, respectively, who together with other members of our senior management team, have formulated our strategies and been instrumental to our achievements to date. For the biographical details of Mr. Ye, Mr. Yang and our senior management members, please see "Directors and Senior Management" in this document. The loss of senior management members or several of our other key employees could impair our ability to operate and impede the execution of our business strategy. We may not be able to replace such persons within a reasonable period of time or at all with another person of equivalent expertise and experience, in which case our business may be severely disrupted and our financial condition impaired.

Our continued success will also depend on our ability to attract and retain qualified personnel, especially talented research and development employees. Qualified and talented candidates are scarce and in high demand and, as a result, competition for these individuals is intense. Our competitors may offer more competitive compensation to talented candidates, and we may incur significant expenses in matching the most competitive offers in the market and as a result our operation and financial results could be adversely affected. Our failure to attract and retain qualified personnel could have a negative impact on our ability to maintain our competitive position and to grow our business.

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

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

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

Under the relevant PRC laws and regulations, we are required to make social insurance fund contributions for and on behalf of our employees. During the Track Record Period, we did not make in full the social insurance fund contributions for and on behalf of some of our employees. In this regard, we have made additional provision in full in our combined financial statements. The carrying amount of such additional provision amounted to RMB2.9 million as at June 30, 2018. As advised by our PRC Legal Advisers, in respect of outstanding social

insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance funds within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay of contribution; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the social insurance funds. However, we can give no assurance that we will not be subject to any order in the future to rectify such noncompliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

Inappropriate online communications or content made by our users may subject us to potential penalties and liabilities.

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

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

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

We may be exposed to payment delays or defaults from distribution platforms and payment channels, which would adversely affect our cash flow or financial results.

We are exposed to credit risk in relation to our trade receivables. A credit period of 30 to 90 days was generally granted to third-party distribution platforms and payment channels during the Track Record Period and the payments were generally settled by bank transfer. However, there is no assurance that we may be able to receive sales proceeds collected from our users through distribution platforms and payment channels on time. Although we perform on-going credit evaluation of financial conditions on our distribution platforms and payment channels, we cannot assure you that our customers will pay us in full for their purchases in a timely manner or at all in the future. If our distribution platforms and payment channels fail to pay us in full in a timely manner, our financial condition and results of operations may be materially and adversely affected. Please also refer to the section headed "Financial Information – Qualitative and Quantitative Disclosures about Market Risks – Credit Risk" in this document for further details.

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

To continue our growth and further expand our business, we plan to explore international markets and attract more users, especially overseas Chinese users. Expanding into international markets will require us to partner with game publishers and distributors in those markets to localize and adapt our games for local users. We expect to allocate certain resources to acquire local resources and increase our game offerings in more language versions. Our ability to expand our business and attract users in select overseas markets requires considerable management attention and resources and is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Our plans to operate in overseas markets may subject us to risks that we have not faced before or increase risks that we currently face, including risks associated with:

- identifying appropriate international markets;
- seeking and entering into partnerships with overseas market participants;
- sourcing and customizing games and other offerings that appeal to the tastes and preferences of local users;
- competition from local game companies with significant market share in those markets and better understanding of user preferences;
- protecting and enforcing our intellectual properties;
- currency exchange rate fluctuations; and
- higher costs associated with doing business internationally.

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

We are subject to risks relating to our investments in associate and joint venture.

We have in the past and may in the future invest in other businesses. During the Track Record Period, we made investments in associate and joint venture which were recorded as our investments in an associate and a joint venture in our financial statements. As of December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our investment in an associate was RMB0.8 million, RMB1.3 million, nil and nil, respectively, and our investment in a joint venture were nil, RMB0.6 million, nil and nil, respectively. Our carrying value of our investments in associate or joint venture may be affected by a number of factors such as share of results, impairment, dilution issuance of equity securities and currency translation differences. We recorded share of losses of an associate for RMB9,000, RMB0.5 million, RMB0.9 million and nil for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively, and we recorded share of losses of a joint venture for nil, RMB0.2 million, RMB0.5 million and nil for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, respectively. We recorded impairment loss in respect of our associate and joint venture.

In addition, such investments could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing potential new strategic alliances, any of which may materially and adversely affect our results of operation. We may have little ability to control or monitor the actions of such investee companies and to the extent such investees suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with them.

Our associate and joint venture are private companies and there has been no public market for their equity interests. As such, our equity interests in such investee companies may not be as liquid as other investment products. In particular, we cannot assure you that we will receive cash flow from such investments until dividends from such investee companies are declared and paid.

Preferential tax treatment that we have enjoyed may be changed or terminated.

Under the EIT law, enterprises in China are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Zen-Game Shenzhen was qualified as "Software Enterprise" (軟件企業) in 2015, and entitled to a preferential income tax rate of full exemption for its first two profitable years (i.e. 2015 and 2016), and 12.5% for the three years ending December 31, 2019. Zen-Game Shenzhen was further accredited as "Key software enterprise" (重點軟件企業) for 2017. Accordingly, Zen-Game Shenzhen was entitled to a preferential tax

rate of 10% for the year ended December 31, 2017 and the six months ended June 30, 2018 (subject to annual assessment). For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our effective tax rate was approximately (0.2)%, (0.04)%, 10.4% and 9.6%, respectively. For further information in relation to the preferential tax treatment, see the section headed "Financial Information – Description of Major Components of Our Results of Operations – Taxation – PRC – Income tax". There is no assurance that we will be able to continue to enjoy the income tax incentive described above at the historical level, or at all. Any change, suspension or termination of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operation and cash flows.

RISKS RELATING TO CHINA

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

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

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

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong-incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the EIT Law, effective in January 2008, as amended on February 24, 2017, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a

PRC-resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under an arrangement between China and Hong Kong, effective in January 2007, such dividend withholding tax rate is reduced to 5.0% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25.0% of the equity interest of the PRC company. The Announcement of the SAT on Issues Concerning "Beneficial Owners" in Tax Treaties (國家税務總局關於税收協定中「受益所有人」的有關問題的公告), effective on April 1, 2018, provides certain conditions under which a company cannot be defined as a "beneficial owner" under the treaty, and further provides that an agent or "conduit company" (defined as a company registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management) shall not be deemed a "beneficial owner." If the PRC tax authorities determine that our Hong Kong subsidiary is a "conduit company," we may not be able to enjoy a preferential withholding tax rate of 5% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10.0%.

The EIT Law and its implementation rules also provide that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated the Circular on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational Management (國家税務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), known as Circular 82, and partially amended by the Circular of the SAT on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions (國家税務總局關於依據實際管理機構標準實施居民企業認定有關問題的公告) (the "Circular 9") promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued the Bulletin of the SAT on Printing and Distributing the Administrative Measures for Income Tax on Chinese-controlled Resident Enterprises Incorporated Overseas (Trial Implementation) (國家税務總局關於印發境外註冊中資控股居民企業所得税管理辦法(試行)的公告), known as Bulletin 45, effective in September 2011 and amended on June 1, 2015, October 1, 2016 and June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the

reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general.

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

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

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

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

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

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

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

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

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

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may

not be aware of our violations of these policies and rules until after the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretion in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in China versus other more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to enforce our contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in China may result in diversion of resources and management's attention, and therefore materially and adversely affect our business and results of operations. We cannot predict future developments in the PRC legal system. We may be required to procure additional permits, authorizations and approvals for our operations, which we may not be able to obtain. Our inability to obtain such permits or authorizations may materially and adversely affect our business, financial condition and results of operations.

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

As we expand our China operations, we expect to incur more expenditures denominated in Renminbi, while the net [**REDACTED**] from the [**REDACTED**] and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar may affect the relative purchasing power in Renminbi terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

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

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

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

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

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

PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China shall obtain approvals from or make record filings with the MOFCOM or its local counterpart and register with the SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the difference between its registered capital and its total investment amount as approved by or registered with the MOFCOM or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the [**REDACTED**] of the [**REDACTED**] to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

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

Pursuant to the Circular 37, which was promulgated by SAFE, and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular 13, which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

We cannot predict how Circular 37 and Circular 13 will affect our business operations or future strategies. For example, the ability of our present and prospective PRC subsidiaries to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 37 and Circular 13 by our PRC resident beneficial holders. In addition, as we have little control over either our

present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under Circular 37 and Circular 13 in a timely manner or at all. Failure of our present or future Shareholders who are PRC residents to comply with Circular 37 and Circular 13 could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

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

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

In October 2017, the SAT issued the Notice on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source (國家税務總局關於非居民企業所得税源

泉扣繳有關問題的公告) (the "**SAT Notice 37**"), which was amended on June 15, 2018. The SAT Notice replaced the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) (the "**SAT Notice 698**"), issued by the SAT on December 10, 2009, and partially replaced and supplemented rules under the Notice on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "**SAT Notice 7**"), issued by the SAT on February 3, 2015.

Under the SAT Notice 7, if a non-resident enterprise transfers its shares in an overseas holding company, which directly or indirectly owns PRC taxable properties, including shares in a PRC company, via an arrangement without reasonable commercial purpose, such transfer shall be deemed as indirect transfer of the underlying PRC taxable properties. Accordingly, the transferee shall be deemed as a withholding agent with the obligation to withhold and remit the enterprise income tax to the competent PRC tax authorities. Factors that may be taken into consideration when determining whether there is a "reasonable commercial purpose" include, among other factors, the economic essence of the transferred shares, the economic essence of the assets held by the overseas holding company, the taxability of the transaction in offshore jurisdictions, and economic essence and duration of the offshore structure. The SAT Notice 7 also sets out safe harbors for the "reasonable commercial purpose" test.

In the case of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and may consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to immovable properties located in the PRC or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 20% would apply, and the party who is obligated to make the transfer payments has the withholding obligation.

Pursuant to the SAT Notice 37, the withholding agent shall declare and pay the withheld tax to the competent tax authority in the place where such withholding agent is located within seven days from the date of occurrence of the withholding obligation, while in the event that the withholding agent fails to withhold the tax due or withhold the tax due in full, the transferor is required to declare and pay such tax to the competent tax authority within the statutory time limit according to the SAT Notice 7. Late payment of applicable tax will subject the transferor to default interest. Both the SAT Notice 37 and the SAT Notice 7 do not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of the SAT Notice 37 or previous rules under the SAT Notice 7. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, or the sale of the shares in our offshore subsidiaries or investments. Our Company may be subject to filing obligations or taxes if our Company is the transferor in such

transactions, and may be subject to withholding obligations if our Company is the transferee in such transactions, under the SAT Notice 37 and the SAT Notice 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist with the filing under the SAT Notice 37 and the SAT Notice 7. As a result, we may be required to expend valuable resources to comply with the SAT Notice 37 and the SAT Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

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

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

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

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

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10.0% is normally

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

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

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

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 3, 2008, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect

on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

Inflation in China could negatively affect our profitability and growth.

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

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

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

RISKS RELATING TO OUR STRUCTURED CONTRACTS

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

Current PRC laws and regulations impose certain prohibitions on foreign ownership of companies that engage in a number of business activities, including value-added telecommunications services, Internet cultural business and other related businesses. In particular, under the Catalogue and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別管理措施(負面清單)), our game operation business falls into the value-added telecommunications service business and is considered "restricted," and our game operation business falls into the Internet cultural services business and is considered "prohibited."

To comply with PRC laws and regulations, we conduct substantially all of our business in China through our PRC Operating Entities based on the contractual arrangements under the Structured Contracts, which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of the PRC Operating Entities; (ii) receive substantially all of the economic benefits from the PRC Operating Entities in consideration for the services provided by Tiantianlaiwan; and (iii) have an exclusive option to purchase all or some of the shares in Zen-Game Shenzhen and assets of Zen-Game Shenzhen from the Registered Shareholders, at a nominal price when and to the extent permitted by PRC law. Because of these Structured Contracts, we are the primary beneficiary of the PRC Operating Entities and combine their results of operations into ours. Our PRC Operating Entities hold the licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that our Structured Contracts do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or our PRC Operating Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM, the MIIT, the MCT and the SART, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses; discontinuing or restricting our operations;

- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;

- imposing conditions or requirements with which we or our PRC Operating Entities may not be able to comply;

- requiring us or our PRC Operating Entities to restructure the relevant ownership structure or operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;

- restricting or prohibiting our use of the [**REDACTED**] from the [**REDACTED**] or other of our financing activities to finance the business and operations of our PRC Operating Entities; or taking other regulatory or enforcement actions that could be harmful to our business.

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

The Structured Contracts may not be as effective in providing operational control as direct ownership. Zen-Game Shenzhen may fail to perform its obligations under the Structured Contracts.

Due to the PRC restrictions or prohibitions on foreign ownership of companies engaging in value-added telecommunications services and internet cultural services and other related businesses in China, we operate our business in China through our PRC Operating Entities, in which we have no ownership interest. We rely on a series of Structured Contracts by and among Tiantianlaiwan, Zen-Game Shenzhen and the Registered Shareholders to control and operate such business. These Structured Contracts are intended to provide us with effective control over our PRC Operating Entities and allow us to obtain economic benefits from them. For more details on these Structured Contracts, see "Structured Contracts" in this document.

Although we have been advised by our PRC Legal Advisers that our Structured Contracts constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Structured Contracts may not be as effective in providing control over our PRC Operating Entities as direct ownership. If Zen-Game Shenzhen fails to perform its obligations under the Structured Contracts, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Structured Contracts are governed by and interpreted in accordance with PRC laws, and disputes arising from these Structured Contracts will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how Structured Contracts in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Structured Contracts. In the event we are unable to enforce these Structured Contracts or we experience significant delays or other obstacles in the process of enforcing these Structured Contracts, we may not be able to exert effective control over our PRC Operating Entities and may lose control over the assets owned by our PRC Operating Entities. As a result, we may be unable to combine our PRC Operating Entities in our combined financial statements, our ability to conduct our business may be negatively affected.

We may lose the ability to use and enjoy assets and licenses held by Zen-Game Shenzhen and its subsidiaries and branch company that are material to our business operations if Zen-Game Shenzhen or any of its subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Zen-Game Shenzhen and its subsidiaries and branch company hold certain assets and licenses that are important to our business operations. Our Structured Contracts with Zen-Game Shenzhen and the Registered Shareholders contain terms that specifically obligate the Registered Shareholders to ensure the valid existence of Zen-Game Shenzhen and Zen-Game Shenzhen may not be voluntarily liquidated. However, if the Registered Shareholders breach this obligation and voluntarily liquidate Zen-Game Shenzhen, or should Zen-Game Shenzhen or any of its subsidiaries and branch company declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations which could materially and adversely affect our business, financial condition and results of operations.

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

Our control over our PRC Operating Entities is based upon the Structured Contracts with Zen-Game Shenzhen and the Registered Shareholders. Zen-Game Shenzhen is a direct holder of the equity interest of our PRC Operating Entities and the ultimate beneficial owners of the Registered Shareholders, are also shareholders of our Company. The Registered Shareholders or their ultimate beneficial owners may potentially have conflicts of interest with us or breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts arise between us on the one hand, and Zen-Game Shenzhen or our PRC Operating Entities on the other hand, the Registered Shareholders or their ultimate beneficial owners will act completely in our interest or that the conflicts will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings. If we are unable to resolve such conflicts, including if the Registered Shareholders breached their contracts or undertakings with us and as a result or otherwise we are subject to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

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

Background of the Draft Foreign Investment Law

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

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

Once an entity is determined to be an FIE, it will be subject to the foreign investment restrictions or prohibitions set forth in a Catalog of Special Administrative Measures, which is classified into the Catalog of Prohibitions and the Catalog of Restrictions, to be separately issued by the State Council later. Foreign investors are not allowed to invest in any sector set forth in the Catalog of Prohibitions.

However, unless the underlying business of the FIE falls within the Catalog of Restrictions or Catalog of Prohibitions, which calls for market entry clearance by the MOFCOM, prior approval from governmental authorities as mandated by the existing foreign investment legal regime would no longer be required for establishment of the FIE.

Impact of the Draft Foreign Investment Law on the Structured Contracts

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

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

Potential Consequences for our Group

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

Our exercise of the option to acquire the shares in Zen-Game Shenzhen may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the option under the Structured Contracts.

We may incur substantial cost on our part to exercise the option to acquire the equity interest in Zen-Game Shenzhen. Pursuant to the Exclusive Call Option Agreement, Tiantianlaiwan or its designated purchaser has the exclusive right to purchase all or some of the shares of Zen-Game Shenzhen at the lowest price permitted under the PRC laws and regulations. In the event that Tiantianlaiwan or its designated purchaser acquires the shares of Zen-Game Shenzhen and the relevant PRC authorities determine that the purchase price for acquiring the shares of Zen-Game Shenzhen is below market value, Tiantianlaiwan or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

Our Structured Contracts may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Consultancy and Technical Service Agreement we have with Zen-Game Shenzhen does not represent an arms-length price and adjust Zen-Game Shenzhen's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, the PRC tax authorities may have reason to believe that our subsidiaries or Zen-Game Shenzhen are dodging their tax obligations, and we may not be able to rectify such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for underpaid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We [have applied] to the Stock Exchange for, and [obtained], a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Yang, our executive Director, and Ms. Li Yan Wing Rita, our joint company secretary. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. All of them have confirmed that they possess valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) Our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;

(c) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Guotai Junan Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) Meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

(e) Each Director who is not ordinarily resident in Hong Kong has confirmed that he or she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

JOINT COMPANY SECRETARIES

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

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

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

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

Our Company appointed Mr. Zhang Yong ("**Mr. Zhang**") and Ms. Li Yan Wing Rita ("**Ms. Li**") as joint company secretaries. Ms. Li is a Chartered Secretary, a fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom and a holder of the Practitioner's Endorsement from HKICS. She therefore meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Since Mr. Zhang does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules, he is not able to solely fulfil the requirements of a company secretary of a listed issuer stipulated under the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zhang as our joint company secretary. In addition, Mr. Zhang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. We will further ensure that Mr. Zhang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. The waiver will be revoked immediately if Ms. Li ceases to provide assistance to Mr. Zhang as the joint company secretary during the three years after the [**REDACTED**]. Before the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Mr. Zhang, having had the benefit of Ms. Li's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors and Senior Management" in this document for further information regarding the qualification of Mr. Zhang and Ms. Li.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**].

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Connected Transactions" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Ye Sheng (葉升), *Chairman*	12F, Block D1 Xingheguoji Huayuan Fuhua 3rd Road Futian District Shenzhen PRC	Chinese
Yang Min (楊民)	Flat D, 17/F, Block 21 Laguna Grande Laguna Verde 8 Laguna Verde Avenue Hung Hom, Kowloon Hong Kong	Chinese
Non-executive Directors		
Lin Cong (林蔥)	201, Unit 4, Block 66 4th Residence Changqing Huayuan Dongxihu District Wuhan, Hubei PRC	Chinese
Li Wen (李雯)	Flat A, 16/F, Block 22 Jilian Tower Lianhua Road Futian District Shenzhen PRC	Chinese
Independent Non-Executive Directors		
Jin Shuhui (金書匯)	Flat 101, 41 Lane 276 Tongchuan Road Shanghai PRC	Chinese
Mao Zhonghua (毛中華)	3A, Block 6, Jincheng Huating Luohu District Shenzhen PRC	Chinese
Yang Yi (陽翼)	A306, Zhouzhuan Building Jinan University 601 Huangpu Avenue West Guangzhou PRC	Chinese

Further information of our Directors can be found under the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED

Sole Sponsor

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
(A licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activity under the SFO)

[**REDACTED**]

Legal advisers to our Company

As to Hong Kong laws
Luk & Partners
In Association with
Morgan, Lewis & Bockius
Suites 1902-09, 19/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District,
Beijing,
PRC

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

Legal adviser to the Sole Sponsor [**REDACTED**]	*As to Hong Kong laws* [**REDACTED**]
	As to PRC laws **Dentons** 3/F Block A Shenzhen International Innovation Center 1006 Shennan Boulevard, Futian District Shenzhen PRC
Auditors and Reporting accountant	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Independent industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC
Compliance adviser	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered office	#31 The Strand 46 Canal Point Drive PO Box 2075 Grand Cayman, KY1-1105 Cayman Islands
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Headquarters and principal place of business in the PRC	Rooms 1304-06 Changhong Science and Technology Mansion Keji South 12 Road Science and Technology Park Nanshan District, Shenzhen PRC
Joint company secretaries	Mr. Zhang Yong (張勇) 2D, Block B, Fenglinzuoan Nonglin Road, Futian District Shenzhen PRC Ms. Li Yan Wing Rita (李昕穎) *(FCIS, FCS(PE))* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Yang Min (楊民) Ms. Li Yan Wing Rita (李昕穎)
Audit committee	Mr. Jin Shuhui (金書匯) *(Chairman)* Mr. Mao Zhonghua (毛中華) Mr. Yang Yi (陽翼)
Remuneration committee	Mr. Yang Yi (陽翼) *(Chairman)* Mr. Ye Sheng (葉升) Mr. Mao Zhonghua (毛中華)
Nomination committee	Mr. Ye Sheng (葉升)*(Chairman)* Mr. Mao Zhonghua (毛中華) Mr. Yang Yi (陽翼)

[**REDACTED**]

Principal banker	**China Merchants Bank** **Shenzhen Branch** **(Shidai Square Sub-branch)** 1st Floor, Zhuoyue Shidai Square 4068 Yitian Road Futian Central District Shenzhen PRC
Company website	**http://www.zen-game.com** ***(Note: The contents of this website do not form part of this document)***

This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *or any of their affiliates or advisers, nor any other parties involved in the* [**REDACTED**] *(other than Frost & Sullivan), and no representation is given as to its accuracy. The Directors believe after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the Frost & Sullivan Report which maybe qualify, contradict or have an impact on the information in this section.*

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the mobile game market in the PRC for the period from 2013 to 2022. We paid Frost & Sullivan a fee of RMB500,000, which we believe reflects market rates for reports of this type.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the mobile game market in the PRC for prospective investors. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the mobile game market in the PRC. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period from 2018 to 2022. In addition, Frost & Sullivan has developed its forecast on the bases and assumptions that the mobile game market in the PRC is expected to grow based on the key industry drivers including improving 4G network and growing demand for accessing entertainment activities via mobile devices.

ABOUT FROST & SULLIVAN

Founded in 1961, Frost & Sullivan has 49 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s.

DIRECTOR'S CONFIRMATION

Our Directors have confirmed that after taking reasonable care, there is no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF MOBILE GAME MARKET IN THE PRC

Definition

Mobile games refer to games that can be installed on mobile phones and tablets.

With the increasing penetration rate of smart phones and mobile internet in the PRC, mobile games have become a key part of online games activities.

Classification of mobile games

Mobile games can be classified into different types based on game genre.

Generally, mobile games can be segmented into the following classifications: (i) hard core games (mainly including RPG, SIM/SLG and ACT) and (ii) causal mobile games (generally including card and board games, endless running, matching puzzle games, collective card games, sports games and others). Of the game types mentioned:

(i) an RPG (role playing game) is a game in which users assume the roles of characters in a fictional setting.

(ii) an SIM/SLG (simulation game) is a game designed to closely simulate real world activities such as construction, business management, real life, etc.

(iii) an ACT (action game) is a game where eye coordination and reaction-time is emphasized.

(iv) a CCG (collectible card game), also known as TCG (trading card game), is a game in which players acquire cards into a personal collection from which they create customized decks of cards and challenge other players in matches by crafting customized decks in virtue of the synergies of card combinations.

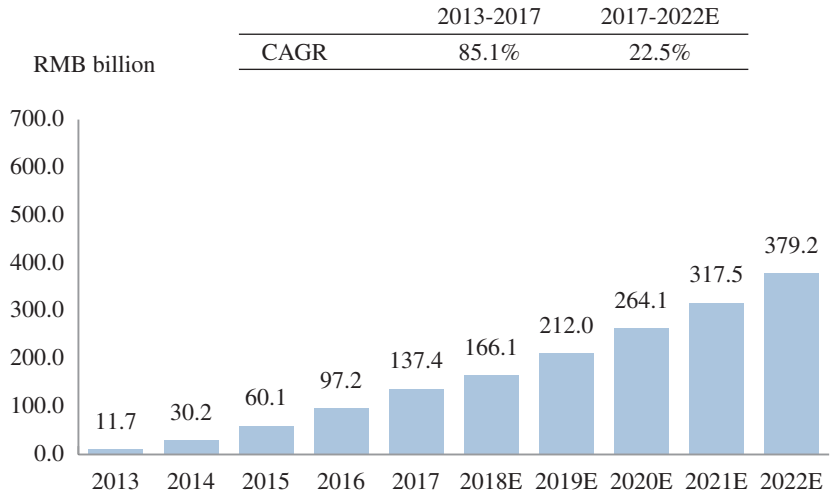
(v) a sports game is a game that simulates the practice of sports. It usually has similar rules as real world sports.

Market size of mobile game market in the PRC

With increasing disposable income sustained by the stable macro-economic environment in the PRC, people are increasingly willing to spend more money and time on entertainment and leisure activities. Meanwhile, the popularity of electronic devices has enabled and facilitated users to access mobile digital games during their leisure time.

The size of mobile game market in the PRC has achieved vigorous growth from approximately RMB11.7 billion in 2013 to approximately RMB137.4 billion in 2017, representing a CAGR of approximately 85.1% and is expected to continue to grow to approximately RMB379.2 billion in 2022, representing a CAGR of approximately 22.5% from 2017.

Market size of mobile game market in the PRC, by revenue, 2013-2022E



Source: Frost & Sullivan

Market drivers of the mobile game market

- ***Increasing smartphone penetration***

According to data from the MIIT, the number of 4G users in the PRC exceeded 990 million in 2017 and the number of 4G base stations has quadrupled over the past five years, exceeding 3.2 million stations by the end of 2017. The penetration rate of smart phones in the PRC increased from approximately 77.9% in 2013 to approximately 94.7% in 2017. The increasing smartphone penetration rate allows people to access information and various online entertainment activities including mobile games at any time, thus driving the entire mobile game market.

- ***Needs for social and leisure***

Playing casual games such as card and board games has always been perceived as a good choice to relax especially for people today who are under great pressure brought by fast-paced work and life. As the gameplay of card and board mobile games requires several people, users can both relax and also interact with other game users via instant online chat. The charm of playing games with a group of unacquainted users may maintain users' interest, and allow users to release stress while realizing social connection.

- ***Maturing paying habits for online entertainment activities***

Sustained by rising levels of disposable income per capita in the PRC and increased purchasing power, PRC consumers have been demonstrating growing willingness to pay for entertainment activities, in particular online entertainment activities such as mobile games. For instance, the mobile game market has accumulated a large number of loyal game users which may be reflected by the fact that the number of users who have been playing mobile games for more than three years accounted for approximately 70% of overall mobile game users in 2017. As long-term players have become an increasing percentage of overall players, game users have gradually formed good paying habits, which has become another driving force for the mobile game market.

Market constraints of the mobile game market

- ***Increasing development cost***

As game users continue to expect higher quality of mobile games, development teams consisting of a limited number of game developers are increasingly unable to satisfy such dynamic market demand. Thus, in order to develop games that are in line with the latest market trends, game development companies have to keep expanding their development teams. Moreover, as the development cycle of mobile games is extended, several rounds of testing are typically required before certain types of mobile games are officially published to ensure game quality, and additional team members have to be recruited to support the overall R&D work.

- ***Lower user loyalty***

Users generally play mobile games during fragment time where leisure games that are easy to play are usually preferred. However, due to limited game length and abundant options of leisure games, mobile game companies may find it difficult to retain users among the increasingly fierce market competition and to further improve profitability.

Future trend: Emergence of HTML5 games

In the past year, the Little Program on WeChat has been innovating the mobile internet market by providing easy accesses to various applications, including gaming, without the need to separately download these applications. According to the Frost & Sullivan Report, such web-based games, also known as HTML5 games, are likely to become the new growing point of the entire mobile game market driven by people's demand for more easily accessible, short-period games.

OVERVIEW OF CARD AND BOARD MOBILE GAME MARKET IN THE PRC

Definition

Both card games and board games belong to the category of tabletop games which are defined as games played on a table or any flat surface using cards, dice, miniatures or tiles, etc.

For card games, playing cards are used as the primary game device. A majority of card games are folk games whose rules may vary according to different regions and local cultures. For board games, certain counters or pieces are moved and placed based on a set of rules.

Traditionally, card and board games are physical games played among friends and families for the purpose of entertainment and socializing. With the advancement of internet technology and popularization of mobile phones, an increasing number of card and board mobile games has been developed to cater for people's demand for leisure activities without limitation on space and devices.

Classifications of card and board mobile games

Card games: Classic card games include bridge, poker, UNO and others. Fight the Landlord is a poker-like game with strong Chinese characteristics which is widely popular in the PRC.

Board games: Classic board games include monopoly, chess, Go, Mahjong and others.

Nationwide & local games: Chinese card and board games, can typically be classified into nationwide ones and local ones. "Nationwide" card and board games are games for which a standard set of rules is usually accepted by all players across the country. "Local" card and board games, are games for which there exist a variety of sets of rules, often varying across geographical regions in the PRC.

Differentiation between card and board mobile games and other mobile games

Major differences	Card and board mobile games	Other mobile games
Gameplay	• Both card and board games have pre-set rules that stem from traditional offline card and board games	• Rules and gameplay of other games differ from each other; • Hard core games generally have much complex rules and gameplay compared with casual games; • Gameplay varies across different kinds of games;

Major differences	Card and board mobile games	Other mobile games
Length of single playing time	• Length of single playing time is fixed due to fixed gameplay	• Playing times vary with type of game with other casual games generally having shorter playing times compared with hard core games
Scenario & interface setting	• Comparatively similar for the same types of card and board games	• Scenario and interface designs are uniquely designed for specific game genres
Number of users	• Typical card games such as Fight the Landlord usually requires three users to play together while typical board games such as Mahjong usually requires four users	• For some hard games such as RPG, multiple users may be online simultaneously while a majority of other casual games are single-player games

Generally, card and board mobile games have comparatively large and stable player bases that benefit from the popularity of traditional offline card and board game counter-parts. In addition, according to the Frost & Sullivan Report, compared with other mobile games such as hard core games, card and board mobile games usually have (i) longer life cycles, (ii) more stable MAU, (iii) lower ARPPU and (iv) comparatively shorter but fixed single playing time duration which is mainly due to their existing large and stable player base in the real world and the nature of traditional card and board games that have fixed gameplay rules. Some classic card and board mobile games have high penetration rates among all mobile games. For example, the penetration rate of Fight the Landlord in mobile games was approximately 21.4% and the penetration rate in card and board mobile games was approximately 58.8% at the end of 2017, according to the Frost & Sullivan Report.

Industry value chain analysis

Major types of market participants in the value chain for the card and board mobile game market include:

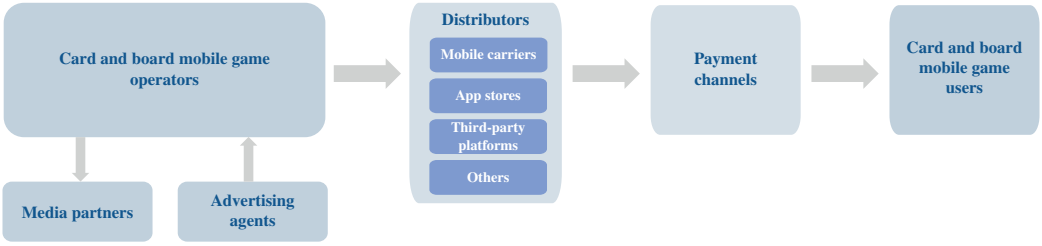
- ***Card and board mobile game operators:*** Unlike a majority of other mobile game genres which are IP-based, card and board mobile games usually do not have substantial IP and thus card and board mobile game operators develop and then publish their self-developed games via their own game platforms or by cooperating with third-party distributors. Card and board mobile game operators may also distribute games from other developers and gain revenue share accordingly.

- ***Distributors:*** Distributors generally comprise mobile carriers, application stores, third-party platforms and other platforms.

- ***Payment channels:*** Payment channels are mainly online third-party payment services providers such as Alipay, WeChat Pay, Apple Pay, mobile carriers and others.

- ***Others:*** Other parties include advertising agents, and some other media partners. Card and board mobile game operators promote games via media partners when game operators cooperate with advertising agents and gain revenue share accordingly.

The diagram below describes the value chain of card and board mobile game market.

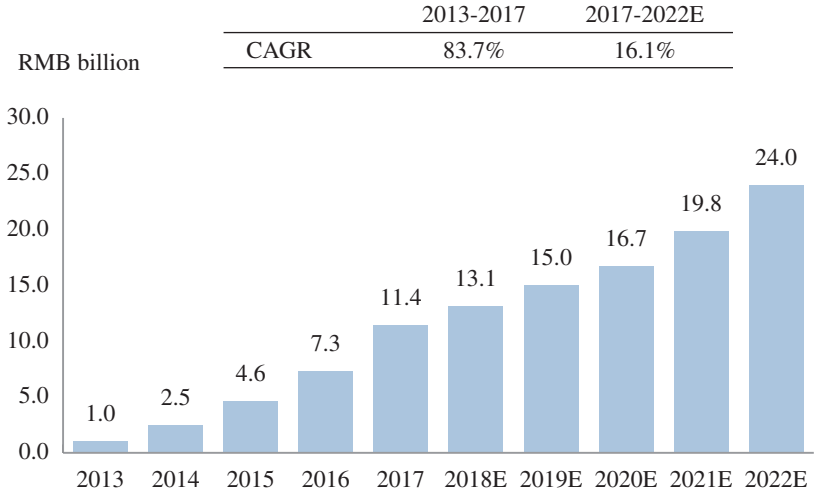


Source: Frost & Sullivan

Market size of the card and board mobile game market in the PRC

According to the Frost & Sullivan Report, the market for card and board mobile games in the PRC experienced significant growth in the recent years, growing from revenue of approximately RMB1.0 billion in 2013 to approximately RMB11.4 billion in 2017, representing a CAGR of approximately 83.7%, and is expected to continue to grow to reach approximately RMB24.0 billion in 2022.

Market size of card and board mobile game market in the PRC, by revenue, 2013-2022E



Source: Frost & Sullivan

Particular opportunities for the card and board mobile game market

In addition to factors affecting the online game market in the PRC in general, the following factors have particular significance for card and board mobile games:

- ***Market expansion in low tier cities***

Benefiting from the rapid development of internet and information technology, the coverage of internet has kept expanding during recent years especially the 4G communication network. According to data from China Internet Network Information Center, number of 4G stations as of the end of 2017 was more than 3.2 million, quadruple the number in 2013, which has laid a solid foundation for people from lower tier cities to get easy access to internet via mobile devices. This represents particular potential for card and board mobile game operators, as potential players in those smaller cities are already familiar with traditional offline card and board games and might transition to online versions more easily.

- ***Localised and tailored games***

As a type of traditional leisure entertainment activity, card and board games enjoy high recognition across the country. However, rules of the same card and board game may vary across different regions. Aiming to explore local markets where huge potential player bases exist, card and board mobile game operators may develop localized versions of games that are in harmony with local cultural characteristics, such as dialects, specific rules and so forth.

Challenges for the card and board mobile game market

- ***Intense competition***

Unlike other types of mobile games such as RPGs that have high game quality requirements in terms of content, game interface design and so forth, entry barriers for card and board mobile games are comparatively lower due to the pre-set nature of basic game rules. Therefore, competition in the card and board mobile game market is intense and the issue of game homogenization may limit user stickiness for card and board mobile game operators in the long run.

Key entry barriers of the card and board mobile game market

- ***Relationship with distribution channels***

Mobile devices suppliers and application stores are the two major channels with which card and board mobile game operators cooperate to distribute and promote their game products. Building a solid and stable business relationship with mobile devices suppliers is strongly linked with research and development capabilities and past experience of card and board mobile game operators, and usually takes a long time. New entrants who have not accumulated rich experience and lack such business resources may find it difficult to build cooperation with channel partners such as mobile devices suppliers and application stores.

- ***Technology know-how***

Card and board mobile games, can be replicated with relative ease and at relatively low cost. Thus, it is of great significance for card and board mobile game operators to have technological capabilities that enable them to keep upgrading game operating systems and maintaining game quality and attractiveness at low cost in order to retain their existing users. However, new entrants who lack distribution platforms and operation capabilities are likely to be confronted with user loss and high operation cost.

- ***Market responsiveness***

Existing market players who have accumulated abundant experience usually have a better understanding of user demand and preferences, based on their analysis of data collected from users over time. They are therefore better able to take timely measures to make in-game adjustments on areas such as game rewards, specific functions and interfaces, among others. Moreover, they are capable of adjusting their strategies with respect to advertising channels to keep up with market dynamics. New entrants, however, may lag behind in their ability to provide corresponding services and products and fail to cater for the changing user needs.

COMPETITIVE LANDSCAPE OF THE CARD AND BOARD MOBILE GAME MARKET

The Group ranked fifth among card and board mobile game market in the PRC as measured by revenue in 2017, taking up a share of 4.0% of the market. Revenue from card and board mobile games accounted for the majority of the total revenue from mobile games in 2017 for each of the top 5 market players listed below except for Competitor A.

	Name of competitors	Games	Estimated revenue from card and board mobile game in the PRC, 2017	Estimated market share, 2017
			(RMB million)	
1	Competitor A	Fight the Landlord, Mahjong, Chess, Texas hold'em, etc	3,062.9	26.8%
2	Competitor B	Fight the Landlord, Mahjong, Fishing, etc	1,813.1	15.9%
3	Competitor C	Fight the Landlord, Mahjong	1,395.8	12.2%
4	Competitor D	Texas hold'em, Fight the Landlord, Mahjong, etc	514.9	4.5%
5	***The Group***	***Fight the Landlord, Mahjong, etc***	***457.4***	***4.0%***
	Top five		7,244.1	63.4%
	Total market size		11,430.6	100.0%

Source: Frost & Sullivan

The table below sets forth the ranking of card and board mobile game market in the PRC as measured by MAU, DAU and ARPPU:

	Name	Estimated MAU 2017 (million)	Estimated DAU 2017 (million)	Estimated ARPPU 2017 (RMB)
1	Competitor A	172.9	40.8	~33
2	Competitor B	47.5	12.6	~30
3	Competitor C	34.7	7.4	30~82
4	***Our Group***	***21.6***	***4.8***	***23-28***
5	Competitor E	18.3	3.2	~31

Source: Frost & Sullivan

In addition, our Group's Fight the Landlord game series ranked third among all the fight the landlord mobile games in the PRC as measured by MAU and DAU in 2017, reaching approximately 17.3 million and 4.2 million, respectively.

The table below sets forth the ranking of fight the landlord mobile games in the PRC as measured by MAU and DAU in 2017:

Fight the landlord mobile game offered by	Estimated MAU, 2017 *(million)*	Estimated DAU, 2017 *(million)*
Competitor A	68.3	23.4
Competitor B	21.7	8.3
Our Group	***17.3***	***4.2***
Competitor F	3.8	1.1
Competitor D	2.8	0.9

Source: Frost & Sullivan.

OVERVIEW OF PRC MOBILE ADVERTISING MARKET

Market size of the PRC mobile advertising market

The market for mobile advertising has increased significantly in recent years. According to the Frost & Sullivan Report, revenue from mobile advertising, driven by the rise in social media, online shopping and other online advertising platforms, increased from approximately RMB10.6 billion in 2013 to approximately RMB219.1 billion in 2017, representing a CAGR of approximately 113.2%. This growth is expected to continue at a somewhat more moderate pace going forward as mobile advertisers will need to provide more personalized content for

low mobile connectivity areas as the market matures. According to the Frost & Sullivan Report, revenue from mobile advertising in the PRC is expected to grow to reach approximately RMB474.3 billion by the end of 2022, representing a CAGR of approximately 16.7% from 2017.

Pricing of the mobile advertising market

There are two basic pricing models for mobile advertising: an exposure-based pricing model and a performance-based pricing model.

The following diagram illustrates the basic pricing models in the PRC mobile advertising market:

	Exposure-based pricing model	**Performance-based pricing model**	
	CPM	**CPC**	**CPA**
Definition	Cost-per-mile The advertiser pays an amount based on the number of impressions exposures of an ad.	Cost-per-click The advertiser is charged only when a user clicks on the ad.	Cost-per-action The advertiser is charged only for completed actions like a realised purchase, download, registration, subscription or lead.
Pros	• High exposure rate • Guaranteed delivery • Lowest cost	• Precise audience targeting • Measurable ROI rate • Immediate and high-quality traffic	• Lowest risk for advertisers • Paying only for performance • Generating sales leads
Cons	• High risk of impression fraud • Lack of customer acquisition	• Risk of bidding wars • Risk of click fraud or fake clicks	• Higher costs • Lack of transparency

Mobile games have become one of the giant advertising platforms for brands, usually charging advertisers based on CPT (cost-per-time) or CPD (cost-per-download) model. There are four common types of ads displayed in mobile games: interstitial ads which are usually full-page ads that appear before a destined webpage, banner ads which are typically rectangular advertisements placed in specific locations on a website, rewarded video which provide users in-app rewards in exchange for watching ads, and offer walls which appear within one's application interface, offering users rewards in exchange for spending money.

Market drivers of the PRC mobile advertising market

- **High mobile broadband penetration**

The advent of mobile devices including smartphones and tablets has substantially improved the mobile broadband experience in the PRC, contributing greatly to the surge in mobile broadband penetration. According to the Report on the Mobile Broadband Penetration in the third quarter of 2017 issued by the BDA (Broadband Development Alliance), mobile broadband penetration in the PRC reached 82.3% in the third quarter of 2017 which exceeded the figures of some developed countries including France, Germany and Canada. According to the Frost & Sullivan Report, the growth in mobile broadband penetration has encouraged both consumers and advertisers in the PRC to allocate an increasing share of their digital expenditures to the mobile market, which further drives the development of the mobile advertising market in the PRC.

- **Location-based mobile advertising**

Thanks to innovations in location intelligence, marketers can now leverage real-time data to better target consumers based on where they go, effectively measure how digital ads drive foot traffic into stores, and even connect the consumer journey from ad exposure to store visit to purchase data. Location-based mobile advertising which uses digital ads that are served through geo-targeting and whose message is customised for a specific user, at a specific moment, in a specific place. offers opportunities for marketers to better target their potential customers with relatively less time and expenditure than more traditional alternatives.

- **Advanced technology**

The mobile advertising market has benefited from big data technology which allows advertisers to release related ads to target users in a more accurate way. Artificial Intelligence technology has further optimised the advertising launch system by integrating various functions including data tracking, data analysis, advertising launching, and feedback monitoring into an integrated platform to enable more efficient monetization of advertising traffic. Such advanced technology is likely to help drive the mobile advertising market in the PRC.

A summary of the main PRC laws, rules and regulations applicable to our current business and operations is set out below.

REGULATIONS ON FOREIGN INVESTMENT

The Wholly Foreign-Owned Enterprises Law of the PRC (中華人民共和國外資企業法) (last amended on September 3, 2016 and came into force on October 1, 2016) and the Implementation Rules on the Wholly Foreign-Owned Enterprises Law of the PRC (中華人民共和國外資企業法實施細則) (last amended on February 19, 2014 and came into force on March 1, 2014) stipulate the establishment procedure of a wholly foreign-owned enterprise ("**WFOE**"), regulations on registered capital, affairs of foreign exchange, accounting practice, taxation and labor service, and other relevant issues. The Decisions by the Standing Committee of the National People's Congress on the Modification of the Wholly Foreign-Owned Enterprises Law of the PRC and Other Four Laws (全國人民代表大會常務委員會關於修改<中華人民共和國外資企業法>等四部法律的決定) issued by the Standing Committee of the National People's Congress (the "**SCNPC**") on September 3, 2016 has modified the procedures of investment by foreign investor in China, so that foreign investor investing in commercial industry which is not under the restriction of special access administrative measures shall make record-filing with the relevant authorities, which replaced the approval process.

In accordance with the Interim Measures on Management of Establishment and Change of Foreign-Owned Enterprises (外商投資企業設立及變更備案管理暫行辦法) last amended by the MOFCOM on June 29, 2018 and became effective on June 30, 2018, if the establishment and changes of foreign-owned enterprises does not involve the special access administrative measures prescribed by the PRC government, the examination and approval process is now being replaced by the record-filing administration process with the relevant local authorities of the MOFCOM.

Foreign Investment Industrial Policy

Investments in the PRC by foreign investors are regulated by the Catalogue, the latest version of which was promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017. The Catalogue is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalogue shall be categorized as the permitted industries for foreign investment. On June 28, 2018, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "**2018 Negative List**"), which was promulgated on June 28, 2018 and became effective on July 28, 2018. According to the 2018 Negative List, the Internet information services that the Company currently offers falls within the scope of value-added telecommunications services (except for e-commerce) and Internet culture businesses (except for music), which are under the "restricted" categories and "prohibited" categories, respectively.

Foreign Investment in Value-added Telecommunications Businesses

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (外商投資電信企業管理規定(2016年修訂)) (the "**FITE Regulations**"), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The FITE Regulations require foreign-invested value-added telecommunications enterprises in China to be established as sino-foreign equity joint ventures, and the ultimate foreign equity ownership in a value-added telecommunications service provider shall not exceed 50%. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications businesses in China shall demonstrate a good track record and experience in operating value-added telecommunications businesses, provided such investor is a major one among the foreign investors investing in a value-added telecommunications enterprise in China. Moreover, foreign investors that meet these requirements shall obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in China.

On March 1, 2017, the MIIT issued the Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Telecommunications Enterprises (外商投資經營電信業務審批服務指南) (the "**Guidance Memorandum**") in the PRC. According to the Guidance Memorandum, if any foreign investor intends to invest in telecommunications business in China, it is required to provide, among other things, its annual reports for the past three years, satisfactory proof of compliance with the qualification requirements and business development plan.

On July 13, 2006, the Ministry of Information Industry of the PRC (the "**MII**", which is the predecessor of the MIIT) released the Notice on Strengthening the Administration of Foreign Investment in Operation of Value-added Telecommunications Businesses (信息產業部關於加強外商投資經營增值電信業務管理的通知) (the "**MII Notice**"), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunications service operator shall be legally owned by that operator (or its shareholders).

Foreign Investment in Internet Culture Businesses

On February 17, 2011, the MOC issued the Interim Measures on the Administration of Internet Culture (互聯網文化管理暫行規定) (the "**Internet Culture Measures**"), which became effective on April 1, 2011 and was last amended on December 15, 2017. Pursuant to the Internet Culture Measures, "Internet culture products" are defined as including the online games specially produced for Internet and games disseminated or distributed through Internet. Provision of Internet culture products and related services for commercial purpose is subject to the approval of the provincial counterparts of the MOC.

The MOC issued the Circular on Implementation of the Newly Revised Interim Measures on the Administration of Internet Culture (關於實施新修訂<互聯網文化管理暫行規定>的通知) on March 18, 2011, which provides that the authorities shall temporarily not accept applications by foreign-invested Internet information services providers for operation of Internet culture businesses (other than music).

Foreign Investment in Online Game Industry

On September 28, 2009, the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (全國"掃黃打非"工作小組辦公室), jointly issued the Notice on the Consistent Implementation of the "Regulation on Three Provisions" of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (關於貫徹落實國務院<"三定"規定>和中央編辦有關解釋,進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) (the "**GAPP Notice**"). Pursuant to the GAPP Notice, foreign investors are prohibited to indirectly control or participate in online game operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign investors.

REGULATIONS ON ONLINE GAMES

Licenses For Value-Added Telecommunications Services

The Telecommunications Regulations of the PRC (中華人民共和國電信條例) (the "**Telecommunications Regulations**"), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provides a regulatory framework for telecommunications service providers in the PRC. The Telecommunications Regulations require telecommunications service providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalogue of Telecommunications Business (電信業務分類目錄), attached to the Telecommunications Regulations, which was lastly amended by the MIIT on December 28, 2015, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services.

On September 25, 2000, the State Council issued the Administrative Measures on Internet-based Information Services (互聯網信息服務管理辦法) (the "**Internet-based Information Services Measures**"), and amended it on January 8, 2011 with effect from the same day. Under the Internet-based Information Services Measures, an entity which intends to engage in commercial internet-based information services (which refers to the activities of compensatory services which provide information to or create web pages for online users through the Internet), shall apply to the administrative organ in charge of telecommunications of provincial level, or to the State Council department in charge of the information industry, for an ICP License.

Online Game Publication

On February 4, 2016, the SAPPRFT and the MIIT jointly issued the Administrative Provisions on Online Publishing Services (網絡出版服務管理規定) (the "**Online Publishing Provisions**"), which became effective from March 10, 2016. Pursuant to the Online Publishing Provisions, the term "online publishing services" refers to the provision of online publications to the public through information networks. The term "online publications" refers to digitized works with characteristics of publishing such as editing, production or processing provided to the public through information networks, which includes games. To engage in online publishing services, an entity shall be approved by the SAPPRFT in accordance with the law and acquire an Online Publishing Services License.

On May 24, 2016, the SAPPRFT issued the Notice on the Administration over Mobile Game Publishing Services (關於移動遊戲出版服務管理的通知) (the "**Mobile Game Notice**"), effective as of July 1, 2016. According to the Mobile Game Notice, Mobile Game Publishing Services refer to the activities of publishing and operating mobile games that are available for the public to download and play online through the information networks. Game publishing service entities shall be responsible for examining the contents of their games, applying for publication and applying for the game publication number. Mobile games joint operation entities, while operating mobile games with joint efforts, shall verify whether such games have gone through all relevant approval formalities and whether relevant information has been displayed clearly, and shall not jointly operate any mobile game that has not been approved, or whose relevant information has not been clearly displayed.

Online Game Operation

Pursuant to the Notice of the General Office of the State Counsel on Distributing Regulations on Main Functions, Internal Organization and Staffing of the General Administration of Press and Publication (National Copyright Administration) (國務院辦公廳關於印發新聞出版總署(國家版權局)主要職責內設機構和人員編制規定的通知) issued on July 11, 2008, the GAPP is responsible for the examination and approval process of online games prior to online publication, while the MOC is responsible for regulating the online game market.

The Internet Culture Measures apply to entities engaging in activities related to "Internet Culture Products" which include cultural products that are produced specifically for Internet use, such as online music and entertainment, online games, online plays, online performances, online works of art and web animation, and other online cultural products that through technical means, produce or reproduce music, entertainment, games, plays and other art works for Internet dissemination. Under the Internet Culture Regulations, commercial entities are required to apply to the relevant local branch of the MOC for an Internet Culture Business License if they engage in the production, duplication, importation, release or broadcasting of online cultural products; the dissemination of online cultural products on the Internet or the transmission of such products via the Internet or mobile phone networks to player terminals, such as computers, phones, television sets and gaming consoles, or Internet surfing service sites such as Internet cafés; or the holding of exhibition or contests related to online cultural products.

On June 3, 2010, the MOC promulgated the Online Game Measures, which came into effect on August 1, 2010 and was further amended on December 15, 2017. The Online Game Measures govern the research, development and operation of online games and the issuance and trading services of virtual currency. Under the Online Game Measures, all operators of online games, issuers of virtual currency and providers of virtual currency trading services are required to obtain an Internet Culture Business License. An Internet Culture Business License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. The Online Game Measures also requires that record filings for domestic online games shall be made with the local culture administrative department within 30 days of the date of their online operation.The competent supervision authority may require the company who fails to comply with this requirement to rectify the non-compliance and impose penalties up to RMB20,000. In addition, the filing numbers of the games shall be displayed at the designated places of the websites on which the games are operated or at a prominent place in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games.

The Online Game Measures also require online game operators to protect the interests of online players and specify certain terms that shall be included in the service agreements between online game operators and the players of their online games. The MOC has formulated the Mandatory Provisions for the Standard Agreement for Online Game Services (網絡遊戲服務格式化協議必備條款). Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user shall include all the mandatory provisions specified by the MOC. Other clauses in the service agreement shall not contravene the mandatory provisions.

Online Game Examination

On February 16, 2007, the GAPP promulgated the Notice of the GAPP on Strengthening Review Work of Audio-visual Products and Electronic Publication Items and Internet Publication Items (新聞出版總署關於加強音像製品、電子出版物和網絡出版物審讀工作的通知), pursuant to which the GAPP shall strengthen the review of Internet publication items, including (a) annual topic plan review for those unpublished Internet publication items; (b) special review and daily review for published Internet publication items; and (c) regulation of Internet publication content.

The Internet-based Information Services Measures stipulate that Internet information service providers shall not produce, reproduce, distribute or disseminate information that includes the following contents: (a) content that is against the basic principles determined by the State's constitution; (b) content that impairs national security, divulges State secrets, subverts State sovereignty or jeopardizes national unity; (c) content that damages the reputation and interests of the State; (d) content that incites ethnic hostility and ethnic discrimination or jeopardizes unity among ethnic groups; (e) content that damages State religious policies or that advocates sects or feudal superstitions; (f) content that disseminates rumors, disturbs the social order or damages social stability; (g) content that disseminates

obscenity, pornography, gambling, violence, homicide and terror, or incites crime; (h) content that insults or slanders others or that infringes their legal rights and interests; and (i) other content prohibited by laws or administrative regulations.

The Online Game Measures provide that the culture administrative department of the State Council shall be responsible for the examination of online game content and shall engage relevant experts to undertake the relevant consulting and routine work on the examination, filing and authentication of online game content. The culture administrative department of the State Council shall not conduct repetitive examination of any online game publication pre-approved by the relevant department, and shall permit the launch of pre-approved publications.

The Notice on Improving and Strengthening the Administration of Online Game Content (文化部關於改進和加強網絡遊戲內容管理工作的通知), issued by the MOC on November 13, 2009, requests online game operators to improve and adapt their game models. The Notice on Strengthening of Online Game Content Censorship (文化部關於加強網絡遊戲產品內容審查工作的通知), issued by the MOC on May 14, 2004, mandates the establishment of a committee under the MOC to screen the content of imported online games and requires that the content of all imported online games be approved by the MOC.

Virtual Currency and Anti-gambling

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

On February 15, 2007, the MOC, the People's Bank of China and 10 other PRC regulatory authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (關於進一步加強網吧及網絡遊戲管理工作的通知) (the "**Internet Cafés Notice**") with the goal of strengthening the administration of virtual currency in online games and to avoid any adverse impact on the PRC economy and financial system. The Internet Cafés Notice imposes strict limits on the total amount of virtual currency issued by online game operators and the amount purchased by individual players and requires a clear division between virtual transactions and real transactions carried out by way of electronic commerce. The Internet Cafés Notice further provides that virtual currency should only be used to purchase virtual items and prohibits any resale of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening Administration of Virtual Currency of Online Games (關於加強網絡遊戲虛擬貨幣管理工作的通知) (the "**Virtual Currency Notice**"). Pursuant to the Virtual Currency Notice, the "in-game virtual currency" shall refer to a virtual exchange tool that is issued by game operators and purchased directly or indirectly by game users with legal currency in a certain exchange rate and that is electronically stored in servers and represented in a specific digital unit outside the game programs. The Virtual Currency Notice requires online game operators to (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), and (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits online game operators issuing online game virtual currency from providing services that would enable the trading of such virtual currency. Any online game operator that fails to submit the requisite application will be subject to sanctions, including without limitation, mandatory rectification measures and fines.

According to the Notice of the MOC on Regulating Online Game Operation and Strengthening Interim and Ex Post Supervision (文化部關於規範網絡遊戲運營加強事中事後監管工作的通知) (the "**Interim and Ex Post Supervision Notice**"), promulgated on December 1, 2016 and became effective on May 1, 2017, the virtual items, purchased by users directly with legal tender, by using the virtual currencies of online games or by exchanging the virtual currencies of online games according to a certain percentage and enable users to directly exchange for other virtual items or value-added service functions in online games, shall be regulated pursuant to the provisions on virtual currencies of online games. Online game operators shall not provide users with services to exchange virtual currencies into legal currency. Where it provides users with the option to exchange virtual currencies into physical items of minor value, the contents and value of such physical items shall be in compliance with relevant laws and regulations of the State.

Real-name Registration

Pursuant to the Online Game Measures, online game operators shall require online game users to use valid identity documents for real-name registration and save the users' registration information. This requirement applies to both mobile games and other online games.The Interim and Ex Post Supervision Notice provides that the online game operators shall require online game users to register their real names with valid identity documents, keep user's registration information, and shall not provide recharge or consumer services in game for online game users who login as visitors. Where an online game operator violates the aforementioned requirement, the cultural authorities or the comprehensive law enforcement agency for cultural market at county level or above may order it to make correction, and impose a fine up to RMB20,000 depending on the seriousness of the circumstances.

Anti-addiction System and Minor Protection

According to the Online Game Measures, an online game operator shall, pursuant to the relevant laws and regulations, take technical measures to prohibit minors from access to improper games or game functions, restrict the playtime of minors and prevent minors from indulging in network. The Interim and Ex Post Supervision Notice has also required that the online game operators shall fully comply with the relevant provisions of the Parents' Guardian Project for Minors Playing Online Games (網絡遊戲未成年人家長監護工程), based on which, online game operators shall impose money and time limits for minor users in game and take technical measures to block the scenes and functions not appropriate for minors.

On April 15, 2007, eight PRC government authorities, including the GAPP, the MOE, the MPS and the MIIT, jointly issued the Notice on the Implementation of Anti-addiction System on Online Games in Protecting the Physical and Mental Health of Minors (關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知) (the "**Anti-addiction Notice**"), which requires the implementation of an anti-addiction compliance system and a real-name registration system by all PRC online game operators. Under the anti-addiction compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be "healthy," three to five hours is deemed "fatiguing," and five hours or more is deemed "unhealthy". Game operators are required to reduce the value of in-game benefits to an online game player by half if it discovers that the amount of a time an online game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

To identify whether a game player is a minor and thus subject to the anti-addiction compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to Notice on Commencement of Authentication of Real Names for Anti-addiction System on Online Games (關於啟動網絡遊戲防沉迷實名驗證工作的通知) (the "**Real-name Authentication Notice**") issued by the relevant eight government authorities on July 1, 2011, online game (excluding mobile game) operators shall submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the MPS, for verification since October 1, 2011, in an effort to prevent minors from using an adult's ID to play online games.

On July 25, 2014, the SAPPRFT issued the Notice on Deepening Implementation of Authentication of Real Names for Anti-addiction System on Online Games (關於深入開展網絡遊戲防沉迷實名驗證工作的通知) and effected on October 1, 2014, which specifies that subject to the hardware, technology and other factors, the anti-addiction compliance system applies to all online games excluding mobile games temporarily. The Service Guidance for the Approval of Publishing Domestic Online Games (出版國產網絡遊戲審批事項服務指南) issued by the SAPPRFT on January 12, 2017 further clarifies that, the introduction of the adopted anti-addiction system and the evidential documents of the real-name authentication procedures are required for applying for publishing online games excluding mobile names temporarily.

Online Game Promotion and Marketing

On March 19, 2015, the MOC issued the Notice on Strengthening the Regulation on Promotional Activities of Online Games (關於加強網絡遊戲宣傳推廣活動監管的通知), emphasizing that the promotional activities of online games shall be regulated and requiring that online game operators shall conduct lawful marketing and be self-conscious of resisting illegal and non-compliant behaviors and vulgar marketing.

REGULATIONS ON INFORMATION SECURITIES AND PRIVACY PROTECTION

On December 28, 2000, the SCNPC enacted the Decisions on the Maintenance of Internet Security (維護互聯網安全的決定), last amended on August 27, 2009 for protection of the Internet security, which prohibits (a) the use of the Internet that violates the PRC laws and regulations or damages the public security; (b) dissemination of illegal or socially destabilizing content or leakage of state secrets through the Internet; or (c) infringement on trade secret or other legal rights and interests. According to the Regulations on Protection of Computer Information System Security (計算機信息系統安全保護條例) (last amended on January 8, 2011 and came into force on the same day) issued by the State Council, the public security authorities are responsible for supervising, inspecting and guiding the Internet security protection work of the information system users and investigating and penalizing activities breaching the mandatory Internet security requirements. On December 13, 2005, the MPS promulgated the Regulations on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定) (the "**Internet Protection Measures**") which took effect from March 1, 2006. The Internet Protection Measures require Internet service providers to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet service providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Internet Information Protection (關於加強網絡信息保護的決定) to enhance the legal protection of information security and privacy on the Internet. On July 16, 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunications and Internet Users (電信和互聯網用戶個人信息保護規定) to regulate the collection and use of users' personal information in the provision of telecommunications services and Internet information services in China and the personal information includes a user's name, birth date, identification card number, address, phone number, account name, password and other information that can be used for identifying a user. Telecommunications business operators and Internet service providers are required to constitute its own rules for collecting and use of users' information and cannot collect or use of user's information without users' consent. Telecommunications business operators and Internet service providers shall specify the purposes, manners and

scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunications business operators and Internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), promulgated on September 7, 1990 and became effective on June 1, 1991, and lastly amended on February 26, 2010 and became effective on April 1, 2010, protects copyright and explicitly covers computer software copyright. The Regulations on Computer Software Protection of the PRC (中華人民共和國計算機軟件保護條例), lastly amended on January 30, 2013 and became effective on March 1, 2013, protects the rights and interests of the computer software copyright holders and encourages the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the NCA issued the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outlines the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of the PRC is mandated as the software registration agency under the regulations.

Trademarks

The Trademark Law of the PRC (中華人民共和國商標法), which was promulgated on August 23, 1982 and became effective on March 1, 1983, and lastly amended on August 30, 2013 and became effective on May 1, 2014, protects registered trademarks. The Implementation Regulations on the Trademark Law of the PRC (中華人民共和國商標法實施條例) was promulgated on August 3, 2002 by the State Council, and amended on April 29, 2014 and became effective on May 1, 2014. These current effective laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC, where registered trademarks include commodity trademarks, service trademarks, collective trademarks and certificate trademarks. The Trademark Office under the State Administration for Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted for a term of ten years. 12 months prior to the expiration of the ten-year term, the trademark registrant shall apply for the renewal of registration; if the trademark registrant does not make the renewal during the foregoing period, another six months extension can be granted. Upon the registration of a trademark, the register will have the right to exclusively use the trademark.

Domain Names

Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) was promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, which stipulates that the establishment of domain name root servers, domain name root servers operating institutions, domain name registration and management institutions and domain name registration service institutions shall obtain approval from relevant information technology authorities. The Notice of the MIIT on Regulating the Use of Domain Names in Internet Information Services (工業和信息化部關於規範互聯網信息服務使用域名的通知) promulgated on November 27, 2017 and came into effect on January 1, 2018 stipulates Internet information service providers as its main target on the overall anti-terrorism and obligations of maintaining network security.

REGULATIONS ON FOREIGN CURRENCY EXCHANGE

The principal laws and regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (中華人民共和國外匯管理條例), last amended on August 5, 2008. Under these regulations, the RMB is freely convertible for current account items, including the trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of SAFE is obtained and prior registration with SAFE is made.

Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, SAFE promulgated the Circular 37, effective as of July 4, 2014. Under the Circular 37, (a) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division.

Additionally, pursuant to the Circular 13, which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Dividend Distribution

According to the PRC Company Law (中華人民共和國公司法), the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) and its implementation regulations, WFOEs in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, WFOEs in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. And these reserves cannot be distributed as dividends in cash.

M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the CSRC adopted the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得税法) which was amended on February 24, 2017, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (中華人民共和國企業所得税法實施條例) (the "**EIT Regulation**") on December 6, 2007. According to the EIT Law and the EIT Regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and the EIT Regulations and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent

establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

According to the EIT Law and the EIT Regulations, an enterprise certified as a high and new technology enterprise was subject to a preferential enterprise income tax of 15%. In accordance with the Measures for Administration of Recognition of High and New Technology Enterprise (高新技術企業認定管理辦法) effective from January 1, 2008 and amended on January 29, 2016, an enterprise certified as a high and new technology enterprise is subject to review by the relevant PRC authorities and shall submit the information about the relevant intellectual property, scientific and technical personnel, research and development expense, business income of previous year and other annual status in the required official website.

The Notice on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry (關於進一步鼓勵軟件產業和集成電路產業發展企業所得税政策的通知), which was promulgated by the MOF and the SAT on April 20, 2012 and took effect on January 1, 2011 and the Notice on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (關於軟件和集成電路產業企業所得税優惠政策有關問題的通知) promulgated by the MOF, the SAT, the NDRC and the MIIT on May 4, 2016, provides that newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period. If Key Software Enterprises included in the national plan do not enjoy the tax exemption preference in the current year, they shall be subject to the enterprise income tax at a reduced rate of 10%.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值税暫行條例) last amended on November 19, 2017, and its Implementation Rules (中華人民共和國增值税暫行條例實施細則) promulgated by the MOF and last amended on October 28, 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax (the "**VAT**").

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (營業税改徵增值税試點方案). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot programme in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation) (營業税改徵增值税跨境應税行為增值税免税管理辦法(試行)), which was promulgated on May 6, 2016 by the SAT, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technologies transfer, software service etc., the above mentioned cross-border taxable activities shall be exempted from the VAT.

On March 23, 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (於全面推開營業税改徵增值税試點的通知) which confirms that business tax will be completely replaced by the VAT from May 1, 2016.

Pursuant to the Notice of the MOF and the SAT on the Adjustment to Value-added Tax Rates (財政部、國家税務總局關於調整增值税税率的通知) issued on April 4, 2018 and came into effect on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment Laws

The PRC Labor Law (中華人民共和國勞動法), which became effective on January 1, 1995 and amended on August 27, 2009, and PRC Labor Contract Law (中華人民共和國勞動合同法) (the "**Labor Contract Law**"), which became effective on January 1, 2008 and was amended on December 28, 2012, provide for collective contracts to be developed through collaboration between the labor union (or employees representatives in the absence of a union) and management that specify such matters as working conditions, wage scale, and hours of work. The laws also permit employees and employers in all types of enterprises to sign individual contracts, which are to be drawn up in accordance with the collective contract. The Labor Contract Law has enhanced rights for employees, including permitting open-ended labor contracts and severance payments. The legislation requires employers to provide written contracts to their employees, and makes it harder for employers to lay off employees. It also requires that employees with fixed-term contracts be entitled to an open-ended contract after a fixed-term contract is renewed twice or the employee has worked for the employer for a consecutive ten-year period.

Social Insurance and Housing Fund

On October 28, 2010, the National People's Congress of China promulgated the PRC Social Insurance Law (中華人民共和國社會保險法) (the "**Social Insurance Law**"), which became effective on July 1, 2011. In accordance with the Social Insurance Law and other relevant laws and regulations, China establishes a social insurance system including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. An employer shall pay the social insurance for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance that should be assumed by the employees. The authorities in charge of social insurance may request an employer's compliance and impose sanctions if such employer fails to pay and withhold social insurance in a timely manner. Under the Regulations on the Administration of Housing Fund (住房公積金管理條例) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002, PRC companies shall register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC companies and their employees are required to fully contribute to the housing funds. If the employer fails to fully contribute to the housing fund, the fund administration center shall order the employer to make up the difference within prescribed time limit.

OUR HISTORY AND DEVELOPMENT

Overview

We are an established mobile game developer and operator with special focus on card and board and other casual games in the PRC. We have an extensive portfolio of online games, consisting of 44 games as of the Latest Practicable Date, with extensive player bases across the PRC. According to the Frost & Sullivan Report, we were among the top five card and board mobile game companies in the PRC in terms of revenue in 2017, with a market share of approximately 4.0%. Our history can be traced back to July 2010 when Zen-Game Shenzhen, which was primarily engaged in research and development and operation of web-based online games in the PRC, was founded by Ms. Xie Biyu and Mr. Zeng using their personal funds and commenced business since then. Ms. Xie Biyu remains as a minority shareholder of our Company through Family Wall and is one of our employees in the operation department. Mr. Zeng is the majority shareholder of Shenzhen Decent Capital Company Limited, an angel investment institution which is primarily engaged in the investment in different enterprises.

In June 2012, Mr. Ye and Mr. Yang, our Controlling Shareholders, after working in our Group for almost two years, decided to invest in Zen-Game Shenzhen. Both of them worked in a PRC leading mobile games developing and operating company and have over 14 and 20 years of experience in the technology industry, respectively. Please see the section headed "Directors and Senior Management" in this document for their biographical details. Eyeing on the potential growth in this industry, they decided to acquire an aggregate of 49% equity interest in Zen-Game Shenzhen through Tianchan and Dingyi, respectively, and have been operating and managing our Group since then.

Over the years after Mr. Ye and Mr. Yang acquired Zen-Game Shenzhen, we have gradually changed our business focus from web-based online games to mobile games and have continued to expand our game portfolio. In addition to games we develop ourselves, beginning in 2015, we also began to operate and distribute casual online games developed by third-parties. As at the Latest Practicable Date, our active portfolio of mobile games included a total of 44 games.

Business Milestones

The following table illustrates our major development milestones and achievements:

Year	Milestones
2010	Zen-Game Shenzhen was established
2013	We launched Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)), our most popular online card game

Year	Milestones
2014	We started our business relationships with several of the top tier mobile manufactures in China, including Huawei, Vivo and Oppo
2015	We were awarded "Top 10 Cutting-Edge Domestic Game Enterprise Award (十佳新銳國內遊戲企業獎)"
	Total number of DAU of all of our games reached one million
	We began to operate and distribute casual online games developed by third-parties
2016	Our Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)) was awarded "Top 10 Most Popular Self-developed Single-player Game (2016年度十大最受歡迎原創單機遊戲獎)"
	Number of DAU of our Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)) reached one million
	Number of MAU of our Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)) reached 10 million
	Total number of accumulative registered users of all of our games reached 100 million
2017	Our Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)) was awarded "2017 Black Stone Award – Most Popular Casual Game of the Year and Tian Fu Award – Card and Board Casual Game of the Year (2017年度最佳休閒棋牌遊戲獎及2017年度最受歡迎休閒遊戲獎)"
	Number of accumulative registered users of our Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版)) reached 100 million

See "Business – Awards and Recognition" in this document for details on the awards and recognitions received by our Group.

HISTORY OF OUR MAJOR PRC OPERATING ENTITIES

The following table sets out the details of our major PRC Operating Entities, which are accounted for as subsidiaries of our Company pursuant to the Structured Contracts, which made material contribution to our Group during the Track Record Period and up to the Latest Practicable Date:

PRC Operating Entities	Date of establishment	Principal business activities	Interest	Direct shareholder(s)
Zen-Game Shenzhen	July 20, 2010	Development and operation of mobile games	100%	Registered Shareholders
Shenzhen Laiwan	September 15, 2014	Development and operation of mobile games	100%	Zen-Game Shenzhen

Zen-Game Shenzhen

Establishment of Zen-Game Shenzhen

Zen-Game Shenzhen was established on July 20, 2010 as a limited liability company under the laws of the PRC with an initial registered capital of RMB3,000,000. Upon establishment, the equity interest of Zen-Game Shenzhen was held as follows:

Shareholder	Registered capital	Percentage of the equity interest
	(RMB)	*(%)*
Ms. Xie Biyu	2,210,520	73.684
Mr. Zeng	789,480	26.316
Total:	**3,000,000**	**100.000**

Transfer of equity interest to Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya and Dewenshiji

On June 8, 2012, Ms. Xie Biyu and Mr. Zeng entered into an equity transfer agreement with Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya and Dewenshiji, pursuant to which (i) Ms. Xie Biyu agreed to transfer to Tianchan 26% equity interest in Zen-Game Shenzhen at a consideration of RMB780,000; (ii) Mr. Zeng agreed to transfer to Dechangqing 25% equity interest in Zen-Game Shenzhen at a consideration of RMB750,000; (iii) Ms. Xie Biyu agreed to transfer to Dingyi 23% equity interest in Zen-Game Shenzhen at a consideration of RMB690,000; (iv) Ms. Xie Biyu agreed to transfer to Hezhongshiji 13.684% equity interest in Zen-Game Shenzhen at a consideration of RMB410,520; (v) Ms. Xie Biyu agreed to transfer to Palaya 11% equity interest in Zen-Game Shenzhen at a consideration of RMB330,000; (vi) Mr. Zeng agreed to transfer to Dewenshiji 1% equity interest in Zen-Game Shenzhen at a consideration of RMB30,000; and (vii) Mr. Zeng agreed to transfer to Hezhongshiji 0.316% equity interest in Zen-Game Shenzhen at a consideration of RMB9,480. The above considerations were determined based on the then registered capital of Zen-Game Shenzhen.

Upon completion of such equity transfers, the equity interest of Zen-Game Shenzhen was held as follows:

Shareholder	**Registered capital**	**Percentage of the equity interest**
	(RMB)	*(%)*
Tianchan	780,000	26
Dingyi	690,000	23
Dechangqing	750,000	25
Hezhongshiji	420,000	14
Palaya	330,000	11
Dewenshiji	30,000	1
Total:	**3,000,000**	**100**

Capital increase in 2012

On December 6, 2012, the registered capital of Zen-Game Shenzhen was increased to RMB10 million, with additional registered capital contributed by its then shareholders in proportion to their then respective equity interest in Zen-Game Shenzhen.

Upon completion of such capital increase, the equity interest of Zen-Game Shenzhen was held as follows:

Shareholder	Registered capital	Percentage of the equity interest
	(RMB)	*(%)*
Tianchan	2,600,000	26
Dingyi	2,300,000	23
Dechangqing	2,500,000	25
Hezhongshiji	1,400,000	14
Palaya	1,100,000	11
Dewenshiji	100,000	1
Total:	**10,000,000**	**100**

Transfer of equity interest to Befortune

On September 11, 2014, Dechangqing entered into an equity transfer agreement with Befortune, pursuant to which Dechangqing agreed to transfer to Befortune 5% equity interest in Zen-Game Shenzhen at a consideration of RMB500,000 which was determined based on the then registered capital of Zen-Game Shenzhen.

Upon completion of such equity transfer, the equity interest of Zen-Game Shenzhen was held as follows:

Shareholder	Registered capital	Percentage of the equity interest
	(RMB)	*(%)*
Tianchan	2,600,000	26
Dingyi	2,300,000	23
Dechangqing	2,000,000	20
Hezhongshiji	1,400,000	14
Palaya	1,100,000	11
Dewenshiji	100,000	1
Befortune	500,000	5
Total:	**10,000,000**	**100**

Conversion, capital increase in 2015 and 2016

On September 1, 2015, Zen-Game Shenzhen was converted into a joint stock company with limited liability with registered capital of RMB30,000,000. On December 4, 2015 and May 13, 2016, the registered capital of Zen-Game Shenzhen was increased several times, with additional registered capital had been contributed by its then shareholders in proportion to their then respective equity interest in Zen-Game Shenzhen.

Upon completion of such capital increases, the shareholding interest of Zen-Game Shenzhen was held as follows:

Shareholder	**Number of shares**	**Percentage of the shareholding interest**
		(%)
Tianchan	13,000,000	26
Dingyi	11,500,000	23
Dechangqing	10,000,000	20
Hezhongshiji	7,000,000	14
Palaya	5,500,000	11
Dewenshiji	500,000	1
Befortune	2,500,000	5
Total:	**50,000,000**	**100**

Entering into of the Framework Agreement

On June 30, 2017, Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya, Dewenshiji, Befortune, Zen-Game Shenzhen, Mr. Ye and Mr. Yang entered into an investment framework agreement (the "**Framework Agreement**") with Mangguo Investment, Xizang Taifu and Jinhui. Pursuant to the Framework Agreement, (i) Mangguo Investment and Xizang Taifu agreed to subscribe for 2,500,000 and 1,500,000 new shares in Zen-Game Shenzhen, respectively (the "**Capital Increase and Subscription**"); and (ii) Jinhui agreed to acquire 1,500,000 shares in Zen-Game Shenzhen in aggregate from Tianchan and Dingyi.

(i) Capital Increase and Subscription by Mangguo Investment and Xizang Taifu

To implement the Framework Agreement, on June 30, 2017, Mangguo Investment and Xizang Taifu entered into a subscription agreement with, among others, Zen-Game Shenzhen, pursuant to which (i) Mangguo Investment agreed to subscribe for 2,500,000 shares in Zen-Game Shenzhen, representing 4.6296% of the enlarged share capital following the Capital Increase and Subscription, at a consideration of RMB30 million; and (ii) Xizang Taifu agreed to subscribe for 1,500,000 shares in Zen-Game Shenzhen, representing 2.7778% of the enlarged share capital following the Capital Increase and Subscription, at a consideration of RMB18 million. The considerations were determined based on the arm's length negotiation between the parties, with reference to Mangguo Investment's and Xizang Taifu's assessment on the then value of the shares of Zen-Game Shenzhen. With such additional registered capital

contributed by Mangguo Investment and Xizang Taifu, the registered capital of Zen-Game Shenzhen was further increased to RMB54 million on August 10, 2017. Please refer to the paragraph headed "Pre-IPO Investment" in this section below for further details.

(ii) Transfer of equity interest to Jinhui

To implement the Framework Agreement, on June 30, 2017, Tianchan and Dingyi entered into a share transfer agreement with, among others, Jinhui, pursuant to which (i) Tianchan agreed to transfer 750,000 shares in Zen-Game Shenzhen to Jinhui, representing 1.3889% of the enlarged share capital immediately following the Capital Increase and Subscription, at a consideration of RMB9 million; and (ii) Dingyi agreed to transfer 750,000 shares in Zen-Game Shenzhen to Jinhui, representing 1.3889% of the enlarged share capital immediately following the Capital Increase and Subscription, at a consideration of RMB9 million. The considerations were determined based on the arm's length negotiation between the parties, with reference to Jinhui's assessment on the then value of the shares of Zen-Game Shenzhen.

Upon the completion of the above share transfers, capital increase and subscription, the shareholding interest of Zen-Game Shenzhen was held as follows:

Shareholder	**Number of shares**	**Percentage of the shareholding interest**
		(%)
Tianchan	12,250,000	22.6852
Dingyi	10,750,000	19.9074
Dechangqing	10,000,000	18.5185
Hezhongshiji	7,000,000	12.9630
Palaya	5,500,000	10.1852
Dewenshiji	500,000	0.9259
Befortune	2,500,000	4.6296
Mangguo Investment	2,500,000	4.6296
Xizang Taifu	1,500,000	2.7778
Jinhui	1,500,000	2.7778
Total:	**54,000,000**	**100.0000**

Disposal of shareholding interest by Mangguo Investment and Jinhui

On August 2, 2018, Jinhui entered into a share transfer agreement with Tianchan, Dingyi, Dechangqing, Hezhongshiji and Palaya, pursuant to which Jinhui agreed to transfer, and Tianchan, Dingyi, Dechangqing, Hezhongshiji and Palaya agreed to purchase, 403,846 shares, 354,395 shares, 329,670 shares, 230,770 shares and 181,319 shares, representing 2.7778% shareholding interest in Zen-Game Shenzhen in aggregate, at a consideration of approximately RMB5.3 million, RMB4.6 million, RMB4.3 million, RMB3.0 million and RMB2.4 million, respectively. The considerations were determined with reference to, among others, the net assets value of Zen-Game Shenzhen and the distributed dividend (if any) based on the terms of an investment supplemental agreement entered into between Tianchan, Dingyi,

Dechangqing, Hezhongshiji, Palaya, Dewenshiji, Befortune, Zen-Game Shenzhen, Mr. Ye, Mr. Yang, Mangguo Investment, Xizang Taifu and Jinhui on June 30, 2017 (the "**Supplemental Agreement**") and were fully settled on August 6, 2018.

On August 14, 2018, Mangguo Investment entered into a share transfer agreement with Tianchan, Dingyi, Dechangqing, Hezhongshiji and Palaya, pursuant to which Mangguo Investment agreed to transfer, and Tianchan, Dingyi, Dechangqing, Hezhongshiji and Palaya agreed to purchase, 673,077 shares, 590,659 shares, 549,450 shares, 384,616 shares and 302,198 shares, representing 4.6296% shareholding interest in Zen-Game Shenzhen in aggregate, at a consideration of approximately RMB8.8 million, RMB7.8 million, RMB7.2 million, RMB5.0 million and RMB4.0 million, respectively. The considerations were determined with reference to, among others, the net assets value of Zen-Game Shenzhen and the distributed dividend (if any) based on the terms of the Supplemental Agreement and were fully settled on August 14, 2018.

Shenzhen Laiwan

Shenzhen Laiwan was established on September 15, 2014 as a limited liability company under the laws of the PRC with an initial registered capital of RMB100,000 and was a wholly-owned subsidiary of Zen-Game Shenzhen. It has commenced its business since October 2014. The registered capital was subsequently increased to RMB1,000,000 on August 8, 2016 and RMB50 million on December 12, 2017 with additional capital wholly contributed by Zen-Game Shenzhen.

PRE-[REDACTED] INVESTMENT

On June 30, 2017, Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya, Dewenshiji, Befortune, Zen-Game Shenzhen, Mr. Ye, Mr. Yang entered into the Framework Agreement and the Supplemental Agreement. Pursuant to the Framework Agreement, (i) Mangguo Investment and Xizang Taifu agreed to subscribe for 2,500,000 and 1,500,000 new shares in Zen-Game Shenzhen, respectively; and (ii) Jinhui agreed to acquire 1,500,000 shares in Zen-Game Shenzhen in aggregate from Tianchan and Dingyi. The considerations were determined after arm's length negotiation between the parties with reference to the assessment on the then value of the shares of Zen-Game Shenzhen by Mangguo Investment, Xizang Taifu and Jinhui.

Mangguo Investment and Jinhui have disposed of their respective shareholding interest in Zen-Game Shenzhen in August 2018. For details, please refer to the paragraph headed "History of our major PRC Operating Entities – Zen-Game Shenzhen – Disposal of equity interest by Mangguo Investment and Jinhui" in this section.

The details of the Pre-[**REDACTED**] Investment by Xizang Taifu are set out in the table below:

Background	Xizang Taifu is a company established in the PRC on December 22, 2014, which is ultimately wholly-owned by Wuhu 37, a company listed on the Shenzhen Stock Exchange (stock code: 002555) and is primarily engaged in distributing online games.
Date of Pre-[**REDACTED**] Investment Agreements	June 30, 2017

Total consideration	RMB18 million
Payment date of the consideration	July 12, 2017
Shareholding in our Company and cost per Share	Upon completion of the Pre-[**REDACTED**] Investment and as at the Latest Practicable Date, Xizang Taifu did not hold any Shares. Xizang Taifu directed our Company to allot and issue 1,055,564 Shares to G-MEI, a direct wholly-owned subsidiary of Wuhu 37, as part of the restructuring of our Group in preparation for the Listing, so as to reflect the shareholding of Xizang Taifu in Zen-Game Shenzhen. Upon the [**REDACTED**], G-MEI will hold [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). On such basis, at the time of [**REDACTED**], the effective cost per Share paid by Xizang Taifu is approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]), which represents a discount of approximately [**REDACTED**]% to the low-end of the indicative [**REDACTED**] of HK$[**REDACTED**], and a discount of approximately [**REDACTED**]% to the high-end of the indicative [**REDACTED**] of HK$[**REDACTED**].
Special rights	In connection with the Pre-[**REDACTED**] Investment, Xizang Taifu was granted certain special rights as set out below. *Liquidation priority rights* In the event of dissolution or liquidation of Zen-Game Shenzhen, upon settling the debts and relevant payments under the applicable laws, Xizang Taifu shall have priority over other shareholders in obtaining the remaining assets.

Anti-dilution rights

If Zen-Game Shenzhen allots and issues additional shares (or any other convertible securities) or conducts any fund-raising activity at an effective price per share that will render the valuation of Zen-Game Shenzhen to fall below RMB648 million, Xizang Taifu shall be entitled to subscribe for new shares or request the ultimate beneficial owners to transfer the shares held by their controlled entities at the lowest consideration permissible under the applicable laws, so that the average purchase price per share for the shares of Zen-Game Shenzhen then held by Xizang Taifu is equal to the said effective price per share.

Dividend rights

Xizang Taifu shall be entitled to dividends according to the memorandum of association of Zen-Game Shenzhen.

Information rights

Zen-Game Shenzhen shall deliver to Xizang Taifu the following documents:

(a) audited financial statements of Zen-Game Shenzhen prepared by an accounting firm which is qualified for securities or recognized by all the parties and based on PRC accounting principles within 120 days upon the end of each financial year;

(b) unaudited financial statements of Zen-Game Shenzhen prepared based on PRC accounting principles within 30 days upon the end of each fiscal quarter; and

(c) copies of any other documents and information provided to any other shareholder of Zen-Game Shenzhen.

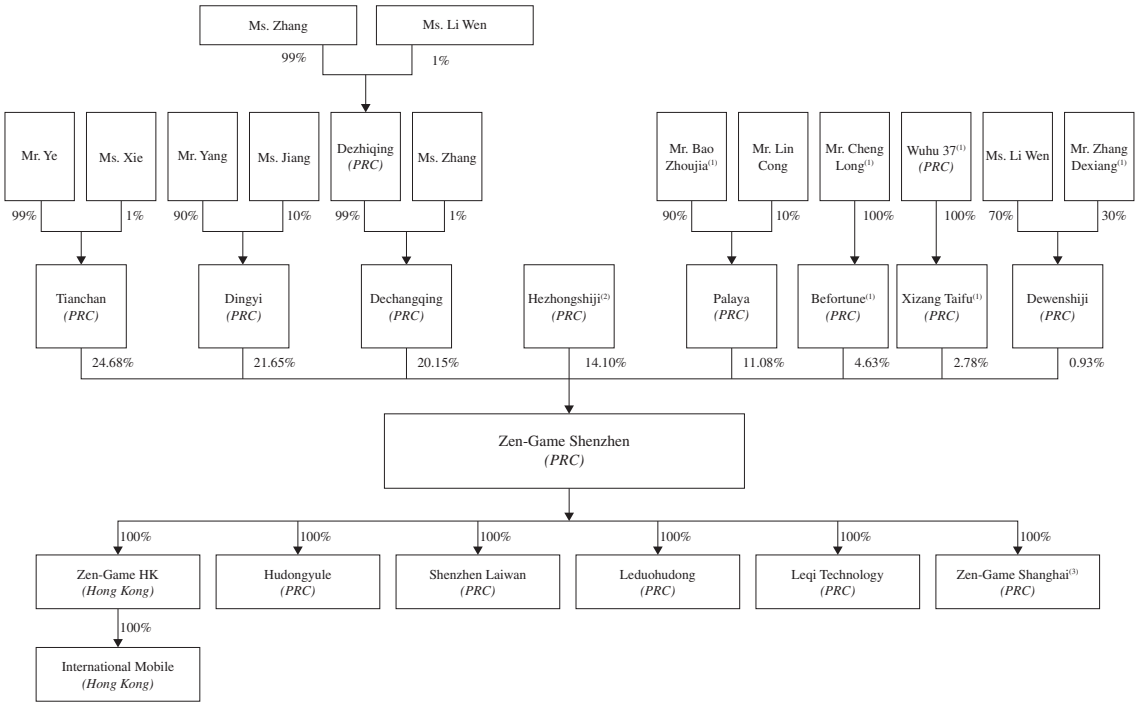
	Inspection rights Xizang Taifu shall have the right to inspect the facilities, equipment and premises of Zen-Game Shenzhen. All these special rights will terminate upon the [**REDACTED**].
[**REDACTED**]	Our Group had applied the [**REDACTED**] from the Pre-[**REDACTED**] Investment to the business operation and working capital of our Group. As of the Latest Practicable Date, such [**REDACTED**] has been fully utilized.
Lock-up and public float	The Shares held by G-MEI are not subject to any lock-up arrangement and will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange.
Strategic benefit	Our Company considered that our Group can benefit from the Pre-[**REDACTED**] Investment as it provides financial resources for our Group's business development and, more importantly, serves as an endorsement of our Group's performance, strength and prospects especially taking into account the established name and reputation of the Wuhu 37 group.

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the Pre-[**REDACTED**] Investment is in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12) and the Guidance on Pre-IPO Investments (HKEX-GL43-12) issued by the Stock Exchange whereas the Guidance on Pre-IPO investments in convertible instruments (HKEX-GL44-12) issued by the Stock Exchange is not applicable.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization.



Notes:

(1) They are Independent Third Parties and are not related to each other or other shareholders, directors or senior management of our Group.

(2) Hezhongshiji is owned as to 6.411% by Mr. Ye, 11.178% by Tianchan, 9.523% by Dingyi, 1.185% by Ms. Xie Biyu, 0.470% by Mr. Kang Yonghong, 7.140% by Mr. Zhu Weijie, 0.470% by Mr. Huang Yucong, 9.524% by Mr. Yu Xi and 54.099% by Mr. Ye who held shares underlying the restricted share units granted by Hezhongshiji on behalf of certain eligible participants. Ms. Xie Biyu, Mr. Kang Yonghong and Mr. Zhu Weijie are employees of our Group, and Mr. Huang Yucong and Mr. Yu Xi are Independent Third Parties and are not related to each other or other shareholders, directors or senior management of our Group.

(3) Zen-Game Shanghai established a branch company, namely, Zen-Game Shanghai (Shenzhen Branch), on September 2, 2016.

In preparation for the [**REDACTED**], we underwent the following Corporate Reorganization:

1. Incorporation of our Company

Our Company, the [**REDACTED**] of our Group, was incorporated as an exempted company with limited liability in the Cayman Islands on August 28, 2018 with an initial authorized share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the date of its incorporation, one Share was issued to an initial subscriber who is an Independent Third Party, which was then transferred to Sky-zen Capital on the same day, and a total of 34,045,263 Shares were issued at par and credited as fully-paid to Sky-zen Capital J&L Y, D Fun, JIAWEI, Meidada, Family Wall, Playa, BeFuture and D Zing. Following such share transfer and subscriptions, the shareholding of the Company was set forth below:

Subscriber	**Number of Shares held**	**Shareholding percentage in our Company**
		(%)
Sky-zen Capital	10,320,800	30.3149
J&L Y	8,740,190	25.6723
D Fun	7,655,670	22.4867
JIAWEI	510,378	1.4991
Meidada	25,194	0.0740
Family Wall	471,314	1.3844
Playa	4,210,628	12.3677
BeFuture	1,759,248	5.1674
D Zing	351,842	1.0335
Total	**34,045,264**	**100.0000**

2. Incorporation of the offshore group companies

Zen Interactive

Zen Interactive was incorporated under the laws of the BVI on August 31, 2018 with 100 shares issued to our Company as fully-paid at par value. Since its incorporation and up to the Latest Practicable Date, Zen Interactive has been a direct wholly-owned subsidiary of our Company.

Zen Interactive is an investment holding company and not currently engaged in any business activity.

Interactive HK

Interactive HK was incorporated as a limited liability company in Hong Kong on September 13, 2018 with 10 shares issued to Zen Interactive. Since its incorporation and up to the Latest Practicable Date, Interactive HK has been a direct wholly-owned subsidiary of our Zen Interactive.

Interactive HK is an investment holding company and not currently engaged in any business activity.

3. Acquisition of Zen-Game HK by Zen Interactive

Immediately prior to the transfer, Zen-Game HK was wholly-owned by Zen-Game Shenzhen and was principally engaged in investment holding, which is not prohibited or restricted under the Foreign Investment Catalog and Negative List. In order to ensure that the Structured Contracts are narrowly tailored to achieve our Company's business purpose as required by the Stock Exchange and minimize the potential for conflict with relevant PRC laws and regulations, on September 24, 2018, Zen Interactive has agreed to purchase, the entire issued share capital of Zen-Game HK at a consideration of HK$1.00 which was determined after arm's length negotiation between the parties. Such consideration was fully paid on September 24, 2018.

4. Establishment of Tiantianlaiwan

Tiantianlaiwan was established in the PRC on September 29, 2018 as a wholly foreign owned enterprise with a registered capital of RMB50 million by Interactive HK and is principally engaged in the provision of consultation and technical services to Zen-Game Shenzhen.

5. Allotment and issue of Shares to RSU Nominee and G-MEI

On October 17, 2018, our Company allotted and issued 2,899,172 Shares and 1,055,564 Shares to RSU Nominee and G-MEI, respectively. The allotment and issue of Shares to G-MEI was made at the direction of Xizang Taifu, our pre-[**REDACTED**] investor. For details, please refer to the paragraph headed "Pre-[**REDACTED**] Investment" above. Upon the completion of the allotment and issue, our Company was owned as to approximately 27.16%, 23.00%, 20.15%, 1.34%, 0.07%, 1.24%, 11.08%, 4.63%, 0.93%, 7.62% and 2.78% by Sky-zen Capital, J&L Y, D Fun, JIAWEI, Meidada, Family Wall, Playa, BeFuture, D Zing, RSU Nominee and G-MEI, respectively.

6. Entering into the Structured Contracts to control the PRC Operating Entities by Tiantianlaiwan

In order to comply with the relevant PRC laws and regulations and maintain effective control over all of our PRC Operating Entities on October 27, 2018, Tiantianlaiwan entered into various agreements that constitute the Structured Contracts with, among others, Zen-Game Shenzhen, under which our Group is able to gain effective control over all economic benefits arising from the business of our PRC Operating Entities transferred to Tiantianlaiwan by means of service fees payable by Zen-Game Shenzhen to Tiantianlaiwan. Please see the section headed "Structured Contracts" in this document for details.

ADOPTION OF THE RSU SCHEME

Hezhongshiji is a limited liability company established in the PRC and controlled by Mr. Ye since May 2012 and became a shareholder of Zen-Game Shenzhen since June 2012. Except for holding equity interest in Zen-Game Shenzhen, Hezhongshiji did not conduct any other business. 58.86% of the then equity interest of Hezhongshiji has been set up as a pool (the "**Pool**") to reward the employees of our PRC Operating Entities and was held under the name of Mr. Ye. On June 1, 2016 and June 1, 2018, Hezhongshiji granted 3,502,850 and 617,000 restricted share units out of the Pool to the senior management and key employees of our PRC Operating Entities (the "**Grantees**") to retain them for the continuing operation and development of our PRC Operating Entities.

As part of the Corporate Restructuring, on October 9, 2018, we approved and adopted the RSU Scheme and 2,899,172 Shares, representing 7.6294% of the issued share capital of our Company, were issued to RSU Nominee on October 17, 2018 in exchange for Hezhongshiji's interest is Zen-Game Shenzhen. The percentage of equity interest held by RSU Nominee in our Company is identical to the percentage of equity interest in Zen-Game Shenzhen indirectly held by the Grantees through Hezhongshiji.

As of the Latest Practicable Date, the RSUs in respect of an aggregate of 2,899,172 Shares, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme), has been granted pursuant to the RSU Scheme. For details, please see "Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme" in Appendix IV to this document.

ESTABLISHMENT OF PERSONAL TRUSTS

The Ye Family Trust was established by Mr. Ye as the settlor and Core Trust as the trustee. On October 26, 2018, Sky-zen Capital allotted and issued 400 shares at par to YeFT Nominee, representing 80% of the enlarged share capital of Sky-zen Capital. The Ye Family Trust is a discretionary trust and the beneficiary of which is Mr. Ye.

The Yang Family Trust was established by Mr. Yang as the settlor and Core Trust as the trustee. On October 26, 2018, J&L Y allotted and issued 400 shares at par to YFT Nominee, representing 80% of the enlarged share capital of J&L Y. The Yang Family Trust is a discretionary trust and the beneficiary of which is Mr. Yang.

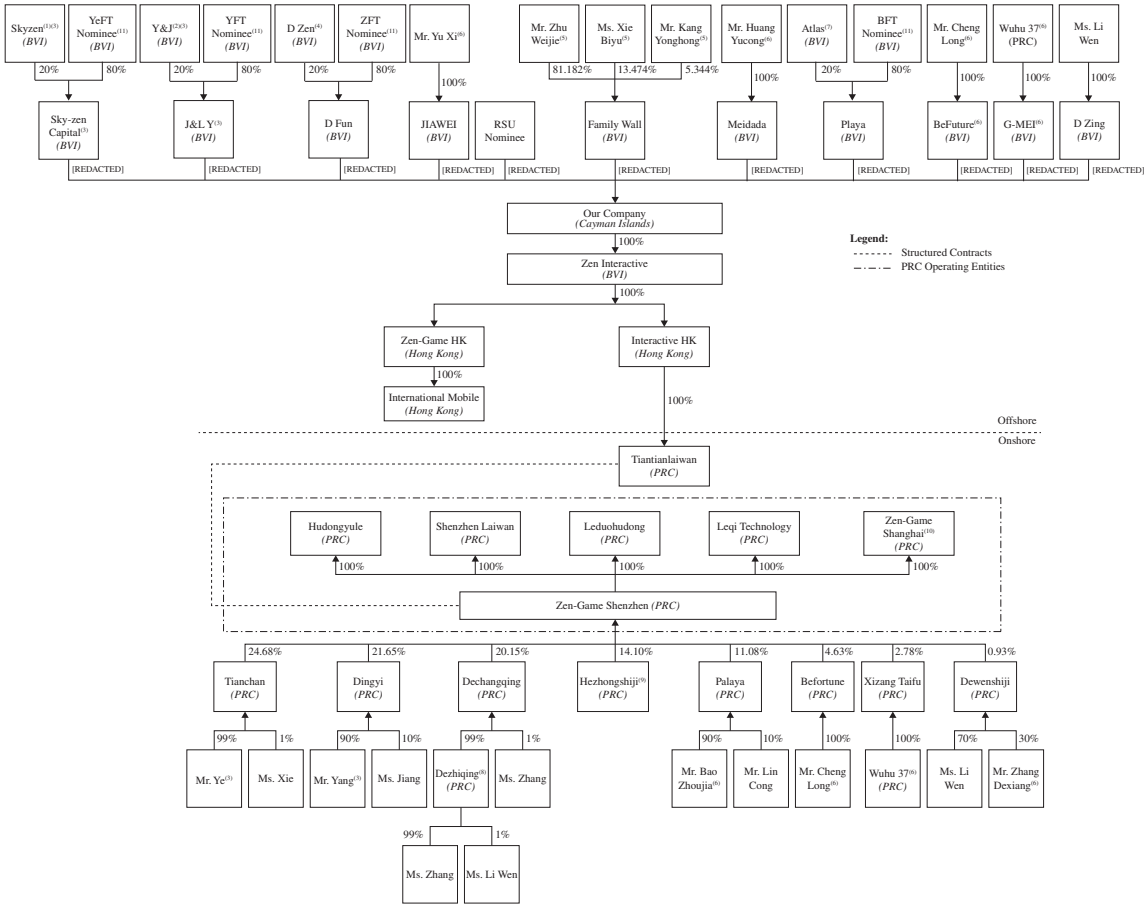
The Zhang Family Trust was established by Ms. Zhang as the settlor and Core Trust as the trustee. On October 26, 2018, D Fun allotted and issued 400 shares at par to ZFT Nominee Trustco, representing 80% of the enlarged share capital of D Fun. The Zhang Family Trust is a discretionary trust and the beneficiary of which is Ms. Zhang.

The Bao Family Trust was established by Mr. Bao Zhoujia as the settlor and Core Trust as the trustee. On October 26, 2018, Playa allotted and issued 400 shares at par to BFT Nominee, representing 80% of the enlarged share capital of Playa. The Bao Family Trust is a discretionary trust and the beneficiary of which is Mr. Bao Zhoujia.

Under all four trusts, certain discretions of Core Trust as the trustee are only exercisable by it at the direction of the respective settlors, namely Mr. Ye, Mr. Yang, Ms. Zhang and Mr. Bao Zhoujia (the "**Settlor(s)**"). Under each of the trust deeds, the Settlor has the power to appoint or remove trustees. Based on the terms of all four trust deeds, for so long as Core Trust holds or controls any Shares, all voting rights attaching to such Shares shall be exercised by the Settlor and/or such other person(s) as the Settlor may wish to appoint.

GROUP STRUCTURE AFTER THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately after the Corporate Reorganization but before the [**REDACTED**]:



Notes:

(1) A company incorporated in the BVI with limited liability and wholly-owned by Mr. Ye, our executive Director, chief executive officer and one of the Controlling Shareholders of our Company.

(2) A company incorporated in the BVI with limited liability and wholly-owned by Mr. Yang, our executive Director, chief technology officer and one of the Controlling Shareholders of our Company.

(3) Pursuant to the acting in concert agreements with a term of three years signed by Mr. Ye and Mr. Yang dated August 30, 2012 and August 30, 2015, Mr. Ye and Mr. Yang agreed to act in concert in respect of the exercise of voting rights as shareholders of Zen-Game Shenzhen. Furthermore, on October 29, 2018, Mr. Ye and Mr. Yang entered into an acting in concert agreement, pursuant to which Mr. Ye and Mr. Yang confirmed that since August 30, 2012, they have been, and undertook that they will continue to act in concert to, among others, manage and control our Group on a collective basis in respect of the resolutions to be passed in any general meeting or directors' meeting of any members of our Group, until Mr. Ye and Mr. Yang cease to be interested in or otherwise be in control of any share of our Company, whether directly or indirectly.

(4) A company incorporated in the BVI with limited liability and wholly-owned by Ms. Zhang, an Independent Third Party (other than being a substantial Shareholder).

(5) Mr. Zhu Weijie, Ms. Xie Biyu and Mr. Kang Yonghong are employees of our Group.

(6) They are independent Third Parties and are not related to each other or other shareholders, directors or senior management of our Group.

(7) A company incorporated in the BVI with limited liability and wholly-owned by Mr. Bao Zhoujia, an Independent Third Party who is not related to each other or other shareholders, directors or senior management of our Group.

(8) A company owned as to 99% by Ms. Zhang and 1% by Ms. Li Wen, a non-executive Director.

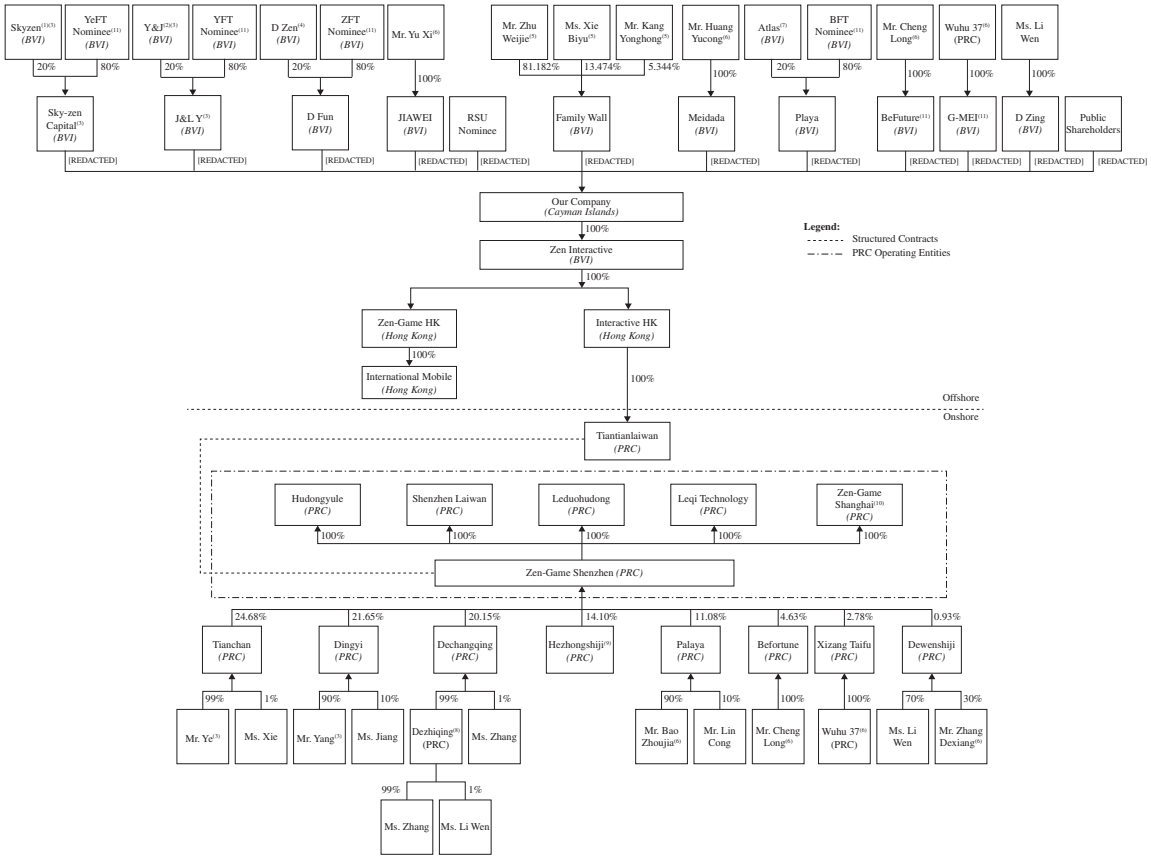
(9) Hezhongshiji is owned as to 6.411% by Mr. Ye, 11.178% by Tianchan, 9.523% by Dingyi, 1.185% by Ms. Xie Biyu, 0.470% by Mr. Kang Yonghong, 7.140% by Mr. Zhu Weijie, 0.470% by Mr. Huang Yucong, 9.524% by Mr. Yu Xi and 54.099% by Mr. Ye who held shares underlying the restricted share units granted by Hezhongshiji on behalf of certain eligible participants. Ms. Xie Biyu, Mr. Kang Yonghong and Mr. Zhu Weijie are employees of our Group, and Mr. Huang Yucong and Mr. Yu Xi are Independent Third Parties and are not related to each other or other shareholders, directors or senior management of our Group.

(10) Zen-Game Shanghai established a branch company, namely, Zen-Game Shanghai (Shenzhen Branch), on September 2, 2016.

(11) Each of YeFT Nominee, YFT Nominee, ZFT Nominee and BFT Nominee wholly-owned by Core Trust, the trustee of the Ye Family Trust, the Yang Family Trust, the Zhang Family Trust and the Bao Family Trust.

GROUP STRUCTURE UPON THE [REDACTED]

The following chart sets forth our corporate structure upon the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



Notes:

(1)-(10) Please refer to notes (1) to (10) on pages 127 to 128 in this document.

(11) The Shares held by BeFuture and G-MEI will be counted towards the public float of our Company upon [**REDACTED**].

COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisers confirmed that the establishment of Zen-Game Shenzhen and our PRC Operating Entities and their respective subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

Our PRC Legal Advisers confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Corporate Reorganization have been obtained, and the Corporate Reorganization has complied with all applicable PRC laws and regulations.

SAFE REGISTRATION

Pursuant to the Circular 37, promulgated by SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular 13, promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, all indirect individual shareholders of our Company who are PRC residents have completed their registration under the Circular 13 and Circular 37 on September 26, 2018.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC and the SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (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 "**Regulated Activities**").

Given that (i) Tiantianlaiwan was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules; and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC Legal Advisers, the establishment of Tiantianlaiwan and the Corporate Reorganization are not subject to the M&A Rules, and the [**REDACTED**] of our Company does not require approvals from the CSRC and the MOFCOM under the M&A Rules.

BACKGROUND OF THE STRUCTURED CONTRACTS

We conduct our business of developing and operating mobile games through our subsidiaries in the PRC. We are considered to be engaged in the provision of value-added telecommunications services and Internet cultural business. PRC laws and regulations currently restrict the operation of value-added telecommunications services (except for e-commerce), in addition to imposing qualification requirements on the foreign owners and prohibit the operation of Internet culture services (except for music) business to foreign investors. To comply with relevant PRC laws and regulations, our mobile game operation business is directly conducted by our PRC Operating Entities and we do not hold any equity interest in our PRC Operating Entities. On October 27, 2018, Tiantianlaiwan entered into the Structured Contracts with among others, Zen-Game Shenzhen, and the Registered Shareholders through which we obtain control over and derive the economic benefits from our PRC Operating Entities. The Structured Contracts have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

Our PRC Operating Entities are Zen-Game Shenzhen and its subsidiaries (including branch company), each of which was established under the PRC laws. Pursuant to the Structured Contracts, Tiantianlaiwan supervises the business operations of Zen-Game Shenzhen and derives the economic benefits from the PRC Operating Entities. The PRC Operating Entities have obtained the relevant licenses required for carrying out the above value-added telecommunications services and Internet cultural business and operating our mobile game operation business, including the ICP License and the Internet Cultural Business License. In addition, most of our intellectual property rights, including software copyrights, trademarks and domain names, are held by Zen-Game Shenzhen.

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

Investments in the PRC by foreign investors are regulated by the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the "**Catalogue**"), the latest version of which was promulgated by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017. The Catalogue is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalogue shall be categorized as the permitted industries for foreign investment.

On June 28, 2018, the NDRC and the MOFCOM jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (外商投資准入特別管理措施(負面清單) (2018年版)) (the "**2018 Negative List**"), which was promulgated on June 28, 2018 and became effective on July 28, 2018. As advised by our PRC Legal Advisers, according to the 2018 Negative List, the Internet information services that we currently offer fall within the scope of value-added telecommunications services (except for e-commerce); and Internet culture businesses (except for music), which are under the "restricted" categories and "prohibited" categories, respectively.

Pursuant to applicable PRC laws and regulations domestic telecommunication enterprises are prohibited from leasing, transferring or selling their licenses to foreign investors in any form and as advised by our PRC Legal Advisor as aforementioned, each PRC Operating Entity which is carrying on mobile game business operation must concurrently hold an Internet cultural business license and an ICP License. Accordingly, from the perspective of operating the mobile games in compliance with applicable PRC laws and regulations, our Company is currently unable to establish a sino-foreign equity joint venture to obtain both an Internet cultural business license and an ICP License for operation of our business and we cannot acquire equity interest in PRC Operating Entities, which conducts our business and holds the assets and certain licenses, approvals and permits required for the operation of our business. For further details of the limitations on foreign ownership in PRC companies operating mobile game platform, value-added telecommunications services, Internet cultural business and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed "Regulatory Overview" in this document.

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (外商投資電信企業管理規定(2016年修訂)) (the "**FITE Regulations**"), foreign investors are not allowed to hold more than 50% equity interest in a company providing value-added telecommunications services, including Internet information services. In addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating value-added telecommunications businesses in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (the "**Qualification Requirement**"). Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in the PRC. Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. On March 1, 2017, the MIIT issued A Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Telecommunications Enterprises (外商投資經營電信業務審批服務指南) (the "**Guidance Memorandum**") in the PRC. According to the Guidance Memorandum, if any foreign investor intends to invest in the telecommunications business in the PRC, it is required to provide, among other things, its annual reports for the past three years, satisfactory proof of compliance with the Qualification Requirement and business development plan.

On July 13, 2006, the Ministry of Information Industry of the PRC (the "**MII**", which is the predecessor of the MIIT) released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Businesses (信息產業部關於加強外商投資經營增值電信業務管理的通知) (the "**MII Notice**"), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in the PRC. In addition, under the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunications services operator shall be legally owned by that operator (or its shareholders).

According to our consultation on September 25, 2018 with the Guangdong Provincial Department of Culture (廣東省文化廳), being the competent authority to confirm matters relating to the operation of our internet culture business in Guangdong Province where our main business operations are carried out as advised by our PRC Legal Advisers, we were given to understand that the Internet Cultural Business License has not been and will not be granted to any foreign invested enterprise.

According to our consultation on September 25, 2018 with the Guangdong Communications Administration (廣東省通訊管理局), being the competent authority to confirm matters relating to the operation of ICP services and application for ICP License in Guangdong province as advised by our PRC Legal Advisers, we were given to understand that the foreign investor's fulfillment of Qualification Requirement remains ultimately subject to substantive examination of the MIIT.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been working on the plan of gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Zen-Game Shenzhen when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications and internet cultural enterprises in China. For the purposes of meeting the Qualification Requirements, we are in the process of establishing and accumulating overseas operation experience, including, in particular:

- we have applied for registration of a trademark outside of the PRC, such as Hong Kong, in July, 2018, with an aim to apply such trademarks for the promotion of certain of our mobile games in Hong Kong and overseas; and

- we distribute a third-party developed game, namely (夢之隊) for download by users outside of the PRC, and plan to establish overseas offices and an overseas sales and marketing team and enter into negotiation with certain foreign mobile manufacturers, mobile operators and/or app platforms to explore possibility of our entering into overseas markets. Please refer to the paragraph titled "Our Strategies – Explore Opportunities to Expand into Overseas Markets" in the section headed "Business" in this document for further details.

Based on the foregoing, our PRC legal advisors are of the view that, subject to the discretion of the competent authority in determining whether our Company has fulfilled the Qualification Requirement, the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirement. We will, as applicable and when necessary, disclose the progress of our overseas expansion plans and any updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the [**REDACTED**]. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

Given that (i) foreign investment in our mobile game operation business is prohibited under current PRC laws and regulations; (ii) each PRC Operating Entity must concurrently hold an Internet Cultural Business License and an ICP License; (iii) the Internet Culture Business License will not be granted to any foreign invested enterprise, it is not viable for our Company to hold the PRC Operating Entities directly or indirectly through equity ownership. Instead, in line with common practice in the mobile game operation industry in the PRC subject to foreign investment restrictions, our Company could gain effective control over, and receive all the economic benefits generated by the business currently operated by the PRC Operating Entities through a series of Structured Contracts between Tiantianlaiwan, our indirect wholly-owned subsidiary on the one hand, and Zen-Game Shenzhen and the Registered Shareholders on the other hand. The Structured Contracts allow the PRC Operating Entities' financials and results of operations to be combined into our financials and results of operations under HKFRSs as if they were wholly-owned subsidiaries of our Group.

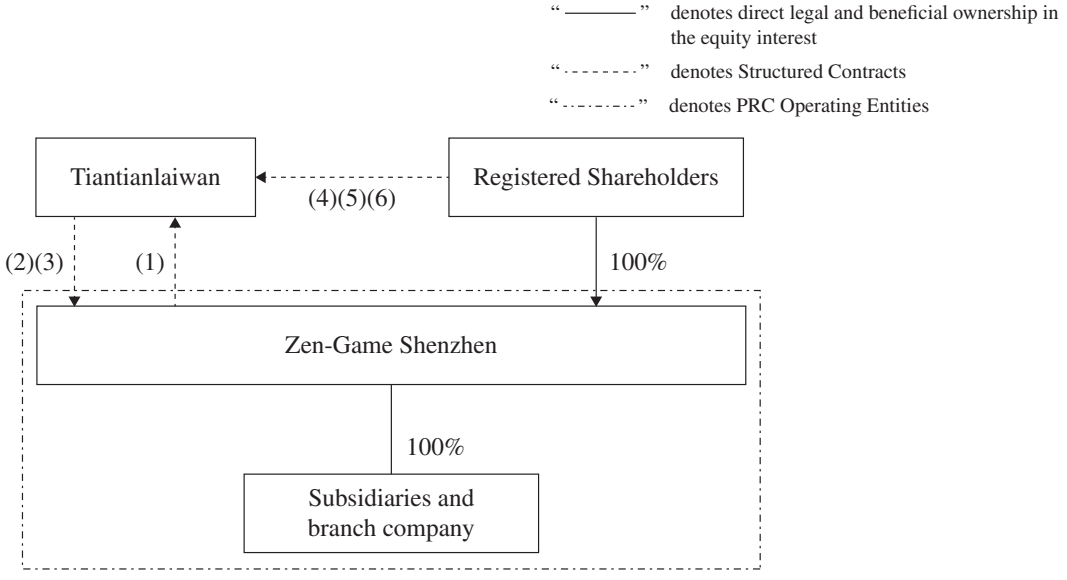
Circumstance in which we will unwind the Structured Contracts

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

OPERATION OF THE STRUCTURED CONTRACTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on October 27, 2018, our wholly-owned subsidiary, Tiantianlaiwan, entered into various agreements that constitute the Structured Contracts with, among others, Zen-Game Shenzhen and the Registered Shareholders, under which all economic benefits arising from the business of our PRC Operating Entities are transferred to Tiantianlaiwan to the extent permitted under the PRC laws and regulations by means of service fees payable by Zen-Game Shenzhen to Tiantianlaiwan.

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



Notes:

1. Payment of service fees. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Exclusive Consultancy and Technical Service Agreement" in this document for details.

2. Provision of exclusive consultancy and technical services. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (1) Exclusive Consultancy and Technical Service Agreement" in this document for details.

3. License of intellectual property rights. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (2) IP License Agreement" in this document for details.

4. Grant of exclusive call option to acquire all or some of the shares of Zen-Game Shenzhen and all or part of its assets. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in this document for details.

5. Entrustment of Shareholders' right including Shareholders' power of attorney. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Powers of Attorney" in this document for details.

6. Share pledge by the Registered Shareholders of their shares of Zen-Game Shenzhen. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) Share Pledge Agreement" in this document for details.

Summary of the Material Terms of the Structured Contracts

A description of each of the specific agreements that comprise the Structured Contracts is set out below:

(1) Exclusive Consultancy and Technical Service Agreement

Pursuant to the Exclusive Consultancy and Technical Service Agreement, Tiantianlaiwan agreed to provide exclusive consultancy and technical services to Zen-Game Shenzhen, including but not limited to, (a) development, update, upgrade and maintenance of software for computer and mobile devices; (b) technical consultation and purchase of hardware, daily management, maintenance and update of database; (c) computer graphic design, website design and other related technical consulting services; (d) marketing on branding, product promotion placing, customer and public relations and management consulting services; (e) provision of technical training to staff; (f) engaging technical staff to provide on-site technical support; and (g) providing other technical services reasonably requested by Zen-Game Shenzhen.

In consideration of the consultancy and technical services provided by Tiantianlaiwan, Zen-Game Shenzhen agreed to pay Tiantianlaiwan by each quarter a service fee equal to income from operations from the preceding quarter. Tiantianlaiwan has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of Zen-Game Shenzhen.

Pursuant to the Exclusive Consultancy and Technical Service Agreement, any intellectual property developed or created, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Consultancy and Technical Service Agreement shall be vested with Tiantianlaiwan.

(2) IP License Agreement

Pursuant to the IP License Agreement, Tiantianlaiwan granted Zen-Game Shenzhen a non-exclusive and non-transferable intellectual property license to use the intellectual property rights relating to games development, operation and services that are legally owned by Tiantianlaiwan from time to time for the sole purpose of games development, operation and services of Zen-Game Shenzhen. In consideration of the foregoing, Zen-Game shall pay Tiantianlaiwan by each quarter a license fee, which is included in the service fees under the Exclusive Consultancy and Technical Service Agreement.

Term of the IP license Agreement commence from October 27, 2018 and continue to be effective until Zen-Game Shenzhen ceases its business operation, subject to relevant laws and regulations in PRC. The IP license Agreement will be automatically terminated on the condition: (1) Tiantianlaiwan exercises its call option under the exclusive Call Option Agreement in full and all the shares of Zen-Game Shenzhen are transferred to Tiantianlaiwan (2) Tiantianlaiwan gives a 30 days prior written notice of termination.

The Registered Shareholders undertake to procure that all rights and obligations under the IP License Agreement will apply to any new holders of their shares in Zen-Games Shenzhen if any of the Registered Shareholders transfer, sell or dispose of their shares in Zen-Games Shenzhen leading to a change of their shareholding in Zen-Games Shenzhen.

Without the prior written consent of Tiantianlaiwan, the IP License Agreement takes priority over any other legal documentation that may be entered into by the Registered Shareholders and Zen-Games Shenzhen following the date of the IP License Agreement.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Tiantianlaiwan or its designated purchaser the right to purchase all or some of (i) the shares in Zen-Game Shenzhen; and (ii) all or any part of the assets of Zen-Game Shenzhen ("**Equity Call Option**"). The purchase price payable by Tiantianlaiwan in respect of the transfer of such shares and assets upon exercise of the Equity Call Option shall be zero or the lowest price permitted under the PRC laws and regulations. Tiantianlaiwan or its designated purchaser shall have the right to purchase such proportion of the shares and assets in Zen-Game Shenzhen as it decides at any time.

In the event that PRC laws and regulations allow Tiantianlaiwan or us to directly hold all or part of the shares in Zen-Game Shenzhen and all or any part of its assets, and operate our mobile game operation business in the PRC, Tiantianlaiwan shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of shares and assets purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Tiantianlaiwan or us under PRC laws and regulations.

The Registered Shareholders have further undertaken to Tiantianlaiwan that, among others, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over the shares of Zen-Game Shenzhen without the prior written consent of Tiantianlaiwan or as otherwise pledged under the Share Pledge Agreement;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment in Zen-Game Shenzhen without the prior consent of Tiantianlaiwan;

(c) shall not dispose of or procure the management of Zen-Game Shenzhen to dispose of any of the assets of Zen-Game Shenzhen without the prior consent of Tiantianlaiwan, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB2,000,000;

(d) shall not terminate or procure the management of Zen-Game Shenzhen to terminate any material contract or enter into any other contracts which may contradict such material contracts (which includes any agreement under which the amount involved exceeds RMB2,000,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts) without the prior consent of Tiantianlaiwan;

(e) shall not procure Zen-Game Shenzhen to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of Zen-Game Shenzhen without the prior consent of Tiantianlaiwan, save for transactions which are in the ordinary course of business of Zen-Game Shenzhen, or transactions which have been disclosed to Tiantianlaiwan and approved by Tiantianlaiwan;

(f) shall not agree to or procure Zen-Game Shenzhen to declare or in substance distribute any distributable dividends or agree to such distribution without the prior consent of Tiantianlaiwan;

(g) shall not agree to or procure Zen-Game Shenzhen to amend its articles of association without the prior consent of Tiantianlaiwan;

(h) shall ensure that Zen-Game Shenzhen does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by Zen-Game Shenzhen exceeds RMB2,000,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts by Zen-Game Shenzhen, obligations which restrict or prohibit the financial or business operations of Zen-Game Shenzhen, or any obligations which may result in change of the structure of the shares of Zen-Game Shenzhen) outside its ordinary course of business without the prior consent of Tiantianlaiwan;

(i) shall use their best endeavors to develop the business of Zen-Game Shenzhen and ensure compliance with laws and regulations by Zen-Game Shenzhen, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of Zen-Game Shenzhen;

(j) shall, prior to the transfer of the shareholders' interest to Tiantianlaiwan or its designated purchaser and without prejudice to our Shareholders' Rights Entrustment, execute all documents necessary for holding and maintaining the ownership of its shares of Zen-Game Shenzhen;

(k) shall, in its capacity as shareholders of Zen-Game Shenzhen and without prejudice to the Structured Contracts, procure directors nominated by them to exercise all rights to enable Zen-Game Shenzhen to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director or council member who fails to do so; and

(l) in the event that the consideration paid by Tiantianlaiwan or its designated purchaser for the transfer of all or some of the shares in Zen-Game Shenzhen exceeds RMB0, shall pay such excess amount to Tiantianlaiwan or its designated entity.

In addition, the Registered Shareholders undertake to Tiantianlaiwan that, in the event of a merger and subdivision of the Registered Shareholders, presentation by the Registered Shareholders or the Registered Shareholders being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the Registered Shareholders pursuant to an order, application for involuntary dissolution of the Registered Shareholders or other reasons, or other circumstances which may affect the Registered Shareholders in exercising its direct or indirect interest in Zen-Game Shenzhen, they shall have made all necessary arrangement and sign all necessary documents such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the direct or indirect interest or relevant rights in Zen-Game Shenzhen shall not prejudice or hinder the enforcement of the Structured Contracts.

(4) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Tiantianlaiwan to exercise all of its respective rights as shareholders of Zen-Game Shenzhen to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to convene and attend shareholders' meetings of Zen-Game Shenzhen in accordance with the articles of association of Zen-Game Shenzhen and the right to sign all shareholders' resolutions and other legal documents; (b) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Zen-Game Shenzhen; (c) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of Zen-Game Shenzhen (including but not limited to nominate and appoint the legal representatives, chairman, directors, supervisors, senior management members); (d) the right

to handle the legal procedures of registration, approval and licensing of Zen-Game Shenzhen at the relevant government regulatory departments; (e) the right to supervise the operation and financial performance of Zen-Game Shenzhen, to declare dividends and to inspect the financial information of Zen-Game Shenzhen; (f) to institute legal proceedings against any director or management if such director or management conducted any act that harms the interest of Zen-Game Shenzhen or its shareholders; (g) to approve the amendments to the articles of association of Zen-Game Shenzhen; and (h) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Zen-Game Shenzhen as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that any person as successor of civil rights of Tiantianlaiwan or liquidator by reason of subdivision, merger, liquidation of Tiantianlaiwan or other circumstances shall have authority to replace Tiantianlaiwan to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(5) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Tiantianlaiwan, each of the Registered Shareholders authorized and appointed Tiantianlaiwan, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as shareholders of the Zen-Game Shenzhen. For details of the rights granted, see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Shareholders' Rights Entrustment Agreement" in this document.

The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(6) Spouse Undertakings

Each of the spouses of Mr. Ye and Mr. Yang signed the Spouse Undertakings on October 27, 2018. Pursuant to the Spouse Undertakings, each of Mr. Ye's and Mr. Yang's spouse has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by each of Mr. Ye and Mr. Yang, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect interest in shares of Zen-Game Shenzhen, pledge or transfer the direct or indirect interest in shares of Zen-Game Shenzhen, or the disposal of the direct or indirect interest in shares of Zen-Game Shenzhen in any other forms;

(b) all the shares held by each of Mr. Ye and Mr. Yang in Zen-Game Shenzhen are assets solely owned by Mr. Ye or Mr. Yang (as the case may be) and she will not claim any shares of Zen-Game Shenzhen;

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

(d) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Operating Entities;

(e) the spouse who holds indirect interest in Zen-Game Shenzhen, will be subject to and abide by the terms of the Structured Contracts as if she was a signing party to such Structured Contracts, and she will sign any documents in the form and substance consistent with the Structured Contracts;

(f) she will not (whether directly or indirectly, actively or passively) act, or omit to act, against the purpose or intention of the Structure Contracts;

(g) the spouse authorizes Mr. Ye or Mr. Yang (as the case may be) or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's shares of Zen-Game Shenzhen (direct or indirect) in order to safeguard the interest of Tiantianlaiwan under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(h) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect interest in shares of Zen-Game Shenzhen of Mr. Ye or Mr. Yang;

(i) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be invalid, prejudiced or otherwise adversely affected by reason of her loss of or restriction on capacity, death, divorce or other similar events; and

(j) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tiantianlaiwan and the spouses of Mr. Ye and Mr. Yang in writing.

(7) Share Pledge Agreement

Pursuant to the Share Pledge Agreement, each of the Registered Shareholders irrevocably pledged and granted first priority security interests over all of its shares of Zen-Game Shenzhen together with all related rights thereto to Tiantianlaiwan as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tiantianlaiwan as a result of any event of default on the part of the Registered Shareholders Zen-Game Shenzhen and all expenses incurred by Tiantianlaiwan as a result of enforcement of the obligations of the Registered Shareholders and/or Zen-Game Shenzhen under the Structured Contracts (the "**Secured Indebtedness**").

Pursuant to the Share Pledge Agreement, without the prior written consent of Tiantianlaiwan, the Registered Shareholders shall not transfer the shares or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the shares shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Tiantianlaiwan. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Share Pledge Agreement.

Upon the occurrence of an event of default, Tiantianlaiwan shall have the right to enforce the Share Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, Tiantianlaiwan may request the Registered Shareholders to transfer all or some of its shares of Zen-Game Shenzhen Operating Entities to any entity or individual designated by Tiantianlaiwan at the lowest consideration permissible under the PRC laws and regulations;

(b) sell the pledged shares by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or

(c) dispose of the pledged shares in other manner subject to applicable laws and regulations.

DISPUTE RESOLUTION

Each of the Structured Contracts contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Structured Contracts, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission ("**CIETAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all relevant parties.

They also provide that the arbitral tribunal may award remedies over the shares or land assets of Zen-Game Shenzhen, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Zen-Game Shenzhen; and the courts of Hong Kong, the PRC, the BVI and the Cayman Islands, or other places where the material assets of Zen-Game Shenzhen locate also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Zen-Game Shenzhen.

Our PRC Legal Advisers have confirmed that the aforementioned dispute resolution provisions set forth in the agreements underlying the Structured Contracts do not violate the mandatory provisions of current PRC laws, legally valid and binding on the relevant

signatories. However, our PRC Legal Advisers are also of the opinion that the aforementioned provisions may not be enforceable under PRC laws. For instance, CIETAC has no power to grant such injunctive relief, nor will it be able to order the winding up of Zen-Game Shenzhen under current PRC laws. In addition, interim remedies or enforcement orders granted by courts in an overseas jurisdiction, such as Hong Kong and the Cayman Islands, may not be recognized or enforceable in the PRC, and Tiantianlaiwan may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that Zen-Game Shenzhen breaches any of the Structured Contracts, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Zen-Game Shenzhen and its subsidiaries and conduct our business, as well as our financial conditions and results of operations, could be materially and adversely affected. Please also see the section headed "Risk Factors – Risks Relating to Our Structured Contracts".

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF ZEN-GAME SHENZHEN

Tiantianlaiwan has been irrevocably authorized and entrusted to exercise the rights of Registered Shareholders as shareholders of Zen-Game Shenzhen. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Shareholders' Rights Entrustment Agreement" in this document for details.

LOSS SHARING

In the event that Zen-Game Shenzhen incurs any loss or encounters any operational crisis, Tiantianlaiwan may, but is not obliged to, provide financial support to Zen-Game Shenzhen.

None of the agreements constituting the Structured Contracts provide that our Company or its indirect wholly-owned PRC subsidiary, Tiantianlaiwan, is obligated to share the losses of Zen-Game Shenzhen or provide financial support to Zen-Game Shenzhen. Further, Zen-Game Shenzhen shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Tiantianlaiwan, is not expressly required to share the losses of Zen-Game Shenzhen or provide financial support to Zen-Game Shenzhen. Despite the foregoing, given that Zen-Game Shenzhen's financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if Zen-Game Shenzhen suffers losses. However, due to the restrictive provisions contained in the Structured Contracts as disclosed in the section headed "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" above, the potential adverse effect on Tiantianlaiwan and our Company in the event of any loss suffered from Zen-Game Shenzhen can be limited to a certain extent.

TERMINATION OF THE STRUCTURED CONTRACTS

Each of the Structured Contracts provides that: (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all the shares and assets that the Registered Shareholders (directly and indirectly) hold in Zen-Game Shenzhen by Tiantianlaiwan or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Share Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full and the registration of the transfer with competent authorities has been completed; and (b) Tiantianlaiwan shall have the right to terminate the Structured Contracts by serving 30-day prior notice.

In the event that PRC laws and regulations allow Tiantianlaiwan or us to directly hold all or part of the shares of Zen-Game Shenzhen and all or part of its assets, and operate our mobile game operation business in the PRC, Tiantianlaiwan shall exercise the Equity Call Option as soon as practicable and Tiantianlaiwan or its designated party shall purchase such amount of shares and assets to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the shares and assets and that the Registered Shareholders (directly and indirectly) hold in Zen-Game Shenzhen by Tiantianlaiwan or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

Each of the Registered Shareholders has given their irrevocable undertakings in the Shareholders' Rights Entrustment Agreement and the Shareholders' Powers of Attorney which address potential conflicts of interests that may arise in connection with the Structured Contracts. See "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Shareholders' Rights Entrustment Agreement" and "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Powers of Attorney" in this document for details.

LEGALITY OF THE STRUCTURED CONTRACTS

PRC Legal Opinion

Based on the above, our PRC Legal Advisors are of the opinion that:

(a) each of our PRC Operating Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations. Each of our PRC Operating Entities has also obtained all material approvals and finished all material registration as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of Zen-Game Shenzhen, injunctive relief and/or winding up of Zen-Game Shenzhen, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or shares of Zen-Game Shenzhen in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, do not violate the mandatory provisions of current PRC laws; in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of our PRC Operating Entities;

(d) each of the Structured Contracts is enforceable under PRC laws and regulations, entering and the performance of the Structured Contracts to each of the Structured Contracts are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any shares of Zen-Game Shenzhen in favor of Tiantianlaiwan is subject to registration requirements with Shenzhen United Property and Share Rights Exchange; (ii) the transfer of shares of Zen-Game Shenzhen contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws; (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement; and (iv) under PRC laws on arbitral body does not have the power to grant injunctive relief or to order an entity to wind up; and

(e) the Structured Contracts do not violate the M&A Rules.

For details in relation to the risks involved in the Structured Contracts, see "Risk Factors – Risks Relating to Our Structured Contracts" in this document.

Directors' View on the Structured Contracts

We believe that the Structured Contracts are narrowly tailored because the Structured Contracts are only used to enable our Group to combine the financial results of our PRC Operating Entities which engage or will engage in the operation of our mobile game operation business, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the Guangdong Provincial Department of Culture and Guangdong Communications Administration.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts so that the financial results of the operation of our PRC Operating Entities can be combined to those of our Group, and based on the advice of our PRC Legal Advisors, our Directors are of the view that the Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Structured Contracts constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**] and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Structured Contracts are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this document.

COMBINATION OF FINANCIAL RESULTS OF OUR PRC OPERATING ENTITIES

According to HKFRSs 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own our PRC Operating Entities, the Structured Contracts as mentioned above enable our Company to exercise control over our PRC Operating Entities. The basis of combining the results of our PRC Operating Entities is disclosed in note 2.1 to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Operating Entities as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Draft Foreign Investment Law and the Explanatory Notes

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the Draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or a foreign invested entity ("**FIE**"). The Draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but confirmed by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarized categories:

(a) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

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

(c) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

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

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

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Structured Contracts, to establish control of our PRC Operating Entities by Tiantianlaiwan, through which we operate our education business in the PRC. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" or "prohibited category" on the "negative list," it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

Pursuant to the Draft Foreign Investment Law, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. However, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the Negative List and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors. The "negative list" set out in the Draft Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

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

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft Foreign Investment Law (the "**Explanatory Notes**") do not provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures and conducting business in an industry falling in the Negative List:

(a) to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation;

(c) to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

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

Where foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors make investments in the sectors specified in the Catalogue of Restrictions without authorization, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, confiscate illegal gains, if any, and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit; if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft Foreign Investment Law, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

If the Draft Foreign Investment Law is promulgated in the current draft form, on the basis that (i) Mr. Ye and Mr. Yang, who are both of Chinese nationality and parties acting in concert, will indirectly control approximately 40.1284% in aggregate (without taking into account any options that may be granted under the Share Option Scheme) of the issued share capital of our Company upon completion of the [**REDACTED**] and the [**REDACTED**]; (ii) our Company through Tiantianlaiwan exercises effective control over Zen-Game Shenzhen pursuant to the Structured Contracts; and (iii) Mr. Ye and Mr. Yang are of Chinese nationality, our PRC Legal Advisers are of the view that we can apply for the recognition of the Structured Contracts as domestic investments and it is likely that the Structured Contracts will be considered as legal.

The Potential Impact to Our Company in the Worst Scenario that the Structured Contracts Are Not Treated as a Domestic Investment

If the operation of value-added telecommunications services and Internet culture businesses in the PRC is no longer in the negative list and our Group is allowed to operate such business under PRC Laws without using the Structured Contracts, Tiantianlaiwan will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the shares of Zen-Game Shenzhen and its assets and unwind the Structured Contracts subject to re-approval by the relevant authorities.

If the operation of value-added telecommunications services and Internet culture businesses is in the negative list, the Structured Contracts may be viewed as prohibited foreign investment. If the Draft Foreign Investment Law is refined and deviates from the current draft, depending on the treatment of existing contractual arrangements, the Structured Contracts may be regarded as invalid and illegal. As a result, our Group would not be able to operate our mobile game operation business through the Structured Contracts and we would lose our rights to receive the economic benefits of our PRC Operating Entities. As a result, the financial results of our PRC Operating Entities would no longer be combined into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if the Draft Foreign Investment Law is promulgated, that the relevant regulations will take retrospective effect to require the relevant enterprises to remove

the contractual arrangements. In future, the PRC government is likely to take a relatively cautious attitude towards the aspects of supervision as well as the enactment, and make decisions according to different situations in practice.

However, there are uncertainties as to what the definition of control may be under the finally enacted version of the Foreign Investment Law in the future, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Advisers' understanding. In any event, our Company will take reasonable steps in good faith to seek to comply with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential Measures to Maintain Control Over and Receive Economic Benefits from our PRC Operating Entities

As mentioned above, our PRC Legal Advisers are of the view that the Structured Contracts are likely to be deemed as a domestic investment if the Draft Foreign Investment Law were to become effective in its current form and content. To ensure the Structured Contracts remain a domestic investment so that our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities, each of Mr. Ye and Mr. Yang has given an undertaking to our Company, and our Company has agreed with the Stock Exchange to enforce such undertaking to:

(a) continue to maintain his or procure his successors to maintain Chinese nationality and citizenship for as long as he holds a controlling interest in our Company;

(b) maintain control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment when they become effective, or otherwise procure the transferee(s) who will become the new PRC controlling shareholder of our Company to provide an undertaking in the same terms and conditions as the one offered by him to our Company; and

(c) obtain prior written consent of our Company as to the identity of the transferee(s) before Mr. Ye or Mr. Yang disposes of or transfers the controlling interest in our Company that he beneficially owns. Prior to any such disposal, transfer or other transactions which may result in Mr. Ye or Mr. Yang ceasing to have control of our Company for the purposes of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated), Mr. Ye or Mr. Yang shall demonstrate to the satisfaction of our Company and the Stock Exchange that the Structured Contracts will remain a domestic investment for the purpose of the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) and related laws applicable to our Group in relation to domestic investment.

Based on the view of our PRC Legal Advisers and the aforesaid undertaking given by Mr. Ye and Mr. Yang, our Directors are of the view that (i) the Structured Contracts are likely to be deemed as a domestic investment and to be permitted to continue; and (ii) our Group can maintain control over our PRC Operating Entities and receive all economic benefits derived from our PRC Operating Entities. The aforesaid undertaking will become effective from the date of the listing of our Shares on the Stock Exchange and will remain effective until compliance with the Draft Foreign Investment Law (together with all its subsequent amendments or updates, as promulgated) is not required.

Notwithstanding the above, there may be possibilities that the above measures to maintain control over and receive the economic benefits from our PRC Operating Entities alone may not be effective in ensuring compliance with the Draft Foreign Investment Law (if and when it becomes effective). In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. See "Risk Factors – Risks Relating to Our Structured Contracts" in this document for more details.

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:

(a) 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 an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Draft Foreign Investment Law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the Draft Foreign Investment Law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Structured Contracts, review the legal compliance of Tiantianlaiwan and Zen-Game Shenzhen to 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 after the [**REDACTED**] under the following measures:

(a) the decision-making mechanism of our Board as set out in the Articles of Association 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;

(b) each of our Directors is aware of his/her fiduciary duties as a Director which requires, amongst other things, that he/she acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third 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

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are an established mobile game developer and operator in the PRC with special focus on card and board and other casual mobile games. According to the Frost & Sullivan Report, we were among the top five players in the card and board mobile game market in the PRC in terms of revenue in 2017, with a market share of approximately 4.0%. Our goal is to further strengthen our position as a leading player in the card and board and other casual mobile games market in the PRC.

We develop and maintain a large portfolio of mobile games. Prior to 2015, all of the games we operated had also been developed by us. In 2015, we also started operating games that had been developed by third parties. As of the Latest Practicable Date, we offered 36 self-developed and eight third party-developed games. We generate substantially all of our revenue from sales of virtual items. Since May 2018, we also started generating revenue from our advertising business and we expect contribution to our revenue from such business to increase going forward.

Our games are divided into three main categories, namely card games, board games and other games (including other casual games and hard core games). Most of our games are based on classic real-world card and board games which enjoy wide popularity and long histories. According to the Frost & Sullivan Report, card and board mobile games usually have longer life cycles due to their existing large and stable player base in the real world and the nature of traditional card and board games that have fixed gameplay rules with which players are familiar. Our signature card game series, Fight the Landlord (鬥地主), ranked third among all Fight the Landlord mobile games in the PRC in terms of average MAU and DAU in 2017, with an estimated average MAU of approximately 17.3 million and an estimated average DAU of approximately 4.2 million, according to the Frost & Sullivan Report. We strive to offer high-quality mobile card and board and other casual games to our players and enhance their game experience with new versions and functions updated on a regularly basis.

All of our games are operated using the Free-to-Play model. Players are able to download mobile apps for free or otherwise access our games for free via mobile phones or tablets application stores or social network sites. Players may choose to enhance their game experience by purchasing virtual items we offer. We believe this model of allowing players to play our games without initial cost enables us to more effectively attract new players to experience our games and build up our player base, which we can subsequently monetize through sale of virtual items and online advertising.

Our business experienced rapid growth over the Track Record Period. Our cumulative registered players increased from approximately 9.6 million as of December 31, 2015 to approximately 212.6 million as of December 31, 2017 and further to approximately 289.9 million as of June 30, 2018. Our average MAU increased from approximately 7.6 million for the year ended December 31, 2015 to approximately 22.4 million for the year ended December 31, 2017 and further to approximately 27.9 million for the six months ended June 30, 2018. Our

profit for the year increased from approximately RMB25.0 million for the year ended December 31, 2015 to approximately RMB66.4 million for the year ended December 31, 2017 and profit for the period increased from approximately RMB35.4 million for the six months ended June 30, 2017 to approximately RMB50.8 million for the six months ended June 30, 2018.

OUR STRENGTHS

We believe the following competitive strengths enable us to compete effectively and take advantage of the growing market for mobile games in China:

Established mobile game developer and operator with a large player base in card and board and other casual games

We are an established mobile game developer and operator with special focus on card and board and other casual games in the PRC. We have an extensive portfolio of mobile games, consisting of 44 games as of the Latest Practicable Date, focusing primarily on card and board games, in particular card and board games with extensive player bases across China. For example, Fight the Landlord, our signature card game, originated from a game with a long history of popularity in the real world and for which many different mobile versions have been published by different operators. According to the Frost & Sullivan Report, we were among the top five players in the card and board mobile games market in the PRC in terms of revenue in 2017, with a market share of approximately 4.0%. In addition to games we develop ourselves, beginning in 2015, we also began to operate and distribute mobile games developed by third-parties.

The success of our games has helped us build a large player base. According to the Frost & Sullivan Report we ranked fourth in the card and board mobile games market in the PRC in terms of average MAU and average DAU of our card and board games in 2017 (with estimated average MAU of approximately 21.6 million and estimated average DAU of approximately 4.8 million). Our signature card game series, Fight the Landlord (鬥地主) ranked third among all Fight the Landlord mobile games in the PRC in terms of average MAU and DAU in 2017 (with an estimated average MAU of approximately 17.3 million and an estimated average DAU of approximately 4.2 million). As of June 30, 2018, we had approximately 289.9 million cumulative registered users for our games. Our large player base enables us to cross-sell new games via in-game advertisements and in-game portals. We believe such cross-selling helps enhance existing player stickiness and further expand our player base. For example, primarily due to the in-game promotion of our Mahjong games in our Fight the Landlord games, the number of newly registered users of our Mahjong games grew by approximately 3.0 million from May 2018 to August 2018, while our aggregate DAU for Fight the Landlord and Mahjong games grew from approximately 4.9 million to approximately 5.3 million over the same period. Moreover, the existence of a strong pre-existing player base also helps us attract third-party developers whose games we can distribute and promote on our platform, allowing us to grow our portfolio, increase revenue, drive more traffic to our platform and further enhance player stickiness. In addition, we believe our large player base also provides us with significant competitive advantages going forward to more effectively monetize our games through advertising. See "– Strong monetization capabilities driven by sophisticated, effective data analytics".

Management team with extensive experience in developing and operating a leading online card and board and casual game platform with a large player base

We are led by a senior management team with a comprehensive understanding of the mobile games market, based on extensive direct experience in successfully developing and operating a leading online card and board and casual game platform in the PRC. Mr. Ye, our chairman and chief executive officer and Mr. Yang, our vice chairman and chief technology officer were product director and technical director, respectively, in the products department at one of China's leading online game companies and were involved in building that company's card and board game platform into one of China's largest online card and board and casual game platforms. Mr. Ye has over 14 years' experience and Mr. Yang has over 20 years' experience in development, operation and management of large player-based platforms in China. Mr. Zhu Weijie, the director of our operation department, also has 12 years' experience in the gaming industry. Ms. Chen Yan, the director of our commerce department, was a senior member of a HKSE listed company which at the time focused on wireless value-added services. Ms. Chen Yan has over 18 years' experience in the technology industry. We believe our management team's in-depth industry knowledge and vision has helped us identify trends and position our Company to take advantage of opportunities in the mobile game market in China and is crucial to the continued development of our integrated online game platform.

Established strong relationships with leading mobile phone manufacturers and telecommunications carriers

We have well-established, strong relationships with several of the top tier mobile manufacturers in China, including Huawei, Vivo and Oppo, among others, stretching back to 2014. Our cooperation with such mobile companies has been quite successful and our Fight the Landlord game series has consistently ranked among the top of all such games that can be downloaded from the built-in platforms on devices sold by such mobile phone manufacturers. For example, our Tiantian Fight the Landlord (Live-action Version) game was recognized by Huawei as one of the best performing card and board games and one of the top 10 performing casual games on the Huawei platform in 2017. Pursuant to our cooperation with mobile phone manufacturers, players are able to access our games directly through the built-in games platforms that comes pre-loaded on the application stores of the mobile devices they sell. This helps us reach potential players who otherwise may not be familiar with our games and drives new user traffic to our games.

We also have strong relationship with many of the major telecommunications carriers in China whom we use as a payment channel to enhance operational efficiency and facilitate conversion of our player base into paying players. In addition to in-game payment, we offer our players the ability to make payments through SMS services offered by telecommunications carriers in China, helping us to more effectively reach the wide player base of such carriers. As a result, we are able to collect revenue more easily from small payment players and players without online payment services. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, such payment channels accounted for 96.6%, 89.9%, 50.4% and 48.5% of our game revenue from payment channels.

Integrated mobile game platform development and operating capabilities

We have developed strong operating capabilities covering various aspects of the mobile game industry. We are able to maintain stable game operations, carry out efficient statistical analysis, develop new games and upgrade existing games with new versions and features even in periods of rapid customer increase. We are also able to react quickly to take advantage of new technologies and market opportunities. For example, to take advantage of the relatively recent opportunities offered by the development of games playable directly via social media, in particular WeChat, in China, we have developed an HTML5 framework and HTML5 versions of our core games. Within a short period of time, we have been able to successfully design and concurrently launch multiple versions of our games at relatively low cost and to connect these with various social network. We continue to expand our portfolio of games playable via HTML5 versions. See "– Our Strategies – Build and strengthen our portfolio of games and expand our business scale."

Our ability to engage in almost all aspects of the mobile game industry, including developing, operating and distributing mobile games, providing in-game advertising to our users, external advertising, development and operation of advanced SDKs system and big data analysis, supported by our large existing player base and strong relationship with mobile companies and telecommunications carriers, has allowed us to continue developing our integrated portfolio and game platform. We are not only able to effectively operate and promote our self-developed games, but also able to distribute and co-publish third-party games. As of the Latest Practicable Date, we operated eight games developed by third parties, accounting for almost 20% of the game titles in our total game portfolio. Distribution of third party games not only helps us to increase revenue, but also allows us to offer a more diversified range of games to our players, increasing player stickiness.

We have built a comprehensive library of proprietary pre-made components and software development kits to help us manage the mobile game development and operating processes efficiently. Such tools, specifically designed for our mobile games, cover all aspects of our operations including payment, data collection and analysis, internal advertisement and cross-marketing, operation support and management, and external advertising. These systems further enhance our operation efficiency, allowing us to develop, refine, upgrade and operate our games more quickly and cheaply and operate them consistently across our portfolio. As a result, our systems are able to operate stably even with a large number of players online and in-game payments can be made more efficiently, all of which leads to a better user experience.

We believe the continued development of our integrated platform offers significant opportunities for our business.

Strong monetization capabilities driven by sophisticated, effective data analytics

We have accumulated significant amounts of data on player behaviour, habits and preferences which we can analyze and use to develop and operate games more effectively and profitably. We have developed a comprehensive data analytics system that is capable of gathering and analyzing data on the playing and consumption behavior of our player base. This system enables us to understand players' reactions to new features and other changes to our games and predict reactions to future changes. This allows us to develop new games, adjust existing games to enhance game experience and offer virtual goods and in-game services according to customer preferences.

Our accumulated data on our players' preferences and behavior also helps us provide more effective advertising possibilities to external advertisers, allowing us to further monetize our large player base. We have an advertisement SDK specially designed for our games which allows us to place advertisements in our games specifically selected with reference to our players' preferences and behavior as identified by our data systems. According to the Frost & Sullivan Report, the mobile advertising market in China has been growing rapidly in recent years. The market increased from approximately RMB10.6 billion in 2013 to approximately RMB219.1 billion in 2017, representing a CAGR of approximately 113.2% and is expected to continue to grow to reach approximately RMB474.3 billion by the end of 2022. We believe the combination of our large player base supported by strong data analytics capabilities leave us well placed to capitalize on the growing online advertising market in the PRC.

OUR STRATEGIES

Our goal is to further strengthen our position as a leading player in the card and board and other casual mobile games market in the PRC. We plan to achieve this goal by pursuing the following strategies:

Build and strengthen our portfolio of games and expand our business scale

We intend to improve and expand our portfolio in the following ways:

- *Continue to optimize and upgrade our existing games:* As at the Latest Practicable Date, we had obtained 56 game publication numbers for our existing games. Several of our games have been very popular among players and form the foundation of our large user base. We believe that there is potential to increase popularity and profitability of our other existing games which we have not optimized and on which we have not yet focused our marketing and promotional efforts. As such, our current development plan and pipeline mainly focus on developing new functions and features, introducing new gameplay, enhancing art design and special effects and organizing online competitions (such as competition within various rankings) for our less popular existing games. We will also continue to optimize our signature games by providing updates and enhancements in order to enhance players' experience. When the PRC government resumes the vetting and approval process for new game publication numbers, we may reallocate some of our efforts to developing new types of card and board and other casual games.

- *Develop new versions of our games in HTML5:* Recently, we have focused our development efforts on HTML5 games, which can be played directly on social networking sites (such as WeChat) without the need for users to download our apps to their mobile devices. We are currently in the process of developing HTML5 versions of a number of our existing games, including card games, puzzle games, memory games, logic games and matching games. We believe the easy-accessibility of casual games using HTML5 provides us a good opportunity to reach new customers and expand our player base and we expect to continue developing such games in the near future.

- *Increase the number of games developed by third-parties in our portfolio:* Beginning in 2015, we started distributing games developed by third parties. We will continue our cooperation with third-party game developers and focus on titles we believe will be attractive to our existing player base and will also allow us to diversify our portfolio, widen our player base and diversify our source of income. These might include card and board and casual games, as well as other types of mobile games including hard-core games.

Our player base has grown quickly to reach approximately 289.9 million registered players as at June 30, 2018. We can leverage this large existing player base for certain of our games to direct traffic to other of our games by placing a game portal in our most popular games. This helps us to cross-sell our new games efficiently, and enhance player stickiness. We believe giving our players interesting new experiences on different games encourages them to share these experiences with their friends and increases our exposure on social platforms. This also attracts new players and new traffic to our games and may also helps to increase our ARPPU and paying users. Going forward, we intend to continue to conduct promotional and marketing activities to grow our player base and game platform. We also plan to introduce universal user ID for our games and to enhance social connectivity among our users.

Further strengthen our operating capabilities

We believe strong operating capabilities is important for an integrated game platform. Such operation capabilities not only help us to operate our self-developed games efficiently, but also enable us to attract additional third party game developers whose games we can co-publish and for whom we can provide operational and marketing services. Utilizing our operating capabilities to attract third party game developers, allows us to more quickly and efficiently build our game portfolio and player base, and leverage this increased base to cross-sell our games, broaden our income sources, and increase bargaining power with our suppliers. We will continue to invest resources and management attention to the further development and improvement of various aspects of our platform, including, but not limited to, data analysis, payment and billing systems and advertising capabilities. We will also invest further in recruiting IT professionals and purchasing or renting additional IT equipment (such as servers) to further strengthen our IT infrastructure.

Strengthen our Human Resources with Targeted Recruitment

Our employees are the foundation of our success and development. In order to continue to grow and strengthen key aspects of our operations, we will continue to aggressively target top talented candidates. In particular, we plan to target candidates with key specializations and solid experience in product planning, artistic designing and research and development. Our development efforts will include recruiting new hires to strengthen our research and development capabilities relating to game development and the strengthening of our IT infrastructure. We will also recruit additional sales and marketing staff. We offer attractive compensation and have established the Share Option Scheme to attract and retain talented employees and further align our interests and those of our employees in our common goals.

Enhance Monetization of our Player Base

Our player base has grown rapidly since our establishment in 2010, with our number of registered users and MAU reaching approximately 289.9 million, and 27.9 million, respectively, as of June 30, 2018. We use a Free-to-Play model for all of our games where the games are free to download and play initially, and players can purchase virtual items to enhance their game experience by extending playtime, improving in-game communication, customizing game settings, improving in-game performance and accelerating player progression. In order for us to monetize our large player base, we must convince more of our players to make purchases, increase the average amounts of each purchase, or otherwise leverage this player base through advertising. The ARPPU of our games has also experienced steady growth over the Track Record Period. The average ARPPU for our Fight the Landlord game increased from RMB15 in 2015 to RMB20 in 2016 and further to RMB28 in 2017 and RMB33 for the six months ended June 30, 2018. The ARPPU for all of our games increased from RMB15 in 2015 to RMB20 in 2016, RMB27 in 2017 and further to RMB34 for the six months ended June 30, 2018. We plan to enhance monetization of our player base through increasing the number and types of virtual items and in-game services and the consumption rates of existing items and services. In addition, we believe that there is significant potential to further increase monetization of our player base by advertising. Going forward, we expect to open up more opportunities for third parties to advertise to our players and to derive a larger portion of our revenue from advertising with due care taken for keeping up players' experience at the same time.

Pursue Acquisition and Strategic Cooperation Opportunities

We plan to selectively acquire, invest in and/or pursue strategic partnership with other game developers in China or overseas, or application software companies with established player bases or significant mobile traffic. We believe that these targets would be complementary to our business as they will expand our game portfolio, bring new players and enhance our business expansion. In addition, we may also consider game developers who have obtained game publication numbers for games with good potential but lack the necessary resources or experience to operate mobile games as potential acquisition or cooperation targets. We believe such acquisition strategy allows us to leverage our experience and operational

expertise to further expand our game portfolio and diversify our source of income. In addition to acquisitions depending on commercial realities, we may also consider other forms of partnership or cooperation with third party game developers. As of the Latest Practicable Date, we had not identified any specific target for acquisition, investment or partnership.

Explore Opportunities to Expand into Overseas Markets

We plan to explore the possibility of using the expertise we have accumulated in the China market to expand into various overseas markets. We plan to enter into negotiation with certain foreign mobile manufacturers, mobile operators and/or app platforms to explore the possibility of our entering into overseas markets. Given the number of our games which are based on popular, long-standing Chinese real-world card and board games and the fact that all of our games are currently published in Chinese, we are exploring opportunities to target overseas markets in Asia (such as Hong Kong and Taiwan) and North America. We are also exploring competent candidates with experience in game operation and localization in such markets for our future expansion into overseas markets.

OUR GAMES

As of the Latest Practicable Date, our active portfolio of mobile games included a total of 44 games, including 19 card games, 12 board games and 13 other games (including other casual games and hard core games). As of the Latest Practicable Date, all of our games were offered as mobile games.

Many of our games are based on well-established classic card and board games. Fight the Landlord and Sichuan Mahjong, the two most popular card and board mobile games we offer in terms of revenue and active users, are both based on real-world card and board games that have enjoyed wide popularity in China for many years. In addition, we also offer casual games, such as Kuaishou Fishing (快手捕魚), a casual fishing game and Happy Mengmengxiao (開心萌萌消), a matching puzzle game.

Most of the games we offer were developed and published by ourselves. In addition to such self-developed games, beginning in 2015, we also began to promote games developed by third-parties. As at the Latest Practicable Date, eight of our games had been developed by third party developers. Those games consisted of both casual and hard core (such as role-playing) games. See "– Cooperation with Third Party Game Developers" for further details.

Existing Game Portfolio

The following table sets out key information on our existing self-developed games as of the Latest Practicable Date:

Games	Game Type by Playing Rules	Initial Launch Date
Run Fast (跑得快)[(1)]	Card	August 2013
Big Two (鋤大地)	Card	September 2013
Fight the Landlord (鬥地主)[(2)]	Card	September 2013
Sheng Ji (升級)	Card	December 2013
Gan Deng Yan (乾瞪眼)	Card	December 2013
Shuang Kou (雙扣)[(3)]	Card	February 2014
Guan Dan (摜蛋)	Card	April 2014
Gou Ji (夠級)	Card	May 2014
Sichuan Mahjong (四川麻將)[(4)]	Board	May 2014
Bao Huang (保皇)	Card	October 2014
Wuhan Mahjong (武漢麻將)	Board	November 2014
Guangdong Mahjong (廣東麻將)	Board	February 2015
Chinese Chess (中國象棋)	Board	June 2015
Army Chess (軍棋)	Board	June 2015
Wuzi Chess (五子棋)	Board	June 2015
Happy Mengmengxiao (開心萌萌消)[(5)]	Casual	June 2015
Xiaoxingxing (消星星)	Casual	June 2015
Changsha Mahjong (長沙麻將)	Board	October 2015
Zunyi Card and Board Game (遵義棋牌)	Board	January 2016
Kuaishou Fishing (快手捕魚)	Casual	January 2016
Four Players Fight the Landlord (四人鬥地主)	Card	April 2016
Navy Front Line (海軍最前線)	Casual	January 2017

Notes:

(1) As of the Latest Practicable Date, we operated two distinct versions of this game.

(2) As of the Latest Practicable Date, we operated eight distinct versions of this game.

(3) As of the Latest Practicable Date, we operated two distinct versions of this game.

(4) As of the Latest Practicable Date, we operated five distinct versions of this game.

(5) As of the Latest Practicable Date, we operated two distinct versions of this game.

The life cycle of mobile games generally include (1) an early growth stage during which the number of players and the revenue generated from a game tend to increase; (2) a stable and mature stage during which the number of players and the revenue generated from a game tend to be stable; and (3) a late stage during which the number of players and the revenue generated from a game tend to decrease, according to the Frost & Sullivan Report. According to the same report, card and board mobile games generally have longer life cycles due to their existing large and stable offline player base. Currently, our Fight the Landlord games and Mahjong games, which contributed the majority of our revenue during the Track Record Period, are in the stable stage of their life cycle.

Descriptions of our most popular game series are provided below. All of these game series have been developed in-house and are currently offered in Simplified Chinese only.



Fight the Landlord (鬥地主)

Our Fight the Landlord (鬥地主) series, our most popular mobile card game, is based on one of the most popular real-world card games in China.

We launched this game in September 2013.

We offer different versions of the Fight the Landlord game on the iOS, Android and HTML5 platforms.

In this game, two players (the "peasants") play collaboratively against a third player (the "landlord"). Players take turn playing cards or combinations of cards from their hand. The first player that has no cards left wins the game. If the landlord wins the game, he/she will collect all virtual units (called "game beans") contributed by all the peasants; if any peasant wins the game, all peasants will share the game beans contributed by the landlord. Players gain experience and progress to higher levels by winning games, opening up higher levels of gameplay.

Players use our game beans to play games. Players receive a number of game beans free each day by logging in and can gain additional game beans by winning games they play. Players can also purchase virtual items at our in-game shop and will also receive certain amounts of game beans as a gift along with such purchased virtual items. Players are not able to convert virtual game beans back to RMB or any other real-world currency.

Our Tiantian Fight the Landlord (Live-action Version) has won numerous awards and recognition by various top tier mobile phone manufacturers and popular distribution platforms. See "– Awards and Recognition," below.



Sichuan Mahjong (四川麻將)

Mahjong games enjoy wide popularity among Chinese-speaking players. We started offering our Sichuan Mahjong (Fight to the Bitter End) in May 2014 to cater to this demand. There are numerous variations of Mahjong in China of which Sichuan Mahjong is one of the most popular versions.

Our Sichuan Mahjong (Fight to the Bitter End) is offered on the iOS, Android and HTML5 platforms.

In our Sichuan Mahjong (Fight to the Bitter End) game, two or four players compete with each other to win the game beans contributed by other playing parties. In this game, the players take turns to draw and discard tiles to form a portfolio called the "Ready Hand (聽牌)" and wait for the right tile to win. Winning players are awarded prizes depending on the composition of tiles in their winning hand.

Players use game beans to play games. Players receive a number of game beans free each day by logging in and can gain additional game beans by winning games they play. Players can also purchase virtual items at our in-game shop and will also receive certain amounts of game beans as a gift along with such virtual items. Players are not able to convert virtual game beans back to RMB or any other real-world currency.



Hunan Run Fast (湖南跑得快)

Hunan Run Fast (湖南跑得快) is a mobile card game we launched in August 2013.

This game is offered on the iOS, Android and HTML5 platforms.

In Hunan Run Fast (湖南跑得快), three players take turns to discard their cards and the first party that has no cards left wins the game and the game beans contributed by the losing parties. The general rules are based on the local version of the real world card game commonly played in Changsha, Hunan Province, PRC. Players can purchase virtual items and also get free game beans as gifts with such purchased virtual items. Players can also gain more game beans by logging in multiple days in a row and winning online competitions.



Tiantian Love Chinese Chess (天天愛象棋)

We launched Tiantian Love Chinese Chess, an online game based on the ancient traditional board game, in June 2015.

This game is offered on the iOS, Android and HTML5 platforms.

We currently offer different gameplay of Tiantian Love Chinese Chess (天天愛象棋), including a standard single player mode, an "endgame" single player mode and an online competition mode in which players compete against each other. Both single player modes of the game, in which players play against a computer opponent, can be played without any virtual units. Virtual units called diamonds are consumed in the online competition version of the game. Players can also gain diamonds by logging in on a daily basis and by winning online competitions.



Happy Mengmengxiao (開心萌萌消)

Happy Mengmengxiao (開心萌萌消) is a single-player matching puzzle game we launched in June 2015.

This game operates on iOS and Android platforms.

In Happy Mengmengxiao (開心萌萌消), the player moves different colored elements around on the screen with a view to creating vertical and horizontal combinations of similar colors and solving various puzzle challenges. Players can obtain virtual items such as flowers to decorate their virtual flower shop and tools that assist them to advance such as reset powers, magic sticks, etc.

Players are able to obtain virtual units and additional virtual tools by logging in on a daily basis and by participation in promotional activities.



Kuaishou Fishing (快手捕魚)

Kuaishou Fishing (快手捕魚) is a casual fishing game we first launched in January 2016

This game operates on the iOS, Android and HTML5 platforms.

In this game, players catch fish using various virtual fishing rods and other tools and earn game beans according to the number and level of fish caught. Game beans are consumed to play the game. We organize various online competitions, offer virtual rewards and maintain daily rankings for players. To enhance in-game experience, players are also able to purchase virtual items such as magical fishing gear which they can use to freeze targets or to improve aiming accuracy.

The following table sets forth our game revenue generated from different types of our mobile games in absolute amounts and as a percentage of our total game revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Card games	114,168	87.9	293,595	86.9	432,034	94.0	208,289	93.0	236,436	89.0
Board games	14,348	11.1	42,487	12.6	25,319	5.5	14,546	6.5	6,826	2.6
Other games[(1)]	1,317	1.0	1,871	0.5	2,371	0.5	1,158	0.5	22,500	8.4
Game revenue	**129,833**	**100.0**	**337,953**	**100.0**	**459,724**	**100.0**	**223,993**	**100.0**	**265,762**	**100.0**

Note:

(1) Other games includes other casual games and hard core games.

Game Pipeline

As at the Latest Practicable Date, our pipeline mainly consists of updates and enhancements of our existing games to incorporate new technology, improve playability and extend the lifecycle of popular games. We decide which existing games to improve with updated versions based on a number of factors including market competition, popularity of existing games, projected player demand and trends and expected game lifespan.

We prepare a quarterly game development/update plan at the beginning of each quarter and adjust such plans on an on-going basis based on market conditions. As of June 30, 2018, we were in the process of developing new versions of a number of our existing mobile games which we expect to launch by the end of 2018 or the first quarter of 2019. Such games in our pipeline consist primarily of updating and enhancing classic card and board and casual games. As advised by our PRC Legal Advisors, in accordance with consultation with the SART, we are not required to obtain new game publication number for updates or enhancements of existing games provided such updates or enhancements do not constitute explicit changes in the view of the SART and the name of our games remain unchanged.

GAME DEVELOPMENT AND OPERATION

Development and Operation Teams

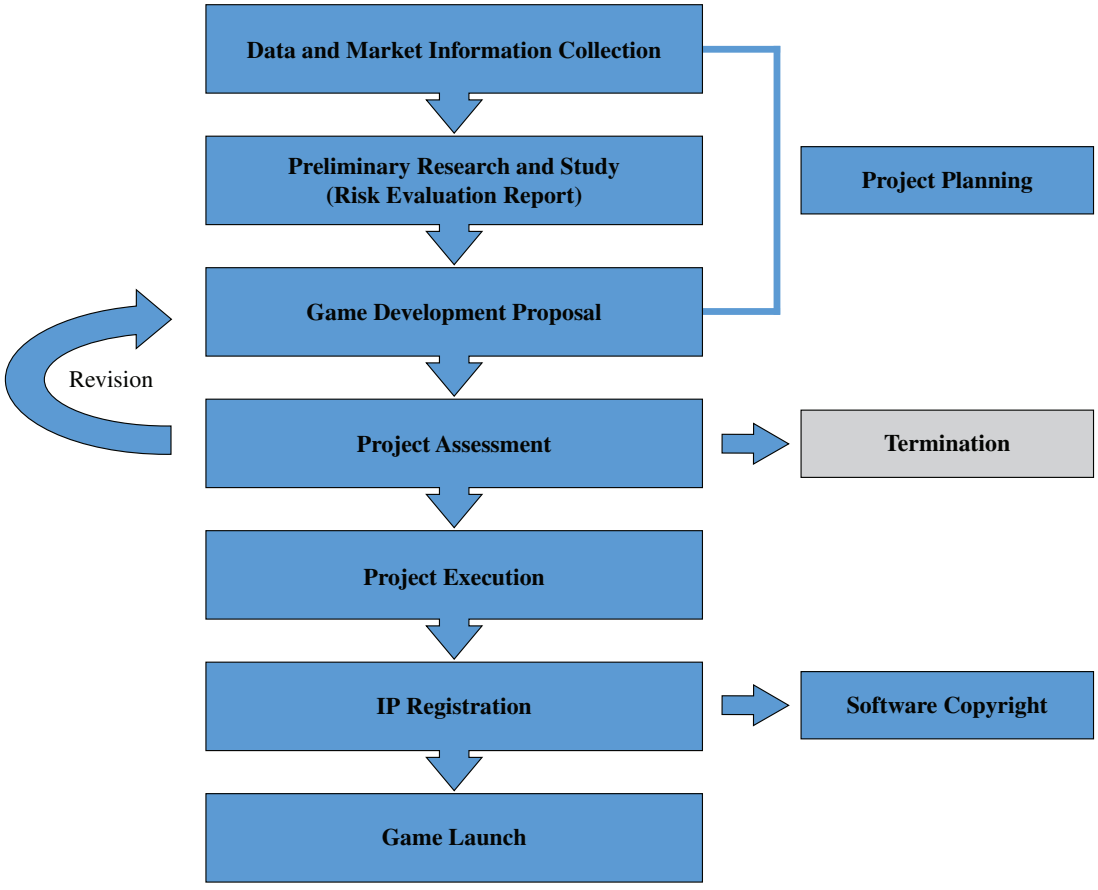
Most of the games we offer were developed internally by our own development team. As at the Latest Practicable Date, we operated 36 self-developed mobile games.

We use a studio-based, integrated game development process. Our development department, consisting of five in-house game studios, is primarily responsible for design, development and on-going enhancement of our own games, including technical problem solving and the development and release of upgrades. Each studio has a dedicated team of development personnel ranging from 7 to 27 depending on the difficulty, complexity and number of the games to be developed and operated. Other departments provide support to the game studios. Our platform department provides technical support and develops initial framework to facilitate the development process. Our commerce department promotes our games after their launch through negotiating and contracting with distribution platforms and payment channels. We believe that our studio-based game development process helps effective allocation and sharing of internal resources, thus improves our research and operating efficiency.

Daily operation of our games, including establishing and maintaining payment channels and distribution platforms, and dealing with daily issues raised by users is the responsibility of our operation department. As at June 30, 2018, we had 30 personnel working in our operation department, including operation staff and customer service staff. Our operations department is led by Mr. Zhu Weijie, a senior management member of our Group. See "Directors and Senior Management – Senior Management."

Game Development Process

Our game development process generally includes the following key steps:



Our typical development process includes four major steps: project planning, project assessment, project execution and IP registration. During the project planning stage, our development team collects market information including but not limited to market trends and user preferences and, conducts preliminary design of game content and formulates a development timetable. Upon completion of the project planning stage, our development personnel will prepare a detailed development proposal which includes, among other aspects, a general outline, proposed billing methods, composition of the proposed development team and development milestones. Our project assessment group, made up of our chief executive officer and chief technology officer, then conducts an assessment on the basis of the proposal to determine whether to proceed with the project. Rejected proposals may be further modified and re-assessed or terminated at this stage. Accepted proposals are sent to our development team to execute the project. Project execution involves program development, scripting, artistic design and testing all of which is coordinated by a project manager from one of our studios. A demonstration version of the game is produced and undergoes several rounds of testing before the game is officially approved for launch. The last step is registration of software copyright for the newly developed game before it can be launched officially. Upon the completion of game development and testing, we launch a new game by uploading the game package onto server of various distribution platform for players to access through our various game distribution platforms. It typically takes us one to two months from proposal generation to launch of a new game.

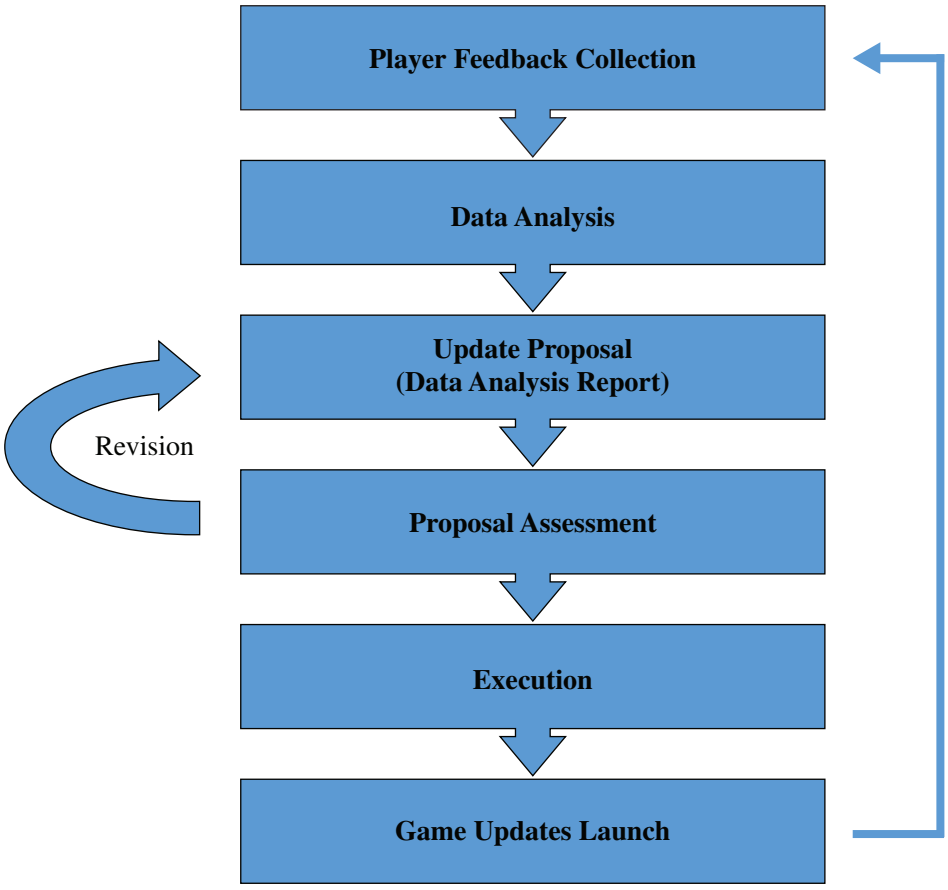
We develop most of our online games using a number of proprietary shared components and software development kits used across our online game portfolio, covering aspects such as account management, payment, billing, security, advertising, chatting tools and data collection and analysis. These common components reduce the time and cost of developing new games and help us to maintain the stability of our platform even when a large number of players are online.

Game Operation and Updates

Our operation department operates all our mobile games (including self-developed games as well as games developed by third parties). We monitor our network infrastructure with our automatic monitoring system in order to ensure its stability and safety.

In order to continue to improve our games and enhance player experience, we frequently release updates for our games. We update our games regularly to correct bugs or technical issues, add new in-game features and provide access for newly released mobile devices or updated operating systems. The update process generally begins with our operation department which analyzes users' playing preferences and willingness to pay for different games and services, specifications of current operating systems, and general stability, playability and profitability of our games and comes up with ideas for updates to our games in collaboration with our development team. Our studios are responsible for creating updated versions of our games and applying new upgraded technology. Our operation department is in charge of the distribution of updated versions to our distribution platforms, and works with our commerce department to further market our games in connection with such updates. Our players are

usually able to access the updated versions by downloading an update package. We receive feedback from players through our customer services, such as online comment forums. Our games typically receive at least minor updates approximately once every two weeks. Our updating process begins with collection of feedback from our players. We then conduct data analysis based on collected feedback and formulate a detailed update proposal for internal assessment to be further assessed by our project assessment group. Rejected proposals will be sent back for revision and accepted proposals will be executed. After the completion of the process, we will launch updated versions, which will again go through the same process to be further updated. The following diagram indicates the key steps of our game updating process:



Data Analytics

We have built up and are consistently strengthening our internal data systems to collect and analyze data enabling us to better understand our player base, enhance our games and improve player experience. We have a dedicated four-member team responsible for data analysis. We employ data collection tools created by using Spark, HBase and Hadoop technology to collect and analyze a wide array of data from our games and transmit to our data system which can be accessed by all the relevant game development and operation teams. We closely track and analyze players' in-game preferences and behavior, including information on number of rounds and time played and skill level progression. These efforts allow us to better understand our players' in-game behavior patterns, which allows us to develop new games and adjust existing games to enhance game experience, offer virtual goods and in-game and

services targeting customer preferences and design promotions more likely to increase ARPPU by converting non-paying players to paying players and encouraging additional spending by our paying player base. Our accumulated data on customer attributes and behavior also helps us provide more effective advertising possibilities to external advertisers and cross-market our own games more efficiently, allowing us to tailor advertising to players whose attributes and behavior suggest they are more likely to be interested in a specific game or service, and avoiding, for example, sending advertising of games to players who already have downloaded or played such game. We have an advertising SDK specially designed to analyze customer behavior and preferences in order to increase the efficiency of advertisements.

Regulation of Game Environment

We have implemented various measures to regulate our game environment and prevent certain unauthorized acts by third parties or inappropriate player or third-party behavior which may violate PRC law or have an adverse impact on our game operation and player experience. Inappropriate behaviors that we seek to regulate include:

- sale, purchase or assignment of user accounts or virtual items during gameplay or through unauthorized third parties;
- obtaining of virtual items through cheating practices (such as collective cheating or exploitation of bugs through unauthorized software);
- theft of user accounts through unauthorized software or technology;
- cheating other users with fraudulent information;
- unauthorized accessing of users' accounts and obtaining virtual items therefrom;
- inappropriate behavior or communications (insulting or harassing language or content relating to pornography, gambling or drugs); and
- inappropriate photos (involving content relating to pornography, gambling or drugs).

Our operation department is responsible for monitoring players' behavior. We have established a set of game rules, user terms of service and privacy policies which we post in each of our games and on our websites. To ensure our compliance with relevant laws and regulations relating to anti-gambling, in particular the Online Game Measures which provides that online game companies shall not provide exchange services between virtual items and legal currencies, we explicitly prohibit our players from selling or transferring virtual items between accounts. We also issue in-game notices regularly to remind our players of the laws, regulations and policies against such exchange.

We have an in-game warning system which can identify abnormal activities such as unusual increases of virtual items and occurrence of abnormal IP addresses or login information. Our system can also automatically screen sensitive words and block inappropriate language and content. Once abnormalities such as purchase of unusually large amounts of virtual items or changes in login methods are identified, our backstage system notifies our monitoring team which can then take measures to resolve the problem. Depending on the seriousness of an incident, our staff will then determine appropriate penalties, which can include blocking players' accounts (for a fixed period of time or permanently). In addition, our staff will regularly monitor player accounts which purchase high levels of virtual items to ensure there are no abnormalities. Our backstage system also retains user information and records, including in-game activities, consumption of virtual items and login information to help ensure such information are accurate and up-to-date.

We also monitor and analyze game data to identify unauthorized obtaining of virtual items through illegal transfer or cheating practices. We will terminate services provided by third party platforms if they are found to have conducted unauthorized transfers of user accounts or virtual items and reserve our right to take legal action against such third parties. Our in-game reporting function also enables our players to report inappropriate activities or fraudulent information to our staff and once verified, we will block the relevant accounts or take other measures to penalize such activities.

CO-OPERATION WITH THIRD PARTY GAME DEVELOPERS

In order to broaden our sources of revenue and utilise our strong operating skills including our technical infrastructure (such as our payment system), expertise in game publication through various distribution platforms, and marketing and promotional experience, we also work with third party game developers to expand our business. Such cooperation helps us to diversify our game portfolio, bring in new players, enhance the stickiness of our current players, increasing traffic on our mobile game platform and strengthening our bargaining power with our suppliers (particularly game distribution platforms).

We have two major types of cooperation with third party game developers as follows:

a. Distribution

We provide distribution services to certain third party game developers whereby we provide access to their games through a portal on our own game interface. During the Track Record Period, we shared approximately 40% to 80% of the revenue collected from players (net of cost deducted by distribution platforms and payment channels) for such third party games. Although revenue from this type of cooperation arrangement has not resulted in significant revenue contribution during the Track Record Period, our participation in such arrangements does allow us to gain a deeper and more up-to-date understanding of players' preferences and market trends.

b. Co-publishing

During the Track Record Period, we co-published a game developed by a third party game developer. Under the relevant agreement, we are responsible for the publication and operation of such third party games, including marketing, promotion, operation, providing billing services, customer service support, and connection to distribution platforms (such as application stores). We are entitled to about 10% to 20% of the game revenue and advertising revenue (net of cost deducted by distribution platforms and payment channels) of such third party game, depending on which platforms the transaction occurs.

We started cooperating with third party game developers in 2015. As at the Latest Practicable Date, we published eight games which had developed by third party game developers. Among those seven were games for which we mainly provide distribution services and one game for which we mainly provide co-publishing service. For the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, our revenue from third party games amounted to approximately RMB0.6 million, RMB1.2 million, RMB0.9 million and RMB0.9 million respectively.

GAME MONETIZATION

All of our online games are operated using a Free-to-Play model. Players are able to download mobile applications for free or otherwise access our games for free on mobile phones or tablets via application stores or social networks such as WeChat. Players may choose to enhance their game experience by purchasing virtual items we offer. We believe this model of allowing players to play our games without initial cost enables us to more effectively attract new players to experience our games and build up our player base, which we can subsequently monetize through sale of virtual items and online advertising.

Our Virtual Items

During the Track Record Period we generated the majority of our revenue from our sales of virtual items in our games. See "Financial Information – Description of Major Components of our Results of Operations – Revenue".

We offer various virtual items in our games to enhance player experience and create more attractive game settings. Some of our most common virtual items include:

- *Game beans/diamonds*. We offer virtual units called either "game beans" (遊戲豆) or "diamonds" (鑽石) in our games. Our virtual units can only be used for playing the specific games in which they are obtained and cannot be used in any of our other games or under any other circumstances, and cannot under any circumstances be exchanged for RMB or any other real-world currency.

- *VIP Membership.* Players can purchase VIP membership for different periods of time during which they enjoy in-game advantages such as special user interfaces that allow players to track cards, exclusive membership logos, extra free game beans additional privileges such as being able to force other players to drop from a game, immunity from being dropped from games and the ability to ignore in-game communications from other players.

- *Virtual Characters*. Players can personalize the avatars which are displayed on screen to represent them, by purchasing various characters at different prices. Each character has unique special effects and skills, and players can utilize the character's skills to earn correspondent awards. Players are able to upgrade those characters over time by earning experience points. The higher the level of such character, the better the awards which can be obtained by utilizing their skills. These avatars display permanently once purchased.

- *Experience Points.* Experience points are used to upgrade the level of virtual characters. As virtual characters increase in level, the more benefit a player can get for utilizing its skills. Players can purchase experience points or earn them by winning online competitions.

Pricing

The monetization of our player base by way of in-game purchases largely depends on the creation, pricing and sale of our virtual items. We evaluate the possibility of triggering an in-game purchase when determining the type, timing of offer and price of our virtual items. We consider a variety of factors in setting the prices of our virtual items, including the functions and privileges that the virtual item bring to the player's virtual character, the popularity of the virtual item among our players and the price of similar virtual items offered in the market, and adjust the pricing based on consumption power of targeted users and other factors.

Monetization Measures

In order to monetize our player base and increase our profitability we have implemented various measures to convert non-paying players into paying players and to increase the consumption levels of existing paying players.

In all of our online games, we provide players with limited amounts of free virtual units every day they enter the game. This provides them the opportunity to enjoy the game and become engaged and invested in advancing. To encourage increased and consistent levels of gameplay, we increase the amount of free virtual units provided for players who log in multiple days in a row. We believe once non-paying players experience increased gameplay and progression, they are more likely to purchase virtual items and continue their experience. To further incentivize initial purchases, we offer a variety of packages, including packages at very low price levels. We also cooperate with mobile companies to hold online competitions with various awards and partner with streaming platforms and TV stations to increase players' interaction with hosts/hostesses and further stimulate players to start making and increase purchase.

We continue to introduce new in-game features to keep, our games fresh and enjoyable and launch regular promotions and activities to encourage continued game play. For example, we have introduced a Lucky Box (幸運寶箱) feature in certain of our games that gives players the chance to win price discounts on virtual packages. In addition, we also have promotional activities during public holidays. To encourage larger purchases by paying players, we offer higher discounts on purchases of larger volumes of virtual items. We believe these measures have been effective in helping us increase the average amount our paying users are willing to spend on our games. Our ARPPU rose from RMB15 in 2015 to RMB20 in 2016, RMB27 in 2017 and RMB34 for the six months ended June 30, 2018.

The table below sets forth certain information relating to monetization of our games for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2015	2016	2017	2018
Average MAU (in thousands)	7,574	12,581	22,447	27,879
Average MPU (in thousands)	745	1,443	1,409	1,287
ARPPU (in RMB)	15	20	27	34
Game revenue (in RMB'000)	129,833	337,953	459,724	265,762

In-Game Advertising

We began selling in-game advertisements in May 2018. Advertisements generally take the form of pop-up ads and banners and we generally earn revenue from such ads based on the number of times our players click on these ads or make purchases through the sponsor's site. To improve advertisement exposure to our players, we have also designed our game system to ensure that the players are more likely to notice advertisements while carefully taking care to preserve the quality of their game experience.

We also have an advertisement SDK specially designed for use in our games which allows us to display advertisements selected with reference to the players' preferences and behavior as identified by our big data analytics.

During May and June 2018, we recorded revenue from advertising of approximately RMB2.1 million. We expect in-game advertising will continue to provide an additional source of revenue.

GAME DISTRIBUTION PLATFORMS

Our game distribution platforms primarily include social networking websites, online application stores (such as iOS App Store for iOS systems and Tencent MyApp (騰訊應用寶)), game portals and mobile phone manufacturers. Since 2014, we have also promoted our mobile games through application stores of top tier mobile manufacturers in China, such as Huawei, Vivo and Oppo. All of the entities that operate such game distribution platforms are Independent Third Parties. We do not have any exclusive arrangement with any of our game distribution platforms.

We enter into cooperative agreements with third party distribution platforms for terms that typically range from one to three years, and which are automatically renewable for another one year upon expiration. Under these agreements, the distribution platforms provide game platform services to us, which we use to operate our online games and offer payment services to players to purchase our virtual items and in return charge us a service fee. Under such agreements, we are responsible for operating and maintaining all our games on these platforms, including solving technical problems relating to game operations and providing customer service to players in a timely manner. The cooperative agreements may be terminated by such platforms if our games are reported to have violated relevant rules or regulations or infringed upon other parties' intellectual property rights. Under most of our agreements with game distribution platforms, we are fully responsible for the compliance of our games with applicable rules and regulations, and we may be held liable if any of our games distributed on any such platform is found to have infringed upon the intellectual property right of other game developers or operators. According to such agreements, we share revenue collected from the players with these distributors at a pre-determined percentage, typically ranging between 30% and 60% of the gross spending by the players of the games they distribute during the contract term.

PAYMENT CHANNELS

We provide our players a number of payment options to facilitate purchases of virtual items. Players can make payments through online payment channels and SMS services. We cooperate with various third party payment channels, including online payment channels (such as Alipay and WeChat) and major mobile carriers in the PRC, to help us collect proceeds from our operations. Based on the agreements we enter into with them, these third party payment channels provide online services to facilitate payment from our players and charge us service fees at a pre-determined rate depending on the transaction flow and subject to certain deductibles. For example, in our contract with Alipay, service fees are only charged when the transaction flow reaches certain minimum thresholds. Under these agreements, we are responsible for the operation and maintenance of our website and compliance of our operations with relevant laws and regulations while these payment service providers will ensure proper operation of the payment system. Our SMS payment channels typically charge us approximately 30% of the gross spending by our players on such channels. In recent years, online payment channels (such as Alipay and WeChat) have become increasingly popular compared to more traditional payment channels. As these online payment channels usually charge less than 5% of the gross spending by our players, this has helped us control our cost of sales and increase gross profit margins. See "Financial Information – Description of Major Components of our Results of Operations – Cost of sales".

OUR CUSTOMERS AND CUSTOMER SERVICE

Our Customers

We consider gamers who have purchased in-game virtual items in our mobile games to be our paying customers. We did not rely on any single gamer during the Track Record Period. Apart from paying gamers, our customers also include third-party game developers for whom we distribute games. During the Track Record Period, our five largest customers together accounted for less than 5% of our revenue during each year/period in the Track Record Period. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholder, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital had any interest in any of our five largest customers. Starting in May 2018, certain of our suppliers also became our customers. See "– Entities who are our Major Customers and also our Suppliers."

We have built a large player base. As a result of the success of our games, the number of our active users expanded quickly over the Track Record Period. Our cumulative registered players increased from approximately 9.6 million as at December 31, 2015 to approximately 289.9 million as at June 30, 2018. Our average DAU increased from approximately 1.2 million in 2015 to approximately 2.2 million in 2016, approximately 4.8 million in 2017 and approximately 6.0 million in the six months ended June 30, 2018, and our average MAU increased from approximately 7.6 million in 2015 to approximately 12.6 million in 2016, 22.4 million in 2017 and 27.9 million in the six months ended June 30, 2018.

The table below sets forth our player information for all our games as well as for each type of our games for the periods indicates:

Our Games	For the Year Ended December 31,			For the Six Months Ended June 30,
	2015	2016	2017	2018
	('000)	*('000)*	*('000)*	*('000)*
All of our Group's games[1]				
DAU	1,214	2,218	4,830	5,954
MAU	7,574	12,581	22,447	27,879
Cumulative registered players (at year/period end)	9,565	94,804	212,564	289,945
Card Games				
DAU	1,067	1,947	4,376	4,991
MAU	6,374	10,310	18,875	18,516
Cumulative registered players (at year/period end)	8,005	75,434	169,358	205,913
Board Games				
DAU	143	261	378	275
MAU	1,167	2,177	2,709	1,775
Cumulative registered players (at year/period end)	1,522	18,537	35,345	39,752
Other games				
DAU	4	10	76	688
MAU	33	94	863	7,588
Cumulative registered players (at year/period end)	38	833	7,861	44,280

Note:

(1) Includes data from both self-developed games and third-party games we distribute.

Customer Service

As of June 30, 2018, we had eight personnel dedicated to customer service. Players have the ability to ask questions, provide suggestions or report problems by chatting with our online customer service staff, calling our customer service hotline or submitting an online form via our in-game customer service system. Our online chat and telephone hotline customer service channels are both available from 9:00 am to 10:30 pm every day.

Members of our customer service team investigate the complaints or inquiries received from our players and respond promptly. If a reported issue relates to program bugs or playing experience, our customer service team will typically consult and follow up with our development team. In particular, with respect to complaints concerning gameplay experience, our customer service personnel will play the game in question to get a sense of the experience and any issues therewith and then contact our studios to discuss details of such issues, how they could be resolved and the estimated timeline for dealing with such issues or reasons for being unable to resolve. Subject to actual circumstances, we may reimburse players for any losses that occurred due to program bugs. Pursuant to our general policy, complaints relating to in-game payment and rewards should be resolved within one business day and substantial complaints should be resolved within three business days. As at the Latest Practicable Date, we had not received any complaints from our players that had resulted in a material adverse impact on our business.

SUPPLIERS

Our primary suppliers include distribution platforms, payment channels and servers suppliers.

For each of the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our largest supplier accounted for approximately 22.8%, 18.3%, 26.0% and 23.0%, respectively, of our total transaction amount during the same periods. Transaction amount with our five largest suppliers for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 accounted for approximately 60.2%, 48.4%, 61.0% and 67.5%, respectively, of our total transaction amount with suppliers during the same periods.

Our Major Suppliers

The following tables set forth our top five suppliers, transaction amount with these suppliers and the other relevant information for the periods indicated:

For the Year Ended December 31, 2015

Rank	Supplier	Length of Relationship as of June 30, 2018	Transaction amount (excluding tax)	% of total transaction amount	Principal business activities	Service to the Group
		(Years)	*(RMB'000)*	*(%)*		
1	Supplier A	4	24,402	22.8	Value added telecommunications services	Payment channel
2	Supplier B	4	19,258	18.0	Design, development and sale of mobile communication devices and software	Game distribution
3	Supplier C	4	7,136	6.7	Design, development and sale of mobile communication devices and software	Game distribution
4	Supplier D	5	6,926	6.5	Value added telecommunications services	Payment channel
5	Supplier E	4	6,642	6.2	Value added telecommunications services	Payment channel

For the Year Ended December 31, 2016

Rank	Supplier	Length of Relationship as of June 30, 2018	Transaction amount (excluding tax)	% of total transaction amount	Principal business activities	Service to the Group
		(Years)	*(RMB'000)*	*(%)*		
1	Supplier C	4	49,747	18.3	Design, development and sale of mobile communication devices and software	Game distribution
2	Supplier B	4	30,140	11.1	Design, development and sale of mobile communication devices and software	Game distribution
3	Supplier F	3	22,621	8.3	Development of computer hardware and software	Payment channel and game distribution
4	Supplier G	3	15,465	5.7	Development of computer hardware and software	Payment channel
5	Supplier H	3	13,643	5.0	Development and sale of computer software	Game distribution

For the Year Ended December 31, 2017

Rank	Supplier	Length of Relationship as of June 30, 2018	Transaction amount (excluding tax)	% of total transaction amount	Principal business activities	Service to the Group
		(Years)	*(RMB'000)*	*(%)*		
1	Supplier C	4	78,036	26.0	Design, development and sale of mobile communication devices and software	Game distribution
2	Supplier B	4	40,026	13.3	Design, development and sale of mobile communication devices and software	Game distribution
3	Supplier F	3	35,396	11.8	Development of computer hardware and software	Payment channel and game distribution
4	Supplier I	5	18,060	6.0	Design, development and sale of mobile communication devices and software	Game distribution
5	Supplier G	3	11,851	3.9	Development of computer hardware and software	Payment channel

For the Six Months Ended June 30, 2018

Rank	Supplier	Length of Relationship as of June 30, 2018	Transaction amount (excluding tax)	% of total transaction amount	Principal business activities	Service to the Group
		(Years)	*(RMB'000)*	*(%)*		
1	Supplier C[(1)]	4	37,165	23.0	Design, development and sale of mobile communication devices and software	Game distribution
2	Supplier F	3	27,037	16.7	Development of computer hardware and software	Payment channel and game distribution
3	Supplier B[(1)]	4	25,408	15.7	Design, development and sale of mobile communication devices and software	Game distribution
4	Supplier I	5	12,501	7.7	Design, development and sale of mobile communication devices and software	Game distribution
5	Supplier J	3	7,039	4.4	Design and sale of online game and multi-media products	Game distribution

Note:

(1) This supplier was also a customer of our advertising business in the six months ended June 30, 2018.

According to our accounting policy, the transaction amounts with our suppliers are amortised as cost of sales when the related revenue are recognised, which is consistent with the pattern of recognition of the associated revenue.

As at the Latest Practicable Date, none of the Directors, their associates or any Shareholders (which to the knowledge of our Directors who owned more than 5% of our Company's issued share capital) had any interest in any of our five largest suppliers.

ENTITIES WHO ARE OUR MAJOR CUSTOMERS AND ALSO OUR SUPPLIERS

For the six months ended June 30, 2018, four of our suppliers are also our customers. One of these four suppliers is a large scale internet enterprise in the PRC which operates a social platform and serves as a distribution platform for our games. The other three are leading mobile phone manufacturers in the PRC which also operate their own application stores pre-installed in the mobile phones that they manufactured and thus are also distribution platforms for our games. For the six months ended June 30, 2018, our transaction amount with these four suppliers amounted to RMB67.5 million (representing approximately 41.8% of total transaction amount with suppliers).

Since May 2018, when we started to generate revenue from our advertising business (as a way of monetisation of our games), these four suppliers also became our customers when they act as advertising agents for advertisers and purchase advertisements in our games. For the six months ended June 30, 2018, the advertising revenue generated from these four entities amounted to approximately RMB2.0 million, representing approximately 0.7% of our total revenue for the same period. None of our suppliers were also our customers during the years ended December 31, 2015, 2016 and 2017.

To the best knowledge and belief of our Directors, all these four entities and their ultimate beneficial owners are Independent Third Parties. The sales and purchases from these entities were neither inter-connected nor inter-conditional with each other. Our Directors believe that the terms of transactions with all these entities are in line with market standards.

TECHNOLOGY INFRASTRUCTURE

We have built solid technology infrastructure which has contributed significantly to the success of our business as a game developer and operator. As of the Latest Practicable Date, our core technology infrastructure included:

- **Development and Application Technology**

We have developed a comprehensive series of SDKs for our card and board games. The SDKs enable us to develop our games more quickly and inexpensively, simplify technical and testing issues and realize concurrent development of games on multiple mobile operating system such as Android and iOS. Our SDKs cover a broad range of aspects, including account management, billing, security, advertising, chatting tools and data collection and analysis.

- **Platform Application Technology**

We utilize big data technology such as Spark, HBase and Hadoop which enable us to store, analyze and exploit large amounts of data from our operations and develop various tools

for data analysis, operation execution and channel analysis. Our operation personnel are able to use such technology to monitor our operations accurately and in a timely manner to better understand the lifespan of our games and performance of our in-game services. We can also use the data collected to optimize advertising and formulate more efficient game promotion plans. See "Business – Data Analytics".

- **Data Center and Cloud Server**

We have built a cloud-based processing and storage system. Our cloud server network provides stable backstage support and is able to automatically monitor operation status of our games and make necessary corrections and restoration in case of program errors. As of June 30, 2018, we had a total of 156 defined servers providing service to us. We believe that cloud server provides us with sufficient capacity to carry out current operations and the flexibility to scale up relatively quickly and efficiently in accordance with business needs. Cloud computing also allows us to reduce our hardware expenses and operation and maintenance costs.

- **Backup and Restoration System**

Our backup server system can switch operation to another server when one server encounters a problem and ceases to operate. We have also entered into service agreements to provide concurrent backups for local data to servers in a different location, to allow for data restoration in cases of loss or damage.

- **Network security/anti-attack system**

Our security/anti-attack system protects us from hacking and other Internet attacks (such as attacks from competitors) in the following ways: (i) we have built in firewalls to limit access to the outside world and have only maintained server interfaces that are necessary for our operation and have an automatic monitoring system for distributed denial of service ("DDOS") attacks, which provides mass flow defense to our operation system once a DDOS attack is identified; (ii) we have strict policies and procedures with regard to password security and abnormal login and user behavior to protect users' accounts and personal information; (iii) we have segregated different operations sectors internally to limit expansion of internal attacks; and (iv) we also monitor our key business performance indicators closely and issue warnings for abnormal incidents to mitigate loss.

SALES AND MARKETING

We use a variety of marketing and promotional methods to promote our games primarily through third party platforms, including social networking platforms, game portals, mobile application stores and advertising platforms. Potential players can find our games on third party platforms, through key word searches on search engines, on recommended game lists published by distribution platforms, and via banners and pop-up windows, etc. Our operation and commerce departments are responsible for the marketing and promotion of our games. As of June 30, 2018, we had 12 employees dedicated to marketing activities in relation to our Company and our games.

According to promotion service agreements we enter into with advertising platforms, such platforms display identifiable information we provide to them on their website and provide promotional related services. We provide the content of all advertisements. We are responsible for paying service fees to such advertising platforms regularly and complying with the rules and regulations of such advertising platforms.

COMPETITION

The mobile game market in China, including the card and board game and other casual game segments on which we primarily focus, is extremely competitive and highly fragmented with a large number of national and regional players. We compete primarily with other mobile card and board and casual games developers and operators in the China market. Some of these competitors offer games that are based on the same real-world counterparts as our games, including Fight the Landlord card games and Mahjong games. Given the fast growing potential and low entry barriers to the market, we may also face competition from new developers and operators that may become our direct competitors.

Some of our existing and potential competitors may have significantly greater financial, technological and marketing resources, a larger or faster growing player base, deeper relationships with partners such as distribution platforms and payment channels or more extensive and attractive portfolios of online games than we do.

We compete primarily on the basis of player base, game quality and game portfolio, user experience, technology infrastructure (in particular system stability and data analytics capabilities), business strategies, monetization measures, financial resources, brand awareness and reputation, and access to and relationships with distribution and payment channels. See "Industry Overview" for further details about the industry landscape.

INTELLECTUAL PROPERTY

Our proprietary domain names, software copyrights, trademarks, trade secrets and other intellectual properties are critical to the successful operation of our business. As at the Latest Practicable Date, we had 23 registered domain names, including zen-game.com and zen-game.cn. We rely on a combination of patents, copyrights, trademarks, trade secret laws as well as non-competition and confidentiality agreements with our employees, customers and business partners to protect our intellectual properties.

As at the Latest Practicable Date, we had registered 19 trademarks in China and one trademark in Taiwan.

As at the Latest Practicable Date, we were the owner of 285 registered software copyrights in China.

As at the Latest Practicable Date, we were the owner of 10 registered work copyrights in China.

For details of our intellectual property rights which, in the opinion of our Directors, are material to our business, see "Statutory and General Information – C. Further Information about our Business – 2. Intellectual properties about our Group" in Appendix IV to this document.

We take various measures to protect our intellectual properties in addition to the registration of such intellectual properties with governmental authorities. For example, our legal staff conduct research to identify possible infringement by third parties. Despite these measures, we cannot guarantee that our intellectual properties are fully protected from potential threats and risks, such as misappropriation by third parties or our competitors. In addition, while we cannot ensure that our games and services do not or will not infringe third party proprietary rights. We may be subject to legal proceedings and claims from time to time relating to the intellectual properties of others. See "Risk Factors – Risks Relating to Our Business and Industry – Unauthorized use of our intellectual properties by third parties and the potential expenses we may incur in defending against infringement may adversely affect our business and operation" and "Risk Factors – Risks Relating to Our Business and Industry – Third parties may claim that we infringe their intellectual properties, which could materially harm our reputation and require us to incur significant expenses".

RESEARCH AND DEVELOPMENT

We strategically focus on (1) optimizing and renovating our existing signature games; (2) developing new games and/or versions of current games on new operating platforms; and (3) upgrading our technology infrastructure and data analysis capabilities.

As of June 30, 2018, our research and development staff consisted of a total of 92 employees from our development department, operation department and platform department, who had an average of 4.9 years of experience in relevant industries and had been with us for an average of 1.7 years. Among our research and development staff, 3.3% held master's degrees and 75% held bachelor's degrees in a variety of majors including computer science, software engineering, network systems administration, multimedia design and production, among others.

Our research and development expenses were approximately RMB7.6 million, RMB13.6 million, RMB23.6 million, and RMB13.2 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

PROPERTIES

As of the Latest Practicable Date, we did not own any property and we have leased an aggregate gross floor area of 1,685 square meters in Shenzhen and Shanghai, China under seven lease agreements for our office space. All of the lessors are Independent Third Parties and have obtained the building ownership certificates for the relevant property. The lease agreements have terms from one year to ten years. The record-filing procedure for four of these lease agreements has not been completed. As advised by our PRC Legal Advisers, the validity

and enforceability of the lease agreements are not affected by the failure to complete the record filing procedure for the remaining four leases. However, we may be ordered by the relevant government authorities to complete the record-filing within a prescribed period, failing which are may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non compliance. As of the Latest Practicable Date, we have not received any request from the relevant government authorities.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at June 30, 2018, none of our properties leased by us had a carrying amount of 15% or more of our combined total assets.

INSURANCE

We maintain insurance policies covering risks including loss and theft of and damages to our motor vehicles and accidents and critical illness to our employees. We also maintain social insurance for our employees in the PRC. We do not maintain business liability or interruption insurance, which we believe is consistent with customary industry practice in China. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damage to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See "Risk Factors – Risks Relating to our Business and Industry – Our lack of insurance could expose us to significant costs and business disruption."

EMPLOYEES

As of June 30, 2018, we had 149 employees. A majority of our employees were based in Shenzhen, Guangdong Province, China. The table below sets forth the number of employees in each department as at June 30, 2018.

Department	Number of Employees	% of Total
Management	4	2.7
Development	73	49.0
Operation	30	20.1
Commerce	12	8.1
Platform	15	10.1
Accounting	7	4.7
Administration and Legal	8	5.3
Total	149	100.0

We primarily find employee candidates to recruit from internal and external recommendations, online recruitment advertisements and school presentations. We provide training programs to our new employees and continuing technical training for our development, operation and platform employees to continuously improve their skills and knowledge.

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

We enter into standard employment contracts with all of our employees. We enter into separate agreements containing non-competition provisions for a pre-determined (usually one year) period of time after they leave us as well as confidentiality provisions effective until the confidential information becomes public information or disclosed by us.

We offer competitive compensation to our key employees. We also offer various other benefits to our employees. For example, we organize team building activities and arrange for travel and other recreational programs regularly for our employees.

ENVIRONMENTAL, HEALTH AND WORKPLACE SAFETY COMPLIANCE

As a mobile game developer and operator, we do not believe that we are subject to any significant environmental, health and workplace safety regulation in any jurisdiction in which we conduct business. As a result, we did not incur environmental, health and workplace safety compliance costs during the Track Record Period and we expect our future annual costs in relation to environmental, health and workplace safety compliance to be nil or immaterial.

LICENSES, PERMITS AND APPROVALS

As advised by our PRC Legal Advisors, we have obtained all licenses which are material licenses requisite for our business operations in the PRC, including ICP Licenses and Internet Culture Business Licenses (網絡文化經營許可證). The table below sets forth the relevant details of the major licenses required for our operations in the PRC:

Name	License/Permit Holder	Issuance Date	Expiration Date	Renewal Requirements
ICP License	Zen-Game Shenzhen	July 31, 2017	September 30, 2021	Submit renewal application 90 days prior to expiration
ICP License	Hudongyule	August 8, 2017	February 24, 2022	Submit renewal application 90 days prior to expiration
ICP License	Zen-Game Shanghai	April 24, 2017	April 24, 2022	Submit renewal application 90 days prior to expiration
Internet Culture Business License	Zen-Game Shenzhen	April 10, 2016	April 9, 2019	Submit renewal application 30 days prior to expiration
Internet Culture Business License	Hudongyule	July 11, 2016	July 10, 2019	Submit renewal application 30 days prior to expiration
Internet Culture Business License	Zen-Game Shanghai	October 25, 2016	October 25, 2019	Submit renewal application 30 days prior to expiration
Internet Culture Business License	Shenzhen Laiwan	July 11, 2016	July 10, 2019	Submit renewal application 30 days prior to expiration
Internet Culture Business License	Leduohudong	July 28, 2016	July 27, 2019	Submit renewal application 30 days prior to expiration
Internet Culture Business License	Leqi Technology	August 7, 2016	August 6, 2019	Submit renewal application 30 days prior to expiration

See "Regulatory Overview" for further details on licenses, permits and approvals we need for our business operations in the PRC.

AWARDS AND RECOGNITION

We have won various awards in recognition of our success in the industry. The table below sets forth some of our significant awards and recognitions as of the Latest Practicable Date:

Awards/Recognition	Recipient/Game	Issuing Year
Top 10 Rising Stars of Domestic Game Companies	Zen-Game Shenzhen	2016
Black Stone Award – Most Popular Puzzle Casual Game of the Year	Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2016
Top 10 Most Popular Self-developed Single-player Games of the Year	Zen-Game Shenzhen/Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2016
Anzhi Best Casual Game	Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2016
Migu Most Promising Card and Board Game of the Year	Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2017
Black Stone Award – Most Popular Casual Game of the Year	Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2017
Tian Fu Award – Card and Board Casual Game of the Year	Tiantian Fight the Landlord (Live-action Version) (天天鬥地主(真人版))	2017

LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us which could have a material adverse effect on our operations or financial condition.

We believe that our games do not constitute gambling under the definitions of the Anti-gambling Notice and the Virtual Currency Notice, mainly on the basis that our virtual items can only be used in our games, cannot be cashed out, sold or transferred otherwise and have no monetary value outside our games. Our PRC Legal Advisors are of the view that we have not violated the Anti-gambling Notice and the Virtual Currency Notice in relation to the provisions on utilizing online games for gambling, and our mobile games do not constitute gambling activities prohibited under the Anti-gambling Notice and the Virtual Currency Notice, and that we have not offered or promoted our mobile games as a tool for gambling.

Our PRC Legal Advisors are of the opinion that we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period.

RISK MANAGEMENT

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include, among others, financial risks, technology risks and legal compliance risks. Please refer to the section headed "Risk Factors" in this document for disclosures on various risks we face.

To properly manage these risks, we have established the following risk management structures and measures:

Financial Risk Management

We have formulated our Financial Management Regulations to monitor various aspects of our day-to-day financial management. Our accounting department is responsible for implementing the detailed rules within such system, which cover a wide variety of matters such as budget formulation, adjustment and execution, revenue recognition, cost verification, bookkeeping, reporting and disclosure and related procedures.

Technology Risk Management

Our platform department has implemented a series of measure to monitor and control risks relating to information technology, including measures related to use of passcodes, program variation, user accounts, data modification, maintenance and restoration, operational sustainability, restoration and disaster protection, software, hardware and network support, IT outsourcing and third party services, among others.

Legal Compliance Risk Management

We have formulated legal affairs management guidelines which describe for the powers and obligations of our legal department and set out policies relating to case management, legal consultancy, training and examination and awards and penalties.

To monitor risks relating to compliance with laws and regulations on mobile games and gambling, we have taken, among others, the following measures:

- our legal staff has conducted analysis on laws and regulations and potential risks relating to game publication number transactions, which has been presented for management review;

- our general management office has issued the Notice on Regulation of Pricing of In-game Virtual Items (關於規範遊戲內物品的定價通知) which provides detailed procedure for pricing of our in-game virtual items;

- our general management office has also prepared the Notice on Follow-up of Key Legal Matters (關於重點法律事項持續跟進的通知) which requires our legal staff to keep abreast of the laws and regulations on real-name registration and report any changes to our management on a timely basis; and

- our administration and human resources department has formulated intellectual property management regulations which provide for, among other things, application, registration and protection of our intellectual properties.

INTERNAL CONTROL

We have engaged an independent internal control consultant (the "Internal Control Consultant") to conduct an evaluation of our internal control system in connection with the [**REDACTED**]. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work from July to September 2018 and recommended certain rectification and improvement measures in its report.

With reference to the recommendations by the Internal Control Consultant, we have adopted, among others, the following internal procedures to ensure regulatory compliance in our business operations:

Anti-corruption and Reporting

We have adopted anti-corruption and reporting guidelines which have been made available for inspection by our employees. These guidelines identify the concept and forms of corruption and set out allocation of responsibilities for anti-corruption, prevention and control of corruption, reporting and investigation of corruption incidents and related remedies and penalties. We have also set up a telephone hotline and dedicated e-mail address for reporting of corruption incidents.

Human Resource Management

Our administration and human resources department has formulated recruitment management regulations which set out the contents of our standard interview assessment form and procedures for using such form. Pursuant to such regulations all candidate interviews must be conducted by the relevant department head and the manager of our administration and human resources department who must then complete and sign the interview assessment forms. Such forms include scores for a number of valuation criteria, and the interviewer's general opinion and conclusion. Pursuant to such regulations, we will issue an offer letter to a candidate once he or she passes the assessment. For candidates seeking group leader or higher positions, once he or she passes the assessment, our staff from administration and human resources department shall conduct background check and complete and sign a form before an offer letter can be issued.

On-going Training and Risk Assessment

We have designated responsible personnel to monitor the on-going compliance of our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. Meanwhile, we plan to provide our Directors, senior management, our accounting team and other employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations, accounting standards and Listing Rules on a regular basis, with a view to proactively identifying any concerns and issues relating to any potential non-compliance. Our in-house legal counsel will provide timely updates to our Directors and senior management regarding updates in the PRC government policies, laws and regulations, and relevant analysis on legal risk exposure.

CONTROLLING SHAREHOLDERS

Upon completion of the [**REDACTED**], Sky-zen Capital and J&L Y will hold approximately [**REDACTED**]% and [**REDACTED**]%, respectively, of our total issued share capital (assuming that the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any option to be granted under the Share Option Scheme). Sky-zen Capital is controlled by Mr. Ye as it is owned as to (i) 80% by YeFT Nominee, the holding vehicle used by Core Trust, the trustee of the Ye Family Trust which is a discretionary trust established by Mr. Ye as the settlor and beneficiary; and (ii) 20% by Mr. Ye. J&L Y is controlled by Mr. Yang as it is owned as to (i) 80% by YFT Nominee, the holding vehicle used by Core Trust, the trustee of the Yang Family Trust which is a discretionary trust established by Mr. Yang as the settlor and beneficiary; and (ii) 20% by Mr. Yang.

Pursuant to the acting in concert agreements with a term of three years signed by Mr. Ye and Mr. Yang dated August 30, 2012 and August 30, 2015, Mr. Ye and Mr. Yang agreed to act in concert in respect of the exercise of voting rights as shareholders of Zen-Game Shenzhen. Furthermore, on October 29, 2018, Mr. Ye and Mr. Yang entered into an acting in concert agreement, pursuant to which Mr. Ye and Mr. Yang confirmed that since August 30, 2012, they have been, and undertook that they will continue to act in concert to, among others, manage and control our Group on a collective basis and make collective decisions in respect of the resolutions to be passed in any general meeting or directors' meeting of any members of our Group, until Mr. Ye and Mr. Yang cease to be interested in or otherwise be in control of any Share of our Company, whether directly or indirectly.

As Mr. Ye and Mr. Yang, together as a concert group, will be interested in more than 30% equity interest indirectly in our Company through their respective controlled companies, namely, Sky-zen Capital and J&L Y, upon [**REDACTED**], Mr. Ye, Sky-zen Capital, Mr. Yang and J&L Y are regarded as a group of Controlling Shareholders of our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Management Independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board has seven Directors comprising two executive Directors, who are also our Controlling Shareholders, two non-executive Directors and three independent non-executive Directors. Saved as disclosed above, no other Controlling Shareholder holds any directorship in our Company. Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Group is also managed by a team of senior management who can carry out our business independently from our Controlling Shareholders. Please refer to the section headed "Directors and Senior Management" in this document for background of our senior management.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the [**REDACTED**], notwithstanding that each of Mr. Ye and Mr. Yang is a controlling shareholders and an executive Director.

Operational Independence

Our Company makes business decisions independently from our Controlling Shareholders. Based on the following reasons, our Directors consider that our Group will continue to be operationally independent from our Controlling Shareholders and/or any of their respective close associates:

(a) our Group has established its own organizational structure made of individual departments each with specific administrative and corporate governance infrastructure;

(b) our Group is the holder of all relevant licenses, trademarks and copyrights material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(c) during the Track Record Period and up to the Latest Practicable Date, our Controlling Shareholders had no interest in any of our top five suppliers and customers;

(d) we do not rely on our Controlling Shareholders or their close associates and have independent access to suppliers and customers; and

(e) our Group has established a set of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs.

During the Track Record Period, our Group obtained certain banking facilities where our Controlling Shareholders provided personal guarantees. All such personal guarantees will be released and replaced by corporate guarantees from our Company upon the [**REDACTED**].

In view of our Group's adequate internal resources and the estimates [**REDACTED**] from the [**REDACTED**], our Directors believe that our Group has sufficient working capital to operate our Group's business independently, and has a strong credit profile to support its daily operations. During the Track Record Period, our Group relied principally on cash generated from operations to carry on its business which is expected to continue after the [**REDACTED**]. Therefore, our Group has no financial dependence on our Controlling Shareholders and/or their close associates.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholders has confirmed that he or she and his or her respective close associates (other than members of our Group) does not have any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business. Furthermore, each of our Directors has confirmed that he is not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has undertaken to our Company that he/she/it shall not, and shall procure that none of his/her/its respective close associates (other than members of our Group) shall, during the restricted period, directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may compete directly or indirectly with our principal business, namely developing and operating of mobile games in the PRC (the "**Restricted Business**").

Such non-competition undertaking does not apply where:

(a) any of the Controlling Shareholders is offered or becomes aware of any project or any new business opportunity relating to the Restricted Business ("**New Business Opportunity**") with a third party and promptly notified the Company in writing of such New Business Opportunity, including: (i) terms of offer between the relevant Controlling Shareholder(s) and such third party, or (ii) terms for our Company to engage in the Restricted Business with the relevant Controlling Shareholder(s) and/or his/her/its close associates, and our Company, after review of the information of the New Business Opportunity provided by such Controlling Shareholder(s) by our independent non-executive Directors, has not given written notice of our desire to invest in such New Business Opportunity within 30 business days from the receipt of notice from such Controlling Shareholder(s), or has declined such opportunity to invest in the New Business Opportunity, provided that the terms by which the

relevant Controlling Shareholder(s) and/or his/her/its close associate(s) subsequently invests or participates in the New Business Opportunity are not more favourable than the terms on which such New Business Opportunity is offered to our Company; or

(b) our Controlling Shareholders have interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by him/her/it and/or his/her/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and he/she/it and/or his/her/its close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by him/her/it and his/her/its associates in aggregate.

The "restricted period" refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) our Controlling Shareholders or their respective close associates continue to hold equity interest in our Company; and (iii) our Controlling Shareholders, together with the interests of their respective close associates, continue to hold 30% or more of our Shares in issue.

CORPORATE GOVERNANCE

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) in the event that there is a material potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum except permitted under the Articles and/or the Listing Rules;

(b) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(c) each of our Controlling Shareholders has undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Deed of Non-competition;

(d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company;

(e) each of our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company;

(f) we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules; and

(g) pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules, which our Company has adopted as its corporate governance code, our Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group, and to protect the interests of our Shareholders.

We have entered into a number of continuing agreements with our connected persons in our ordinary and usual course of business. Upon Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

STRUCTURED CONTRACTS

As disclosed in the paragraph headed "Structured Contracts – Background of the Structured Contracts" in this document, the PRC laws and regulations currently restrict foreign ownership in mobile game business, in addition to imposing a qualification requirement on the foreign owners. Further, no government approval for establishing and operating a mobile game business in the PRC by way of foreign ownership had ever been granted. As a result, our Group, through our wholly-owned subsidiary, Tiantianlaiwan and the Registered Shareholders have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through our PRC Operating Entities while complying with applicable PRC law and regulations. The Structured Contracts, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our PRC Operating Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Operating Entities after the [**REDACTED**] through Tiantianlaiwan. As we operate our mobile game business through our PRC Operating Entities and we do not hold any direct equity interest in our PRC Operating Entities, the Structured Contracts were entered into on October 27, 2018 pursuant to which all material business activities of our PRC Operating Entities are instructed and supervised by our Group, through Tiantianlaiwan, and all economic benefits arising from such business of our PRC Operating Entities are transferred to our Group.

The Structured Contracts consist of a series of agreements, including the Exclusive Consultancy and Technical Service Agreement, the IP License Agreement, the Exclusive Call Option Agreement, the Share Pledge Agreement, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney and the Spouse Undertakings, each of which is an integral part of the Structured Contracts. See "Structured Contracts" in this document for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Structured Contracts and the nature of their connection with our Group. The transactions contemplated under the Structured Contracts, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**].

Name	Connected Relationships
Mr. Ye	Mr. Ye is an executive Director and a Controlling Shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Yang	Mr. Yang is an executive Director and a Controlling Shareholder of our Company, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Tianchan	Tianchan is owned as to 99% by Mr. Ye and 1% by Ms. Xie and is thus an associate of Mr. Ye and a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Dingyi	Dingyi is owned as to 90% by Mr. Yang and 10% by Ms. Jiang and is thus an associate of Mr. Yang and a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Dewenshiji	Dewenshiji is owned as to 70% by Ms. Li Wen, a non-executive Director, and is thus an associate of Ms. Li Wen and a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Structured Contracts and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Structured Contracts and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Operating Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Structured Contracts, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Structured Contracts, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Structured Contracts pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Structured Contracts to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Structured Contracts will be made without the approval of our independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Structured Contracts in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable our Group to receive the economic benefits derived by our PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the shares of Zen-Game Shenzhen held by the Registered Shareholders at the lowest possible amount permissible under the applicable PRC laws and regulations; (ii) the business structure under which the net profit generated by our PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tiantianlaiwan by Zen-Game Shenzhen under the Exclusive Consultancy and Technical Service Agreement; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Zen-Game Shenzhen as appointed by the Registered Shareholders.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between our Company and its subsidiaries (including branch company) in which our Company has direct shareholding, on one hand, and our PRC Operating Entities, on the other hand, that framework may be renewed and/or reproduced, upon the expiry of the existing arrangements, or, in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- The Structured Contracts in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Structured Contracts annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts, have been operated so that the profit generated by our PRC Operating Entities has been substantially retained by our Group; (ii) no dividends or other distributions have been made by Zen-Game Shenzhen to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group; and (iii) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by Zen-Game Shenzhen to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Operating Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Operating Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Operating Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Operating Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

New Transactions amongst Our PRC Operating Entities and Our Company

Given that the financial results of our PRC Operating Entities will be combined into our financial results and the relationship between our PRC Operating Entities and our Company under the Structured Contracts, all agreements other than the Structured Contracts that may be entered into between each of our PRC Operating Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Structured Contracts have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Structured Contracts which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Operating Entities can be effectively controlled by Tiantianlaiwan or its designee; (ii) Tiantianlaiwan or its designee can obtain the economic benefits derived from the PRC Operating Entities; and (iii) any possible leakages of assets and values of the PRC Operating Entities can be prevented, on an uninterrupted basis.

OUR DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible for and has general powers over the management and conduct of our business. Our Board currently consists of seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. The table below sets forth certain information regarding the members of our Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and the senior management
Mr. Ye Sheng (葉升)	39	Chairman of the Board, executive Director and chief executive officer	October 8, 2010	August 28, 2018	Overall management, strategic planning and business development	None
Mr. Yang Min (楊民)	41	Vice chairman of the Board, executive Director and chief technology officer	September 1, 2010	August 28, 2018	Overall management, strategic planning, research and development of core technology	None
Mr. Lin Cong (林蔥)	44	Non-executive Director	August 28, 2018	August 28, 2018	Providing advice on the management and strategic development	None
Ms. Li Wen (李雯)	49	Non-executive Director	August 28, 2018	August 28, 2018	Providing advice on the management and strategic development	None
Mr. Jin Shuhui (金書匯)	42	Independent non-executive Director	[●], 2018	[●], 2018	Providing independent opinion and judgment to our Board	None
Mr. Mao Zhonghua (毛中華)	40	Independent non-executive Director	September 12, 2017	[●], 2018	Providing independent opinion and judgment to our Board	None
Mr. Yang Yi (陽翼)	40	Independent non-executive Director	September 12, 2017	[●], 2018	Providing independent opinion and judgment to our Board	None

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets forth certain information regarding senior management of our Company:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Director(s) and the senior management
Ms. Huang Haiyan (黃海燕)	39	Chief financial officer	June 1, 2018	June 1, 2018	Overseeing the financial matters	None
Mr. Zhang Yong (張勇)	38	Joint company secretary	May 8, 2017	May 8, 2017	Overseeing legal, internal control and company secretarial matters	None
Mr. Zhu Weijie (朱偉傑)	37	Director of the operation department	May 19, 2011	February 17, 2016	Overseeing the product operations and promotion	None
Ms. Chen Yan (陳豔)	40	Director of the commerce department	November 1, 2013	November 1, 2013	Marketing and development of the payment channels and distribution channels	None

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Sheng (葉升), aged 39, was appointed as our Director on August 28, 2018 and re-designated as our executive Director on October 9, 2018. He is the chairman of our Board and the chief executive officer, responsible for overall management, strategic planning and business development of our Group. He is also (i) the chairman and general manager of Zen-Game Shenzhen; (ii) the supervisor of Zen-Game Shanghai; and (iii) a director of International Mobile, Zen Interactive, Interactive HK and Tiantianlaiwan.

Mr. Ye has more than 14 years of experience in the technology industry. Prior to joining our Group, he was the product director of the QQ Game Products Division in Tencent Technology (Shenzhen) Company Limited an operating company which is controlled by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700), from September 2004 to September 2010, primarily responsible for the overall strategic planning and product planning.

Mr. Ye obtained a bachelor's degree in science (theoretical and applied mechanics) from Sun Yat-sen University (中山大學), the PRC in June 2001.

Mr. Ye was a director of Jiadatong and a legal representative of Changke whose business licenses were revoked on October 10, 2018 and July 27, 2009, respectively, as they did not undergo the regulatory annual inspection given that Jiadatong did not commence operations and Changke has ceased its business. Mr. Ye confirmed that there was no outstanding liability against Jiadatong or Changke or Mr. Ye at the time of such revocation. Jiadatong and Changke are currently in the process of de-registration.

Mr. Ye did not hold any directorship in any listed companies during the last three years.

Mr. Yang Min (楊民), aged 41, was appointed as our Director on August 28, 2018 and re-designated as our executive Director on October 9, 2018. He is the vice chairman of our Board and the chief technology officer, responsible for overall management, strategic planning, research and development of core technology of our Group. He is also (i) the vice chairman and deputy general manager of Zen-Game Shenzhen; (ii) the supervisor of Hudongyule and Tiantianlaiwan; (iii) a director of Zen-Game HK; and (iv) an executive director and general manager of Zen-Game Shanghai.

Mr. Yang has more than 20 years of experience in the technology field. Prior to joining our Group, Mr. Yang worked as a product development supervisor in Zhongwang Commercial Mechanics Company Limited* (中望商業機器有限公司), which is engaged in the provision of consultancy and technical services of computer software and hardware, from July 1998 to April 2003, primarily responsible for research and management related matters. From May 2003 to August 2005, he worked as a staff engineer in UTStarcom (China) Co., Ltd Shenzhen branch. From August 2005 to August 2010, Mr. Yang was the R&D director of the QQ Game Products Division in Tencent Technology (Shenzhen) Company Limited, an operating company which is controlled by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700), primarily responsible for the research and development management of the QQ Game Products Division.

Mr. Yang obtained a bachelor's degree in automation from Southwest Jiaotong University (西南交通大學), the PRC in July 1998.

Mr. Yang did not hold any directorship in any listed companies during the last three years.

Non-executive Directors

Mr. Lin Cong (林蔥), aged 44, was appointed as our Director on August 28, 2018 and re-designated as a non-executive Director on October 9, 2018. He is a minority shareholder of Palaya, one of the Registered Shareholders. He is primarily responsible for providing advice on the management and strategic development of our Group but does not participate in the day-to-day management of our Group.

Mr. Lin was the project director of Northern Technologies Co., Ltd. from May 2002 to October 2004, primarily responsible for project management. He then worked as the vice president of Yilv Technology (Wuhan) Company Limited* (易旅科技(武漢)有限公司) from April 2005 to July 2010, primarily responsible for research and development of technology and operation. Mr. Lin has been the vice president of Jinguibin Hudong (Beijing) Marketing Consultancy Company Limited* (金貴賓互動(北京)營銷諮詢有限公司) since August 2012, primarily responsible for the management of the technology team and e-commerce operations.

Mr. Lin obtained a postgraduate diploma in business administration from the University of Wales, the United Kingdom through distance learning in May 2015.

Mr. Lin did not hold any directorship in any listed companies during the last three years.

Ms. Li Wen (李雯), aged 49, was appointed as our Director on August 28, 2018 and re-designed as a non-executive Director on October 9, 2018. She is primarily responsible for providing advice on the management and strategic development of our Group but does not participate in the day-to-day management of our Group.

Prior to joining our Group, Ms. Li worked as a business coordinator in Tencent Technology (Shenzhen) Company Limited, a company controlled by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700), from June 2004 to September 2007. Since September 2007, Ms. Li has been the vice president and an executive director of Shenzhen Decent Capital Company Limited, an angel investment institution, mainly responsible for operation-related matters. She has also been a director of (i) TipCat Interactive Inc. (上海掌玩互娛網絡科技股份有限公司), a company listed on the NEEQ (stock code: 839912), since November 2015; (ii) Beijing Yunchang Game Technology Holding Limited* (北京雲暢遊戲科技股份有限公司), a company listed on the NEEQ (stock code: 834785), since February 2017; (iii) Beijing T4game Network Technology Co., Ltd.* (北京呈天網絡科技股份有限公司), a company listed on the NEEQ (stock code: 835471), since March 2017; and (iv) Beijing Anqu Technology Holding Limited* (北京安趣科技股份有限公司), a company listed on the NEEQ (stock code: 835804), since May 2017.

Ms. Li graduated as an undergraduate majoring in accounting from Jinan University (暨南大學), the PRC in December 2002.

Save as disclosed above, Ms. Li did not hold any directorship in any listed companies during the last three years.

Independent non-executive Directors

Mr. Jin Shuhui (金書匯), aged 42, was appointed as our independent non-executive Director on [●], 2018. He is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Jin has over 14 years of experience in accounting, taxation, auditing and corporate finance.

From December 2004 to June 2009, Mr. Jin worked in Deloitte Touche Tohmatsu with his last position as a senior auditor. From June 2009 to December 2010, he worked as a senior auditor in Shanghai Fengtou Investment Consultancy Company Limited* (上海風投投資諮詢有限公司). From February 2011 to February 2013, Mr. Jin worked in Eunacon Perfect Alliance CPA Partnership ("**Eunacon**") with his last position as a tax senior manager. From January 2013 to October 2017, he was the financial controller of Jiangsu Lianhai Biological Science Limited. Since October 2017, he re-joined Eunacon as a tax senior manager, primarily responsible for audit and tax matters.

Mr. Jin completed a course in management engineering (industrial accounting) in Anshan Iron and Steel College* (鞍山鋼鐵學院) (which is now known as University of Science and Technology Liaoning) the PRC in July 1998. He was qualified as a certified public accountant and a certified tax agent in July 2000 and June 2001, respectively.

Mr. Jin did not hold any directorship in any listed companies during the last three years.

Mr. Mao Zhonghua (毛中華), aged 40, was appointed as our independent non-executive Director on [●], 2018. He is primarily responsible for providing independent opinion and judgment to our Board.

From March 2001 to June 2004, Mr. Mao worked as the operation manager and factory manager in Huafu Top Dyed Melange Yarn Co., Ltd. (formerly known as Shenzhen Huafu Textile Holdings Co. Ltd.), which is engaged in the production and sale of dyeing yarn, primarily responsible for production planning and operational management. From December 2005 to March 2012, he was the chief consultant of Shenzhen Shengpu Enterprise Management Consultancy Company Limited* (深圳市聖普企業管理諮詢有限公司), primarily responsible for providing consultancy services and training. Mr. Mao founded Shenzhen Shamei Textile Co., Ltd.* (深圳市莎美特紡織品有限公司) in March 2012 and has been its general manager since then, primarily responsible for the daily operation and management. Since August 2014, Mr. Mao has been an executive director of Hong Kong Sumtex Textile Company Limited, primarily responsible for the operation and management of the company. Since September 2017, Mr. Mao has been an independent non-executive director of Shandong IMEGAWARE Network Technology Co., Ltd.. Mr. Mao served as an independent non-executive director of Zen-Game Shenzhen from September 12, 2017 to September 18, 2018.

Mr. Mao was a supervisor of Shenzhen Xuehua E-commerce Company Limited* (深圳市雪花網電子商務有限公司) ("**Shenzhen Xuehua**") which was established in the PRC on December 3, 2012 and deregistered on May 23, 2018 due to change of business objective. It is confirmed by Mr. Mao that there was no outstanding liability against Shenzhen Xuehua or Mr. Mao at the time of such deregistration.

Mr. Mao obtained a master's degree of Business Administration from Shanghai University of Finance and Economics (上海財經大學), the PRC in October 2011.

Mr. Mao did not hold any directorship in any listed companies during the last three years.

Mr. Yang Yi (陽翼), aged 40, was appointed as our independent non-executive Director on [●], 2018. He is primarily responsible for providing independent opinion and judgment to our Board.

Since July 2006, Mr. Yang Yi has been working as a professor of the school of journalism and communication of Jinan University, the PRC. Since March 2017, Mr. Yang Yi has been an independent non-executive director of Guangzhou Kuyou Entertainment Technology Holdings Co. Ltd.* (廣州酷遊娛樂科技股份有限公司), a company principally engaging in the development and operation of mobile games and online games. Mr. Yang Yi served as an independent non-executive director of Zen-Game Shenzhen from September 12, 2017 to September 18, 2018.

Mr. Yang Yi obtained a bachelor's degree of international enterprise management from Guangdong University of Foreign Studies in June 2001 and a doctoral degree of management from Sun Yat-sen University (中山大學), the PRC in June 2006.

Mr. Yang Yi did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Ms. Huang Haiyan (黃海燕), aged 39, is the chief financial officer of our Group. Ms. Huang joined our Group in June 2018 and is primarily responsible for overseeing the financial matters.

Ms. Huang has more than 17 years of experience in accounting and finance. Prior to joining our Group, Ms. Huang worked at PricewaterhouseCoopers' Shenzhen office from July 2001 to August 2004 with her last position as a senior auditor. From August 2004 to July 2005, she worked as a settlement analyst in Tencent Technology (Shenzhen) Company Limited, a company controlled by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700). From August 2005 to February 2008, she was the head of financial analysis in the financial department of Maigao Fine Hi-tech Materials (Shenzhen) Co., Ltd. (formerly known as GE High-technology Materials (Shenzhen) Co., Ltd.), primarily responsible for financial planning and analysis. From February 2008 to March 2011, Ms. Huang served as a senior finance manager at A8 New Media Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 800). From March 2011 to March 2015, she joined Boyaa Interactive International Limited, a company listed on the Main Board of the Stock Exchange (stock code: 434), as the vice president and the joint company secretary, primarily responsible for the administrative and financial matters. From September 2015 to May 2016, she was the financial controller of Shenzhen TimeLink Technology Co., Ltd., a company listed on the NEEQ (stock code: 834974), primarily responsible for the administrative matters of the financial department.

Ms. Huang obtained a bachelor's degree in economics (finance and taxation) from Sun Yat-sen University (中山大學), the PRC in June 2001. She was admitted as a Chartered Global Management Accountant by the Chartered Institute of Management Accountants in May 2017.

Ms. Huang did not hold any directorship in any listed companies during the last three years.

Mr. Zhang Yong (張勇), aged 38, is a joint company secretary. He joined our Group in May 2017 as the secretary to the board of directors of Zen-Game Shenzhen and is primarily responsible for overseeing legal, internal control and company secretarial matters.

Prior to joining our Group, Mr. Zhang worked in Hytera Communications Corporation Limited, a digital telecommunications solutions provider, from August 2005 to June 2012 with his last position as the leader of the securities department, primarily responsible for matters relating to information disclosure and investor relations management. From November 2012 to July 2013, he was the secretary to the board of directors Zhuhai Blue Ocean Strategy Medical Co., Ltd., primarily responsible for the company's listing matters. From January 2014 to September 2014, Mr. Zhang rejoined Hytera Communications Corporation Limited and acted as the assistant to the chief financial officer and the head of the investment and finance department. He was the financial controller of Shenzhen Xtooltech Co., Ltd (an automotive electrical testing system provider) and Shenzhen Shangong Lighting Co., Ltd. (a company engaging in research and development of LED lighting products) from November 2014 to May 2015 and from September 2016 to April 2017, respectively.

Mr. Zhang obtained a bachelor's degree in economics (agricultural economic management) from Huazhong Agricultural University (華中農業大學), the PRC in June 2002. He also obtained a master's degree in national economics from Zhongnan University of Economics and Law (中南財經政法大學), the PRC in June 2005.

Mr. Zhang did not hold any directorship in any listed companies during the last three years.

Mr. Zhu Weijie (朱偉傑), aged 37, is the director of the operation department of our Group. He joined our Group in May 2011 as a game producer and was promoted to the current position in July 2013, primarily responsible for overseeing the product operations and promotion.

Mr. Zhu has over 12 years of experience in the gaming industry. Prior to joining our Group, he worked in Tencent Technology (Shenzhen) Company Limited, an operating company which is controlled by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700), from July 2006 to May 2011, and was a programmer responsible for testing and development as well as back-end development of games. Mr. Zhu obtained a bachelor's degree in software engineering from Dalian Jiaotong University (大連交通大學) (formerly known as Dalian Railway Institute (大連鐵道學院), the PRC in July 2003 and a master's degree in computer software and theory from Nanjing University (南京大學), the PRC in June 2006.

Mr. Zhu did not hold any directorship in any listed companies during the last three years.

Ms. Chen Yan (陳豔), aged 40, is the director of the commerce department of our Group. She joined our Group in November 2013 as a business director, primarily responsible for marketing and development of our payment channels and distribution channels.

Ms. Chen has over 18 years of experience in the technology industry. Prior to joining our Group, she worked in Runxun Communication Group Co., Ltd.* (潤迅通信集團有限公司) as a project manager for SMS chat product planning and value-added business from August 2000 to November 2003. She also worked in A8 New Media Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 800), from January 2004 to May 2011 with her last position as a senior manager of mobile back-end business unit. From June 2011 to March 2013, Ms. Chen was employed as a business director of the business development department by Shenzhen Lemon Network Technology Co., Ltd., a company listed on the NEEQ (stock code: 835924), primarily responsible for marketing and business cooperation matters. From March 2013 to September 2013, she worked in Shenzhen 7th Road Technology Co., Ltd. (深圳第七大道科技有限公司), a subsidiary of 7Road Holdings Limited which is a company listed on the Main Board of the Stock Exchange (stock code: 797) as a senior business manager, responsible for the business cooperation of two mobile games.

Ms. Chen obtained a bachelor's degree in e-government from Beijing Jiaotong University (北京交通大學), the PRC in June 2011.

Ms. Chen did not hold any directorship in any listed companies during the last three years.

JOINT COMPANY SECRETARIES

Ms. Li Yan Wing Rita (李昕穎), aged 53, is one of the joint company secretaries of our Company. She is an executive director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Li has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Li is currently the company secretary of three listed companies on the Stock Exchange, namely, China Outfitters Holdings Limited (stock code: 1146), Logan Property Holdings Company Limited (stock code: 3380) and AK Medical Holdings Limited (stock code: 1789).

Ms. Li is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the practitioner's endorsement from HKICS. Ms. Li holds a Bachelor of Arts degree from City University of Hong Kong.

Mr. Zhang Yong (張勇), aged 38, is the other joint company secretary of our Company. For details of Mr. Zhang Yong's biography, please refer to the paragraph headed "Senior Management" above.

We have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualification of joint company secretaries. For details of the waiver, see "Waivers from Strict Compliance with the Listing Rules – Joint Company Secretaries" in this document.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on [●], 2018 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors; provide material advice in respect of our financial reporting process and internal control system of our Group, oversee the audit process, internal control and risk management process; and provide advice and comment to our Board on matters related to corporate governance. The audit committee consists of three members, namely Mr. Jin Shuhui, Mr. Mao Zhonghua and Mr. Yang Yi all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Jin Shuhui.

Remuneration Committee

We have established a remuneration committee on [●], 2018 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director, non-executive Director and senior management and to ensure none of our Directors and senior management determine their own remuneration. The remuneration committee consists of three members, namely Mr. Yang Yi, Mr. Ye and Mr. Mao Zhonghua. The chairman of the remuneration committee is Mr. Yang Yi.

Nomination Committee

We have established a nomination committee on [●], 2018 with written terms of reference incompliance with the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board; and review and make recommendations to the Board on the appointment of members of the Board and the management of the Board succession. The nomination committee consists of three members, namely Mr. Ye, Mr. Mao Zhonghua and Mr. Yang Yi. The chairman of the nomination committee is Mr. Ye.

REMUNERATION POLICY AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The emolument of the Directors is recommended by the Remuneration Committee, having regard to our Company's operating results, individual performance, experience, responsibility, workload and time devoted to our Company and comparable market statistics.

Each of the executive and non-executive Directors and senior management is entitled to a basic salary which is reviewed annually. In addition, each of the executive and non-executive Directors may receive a discretionary bonus as our Board may recommend. Such amount has to be approved by the Remuneration Committee. The remuneration package further includes other allowances, benefits in kind and defined contribution contributions.

For the three years ended December 31, 2017 and the six months ended June 30, 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was approximately RMB1.9 million, RMB2.6 million, RMB4.8 million and RMB1.0 million respectively.

For the three years ended December 31, 2017 and the six months ended June 30, 2018, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals of our Group was approximately RMB3.2 million, RMB7.6 million, RMB11.7 million and RMB3.2 million respectively.

During the Track Record Period, no emoluments were paid by our Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors waived any remuneration during the Track Record Period.

Save as disclosed in this document, no other payments had been made, or are payable, by any member of our Group to the Directors during the Track Record Period.

COMPLIANCE ADVISER

Our Company has appointed Guotai Junan Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results materially deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment of Guotai Junan Capital Limited will commence from (and including) the [**REDACTED**] and end on (and including) the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

RSU Scheme and Share Option Scheme

In recognition of the contribution of our Directors, senior management and employees and to provide incentive, we approved and adopted (i) the RSU Scheme on October 9, 2018, pursuant to which restricted shares were reserved for the vesting of RSUs granted under or governed by the RSU Scheme; and (ii) the Share Option Scheme on [●], 2018 under which certain eligible persons may be granted options to subscribe for our Shares. For further details, please see "Statutory and General Information – F. RSU Scheme and Share Option Scheme" in Appendix IV to this document.

So far as is known to our Directors, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or our underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As of the Latest Practicable Date		Immediately after the [REDACTED] and the [REDACTED][(1)]	
Name	**Capacity/Nature of Interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Sky-zen Capital	Beneficial owner	10,320,800	27.16%	[**REDACTED**]	[**REDACTED**]
YeFT Nominee	Interest of a controlled corporation[(2)]	10,320,800	27.16%	[**REDACTED**]	[**REDACTED**]
Mr. Ye	Founder of a discretionary trust[(2)]	10,320,800	27.16%	[**REDACTED**]	[**REDACTED**]
Ms. Xie	Interest of spouse[(3)]	10,320,800	27.16%	[**REDACTED**]	[**REDACTED**]
J&L Y	Beneficial owner	8,740,190	23.00%	[**REDACTED**]	[**REDACTED**]
YFT Nominee	Interest of a controlled corporation[(4)]	8,740,190	23.00%	[**REDACTED**]	[**REDACTED**]
Mr. Yang	Founder of a discretionary trust[(4)]	8,740,190	23.00%	[**REDACTED**]	[**REDACTED**]
Ms. Jiang	Interest of spouse[(5)]	8,740,190	23.00%	[**REDACTED**]	[**REDACTED**]
D Fun	Beneficial owner	7,655,670	20.15%	[**REDACTED**]	[**REDACTED**]
ZFT Nominee	Interest of a controlled corporation[(6)]	7,655,670	20.15%	[**REDACTED**]	[**REDACTED**]
Ms. Zhang	Founder of a discretionary trust[(6)]	7,655,670	20.15%	[**REDACTED**]	[**REDACTED**]
Mr. Zeng	Interest of spouse[(7)]	7,655,670	20.15%	[**REDACTED**]	[**REDACTED**]
Playa	Beneficial owner	4,210,628	11.08%	[**REDACTED**]	[**REDACTED**]
BFT Nominee	Interest of a controlled corporation[(8)]	4,210,628	11.08%	[**REDACTED**]	[**REDACTED**]
Mr. Bao Zhoujia	Founder of a discretionary trust[(8)]	4,210,628	11.08%	[**REDACTED**]	[**REDACTED**]
RSU Nominee	Beneficial owner	2,899,172	7.63%	[**REDACTED**]	[**REDACTED**]
Core Trust	Trustee[(2)]	10,320,800	27.16%	[**REDACTED**]	[**REDACTED**]
	Trustee[(4)]	8,740,190	23.00%	[**REDACTED**]	[**REDACTED**]
	Trustee[(6)]	7,655,670	20.15%	[**REDACTED**]	[**REDACTED**]
	Trustee[(8)]	4,210,628	11.08%	[**REDACTED**]	[**REDACTED**]
	Trustee[(9)]	2,899,172	7.63%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

(2) Sky-zen Capital is owned as to (i) 80% by YeFT Nominee, the holding vehicle used by Core Trust, the trustee of the Ye Family Trust which is a discretionary trust established by Mr. Ye as the settlor and beneficiary; and (ii) 20% by Mr. Ye. Accordingly, each of YeFT Nominee and Mr. Ye is deemed to be interested in all the Shares held by Sky-zen Capital upon the [**REDACTED**].

(3) Ms. Xie is the spouse of Mr. Ye and she is thus deemed to be interested in all the Shares held by Mr. Ye under the SFO.

(4) J&L Y is owned as to (i) 80% by YFT Nominee, the holding vehicle used by Core Trust, the trustee of the Yang Family Trust which is a discretionary trust established by Mr. Yang as the settlor and beneficiary; and (ii) 20% by Mr. Yang. Accordingly, each of YFT Nominee and Mr. Yang is deemed to be interested in all the Shares held by J&L Y upon the [**REDACTED**].

(5) Ms. Jiang is the spouse of Mr. Yang and she is thus deemed to be interested in all the Shares held by Mr. Yang under the SFO.

(6) D Fun is owned as to (i) 80% by ZFT Nominee, the holding vehicle used by Core Trust, the trustee of the Zhang Family Trust which is a discretionary trust established by Ms. Zhang as the settlor and beneficiary; and (ii) 20% by Ms. Zhang. Accordingly, each of ZFT Nominee and Ms. Zhang is deemed to be interested in all the Shares held by D Fun upon the [**REDACTED**].

(7) Mr. Zeng is the spouse of Ms. Zhang and he is thus deemed to be interested in all the Shares held by Ms. Zhang under the SFO.

(8) Playa is owned as to (i) 80% by BFT Nominee, the holding vehicle used by Core Trust, the trustee of the Bao Family Trust which is a discretionary trust established by Mr. Bao Zhoujia as the settlor and beneficiary; and (ii) 20% by Mr. Bao Zhoujia. Accordingly, each of BFT Nominee and Mr. Bao Zhoujia is deemed to be interested in all the Shares held by Playa.

(9) RSU Nominee is wholly-owned by Core Trust, the trustee under the RSU Scheme.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or our underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized Share Capital

As at the date of this document

		(HK$)
[50,000,000,000]	Shares	[500,000,000]

Issued Share Capital

Assuming the [**REDACTED**] is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

		HK$	**Approximate percentage of issued share capital** *(%)*
[**REDACTED**]	Shares in issue as at the date of this document	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares in total	[**REDACTED**]	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the [**REDACTED**] and the [**REDACTED**] will be as follows:

			Approximate percentage of issued share capital
		HK$	*(%)*
[**REDACTED**]	Shares in issue as at the date of this document	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares in total	[**REDACTED**]	[**REDACTED**]

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least [**REDACTED**]% of the total issued share capital of our Company must at all times be held by the public. Together with the [**REDACTED**] Shares that will be held by BeFuture and G-MEI upon [**REDACTED**], the public float of our Company will be at least [**REDACTED**]% of the total issued share capital of our Company upon [**REDACTED**].

RANKING

The [**REDACTED**] are ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all other Shares in issue as at the date of this document, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this document.

RSU SCHEME

The RSU Scheme was approved and adopted by a resolution of our Board on October 9, 2018. The principal terms of the RSU Scheme are summarized in "Statutory and General Information – F. RSU Scheme and Share Option Scheme – 1. RSU Scheme" in Appendix IV to this document.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme on [●] 2018. The principal terms of the Share Option Scheme are summarized in "Statutory and General Information – F. RSU Scheme and Share Option Scheme – 2. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares with an aggregate nominal value of not more than the sum of:

(a) [**REDACTED**]% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by us (if any) under the general mandate to repurchase Shares as described below.

This general mandate to allot, issue and deal with our Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(b) upon the expiration of the period within which our Company is required by the Memorandum and Articles of Association, the Cayman Islands Companies Law or any applicable laws to hold its next annual general meeting; or

(c) the revocation, variation or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to allot, issue and deal with our Shares, please see the paragraph headed "Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholders of our Company passed on [●] 2018" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our Shares with an aggregate nominal value of up to 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules.

This general mandate to repurchase our Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(b) upon the expiration of the period within which our Company is required by the Memorandum and Articles of Association, the Cayman Islands Companies Law or any applicable laws to hold its next annual general meeting; or

(c) the revocation, variation or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of the general mandate to repurchase our Shares, please see "Statutory and General Information – A. Further information about our Company – 4. Written resolutions of the then shareholders of our Company passed on [●], 2018" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Islands Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles of Association, a summary of which is set out in the section headed "Summary of the constitution of our Company and the Cayman Islands Companies Law" in this document.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our audited combined financial statements, including the notes thereto, included in the Accountant's Report and other financial information appearing elsewhere in this document. The Accountant's Report has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual future results could differ significantly from those anticipated in these forward-looking statements due to various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this document.

For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are an established mobile game developer and operator in the PRC with special focus on card and board and other casual games. According to the Frost & Sullivan Report, we were among the top five players in the card and board mobile games market in the PRC in terms of revenue in 2017, and we ranked fourth in the card and board mobile games market in the PRC by average MAU of our card and board games in 2017, with estimated average MAU of approximately 21.6 million. Our signature card game series, Fight the Landlord (鬥地主), ranked third among all Fight the Landlord mobile games in the PRC in terms of average MAU in 2017, with an estimated average MAU of approximately 17.3 million.

We develop and maintain a large portfolio of mobile games. As of the Latest Practicable Date, we offered 36 self-developed and eight third party-developed games. During the Track Record Period, we generated substantially all of our revenue from sales of virtual items in our games, a significant majority of which came from our card games. Game revenue derived from our card games amounted to RMB114.2 million, RMB293.6 million, RMB432.0 million, RMB208.3 million and RMB236.4 million for the years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, accounting for 87.9%, 86.9%, 94.0%, 93.0% and 89.0%, of our total game revenue during the same periods. Since May 2018, we also started generating non-game revenue from our advertising business and we expect contribution to our revenue from such business to increase going forward.

Our business experienced rapid growth over the Track Record Period. Our revenue increased from approximately RMB129.8 million for the year ended December 31, 2015 to approximately RMB459.7 million for the year ended December 31, 2017 and from approximately RMB224.0 million for the six months ended June 30, 2017 to approximately RMB267.8 million for the six months ended June 30, 2018. Our profit increased from approximately RMB25.0 million for the year ended December 31, 2015 to approximately RMB66.4 million for the year ended December 31, 2017 and from approximately RMB35.4 million for the six months ended June 30, 2017 to approximately RMB50.8 million for the six months ended June 30, 2018.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on August 28, 2018. Immediately prior to and after the Reorganization, our business of mobile game development and operation, or the "[**REDACTED**]", was carried out by Zen-Game Shenzhen and its subsidiaries, which were under the control of our Controlling Shareholders. As a result of the Reorganization, Zen-Game Shenzhen and its subsidiaries as well as the Listing Business are under the effective control of our Controlling Shareholders, and ultimately, of our Company, through the Structured Contracts. For details of our Structured Contracts, please see sections headed "History and Corporate Structure" and "Structured Contracts" in this document.

Prior to the Reorganization, our Company did not engage in other business and its operations did not meet the definition of a business. The Reorganization is merely a recapitalization of the [**REDACTED**] and did not result in any change in the business substance, nor in any management or the Controlling Shareholders of the [**REDACTED**]. Accordingly, the financial information of the companies now comprising our Group for the Track Record Period as contained in the Accountants' Report in Appendix I to this document has been prepared using the carrying value for the [**REDACTED**] for all periods presented.

All intra-group transactions and balances have been eliminated on combination. For more information on the basis of presentation and preparation of our combined financial information included herein, please refer to notes 2.1 and 2.2 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be, affected by general factors affecting the mobile game industry in China and company-specific factors, including the following:

Development of the Mobile Game Industry

Our future development is highly dependent on the conditions in and robust growth of the mobile game industry in China, in particular the mobile card and board game industry. This industry in which we operate is highly competitive and has grown rapidly in recent years, driven by various factors, including technology advancement, the rising penetration of smartphones and other mobile devices, enhanced Internet connectivity and governmental support in the PRC for products of local culture. To maintain our current market position and

expand our business, we are required to anticipate and respond to rapid changes in the competitive landscape and effectively adapt to evolving player interest and preferences. We face increasing pressure to respond to the changing market conditions, player preferences and mobile technologies, which render it more difficult for us to compete with other industry players. In addition, we also face intensified competition from increases in the number of mobile games and mobile game developers in the market in China. As such, our ability to develop, operate and market our existing and new mobile games will significantly depend on the development of the mobile game industry and our ability to adapt to it.

Expansion of our loyal player base

The size of our player base reflects the popularity of our games and is the basis for our sustainable growth. We measure and evaluate our player base primarily by cumulative registered players since our inception and DAU. Our cumulative registered players increased from approximately 9.6 million as of December 31, 2015 to approximately 94.8 million as of December 31, 2016 and further increased to approximately 212.6 million as of December 31, 2017 and approximately 289.9 million as of June 30, 2018. Over the same periods, our DAU increased from approximately 1.2 million for the year ended December 31, 2015 to approximately 2.2 million for the year ended December 31, 2016 and further increased to approximately 4.8 million for the year ended December 31, 2017 and reached approximately 6.0 million for the six months ended June 30, 2018. These increases are attributable to (i) the increasing number of our games and game variations; (ii) their enhanced acceptance among players; and (iii) our strong marketing capabilities.

We believe the fact that our Fight the Landlord and Mahjong games are mobile versions of traditionally popular games provides us with a broad potential player base in China. In addition, the fact that our mobile games are initially free to download enables us to quickly acquire new players and our unified platform strategy which aggregates various game bundles effectively attracts existing players to try other games of ours. We believe our ability to leverage our currently successful games to continue to expand our player base is critical to our future growth.

Monetization of our player base

Given the Free-to-Play model we employ for all of our games, our sustainable and long-term development is dependent on our ability to monetize our player base. We had approximately 0.7 million, 1.4 million, 1.4 million and 1.3 million paying players for the three years ended December 31, 2017 and the six months ended June 30, 2018, respectively. Over the same periods, our ARPPU increased from approximately RMB15 for the year ended December 31, 2015 to approximately RMB20 for the year ended December 31, 2016 and further increased to approximately RMB27 for the year ended December 31, 2017 and reached approximately RMB34 for the six months ended June 30, 2018. Our ARPPU increased during the Track Record Period reflecting the stickiness of our paying player portfolio. During the Track Record Period, we generated our revenue mainly from the sales of virtual items.

In order to encourage additional purchases and enhance game monetization, we will continue to stimulate our players' interests and willingness to pay by launching new games or new features and functions for existing games to drive user interest.

Historically, a significant majority of our revenue was generated from sale of virtual items. However, since May 2018, we also started generating revenue from our in-game advertising business. We believe this provides us an additional way to monetize our large player base and help diversify our sources of income. In the six months ended June 30, 2018, revenue from advertising amounted to RMB2.1 million, or approximately 0.8% of our total revenue for the period. Given we only sold advertisements starting in May 2018, we expect contribution from advertising to our revenue to increase in the near future.

Distribution Platform and Payment Channel Costs

We rely on third party distribution platforms and payment channels to distribute and promote our mobile games and facilitate purchase of virtual items by our players. These distribution platforms we use primarily include mobile manufacturers, telecommunications carriers, social networking sites and online application stores. We also rely on third party payment channels to collect payments from our players.

Distribution platform and payment channel costs made up a significant part of our cost of sales over the Track Record Period. For the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, such costs accounted for approximately 98.6%, 98.7%, 97.3% and 98.1%, respectively, of our total cost of sales. From 2016 to 2017, our distribution platform costs experienced significant growth which was in line with the expansion of our business scale. However, our payment channel costs decreased largely due to the increased use of online payment channels such as Alipay and WeChat which typically charge lower rates than SMS services. As a result of such decreases in payment channel costs at the same time as our revenue increased significantly, our gross profit margin increased from 21.6% for 2016 to 34.4% for 2017. We expect distribution platform and payment channel costs to continue to be an important factor in our cost of sales and gross profit margins going forward.

Laws, Regulations and Policies Regarding the Online Game Industry

Developing, operating and distributing online games are subject to various PRC laws and the supervision and regulation of multiple government authorities including the MIIT, the SART, the MOC, the NCA, the Ministry of Education and the MPS. For example, currently all online games operated in the PRC are required to adopt anti-addiction measures that reduce in-game incentives after a certain period of playing time each day for players who have not been determined to be over 18 years old. See "Risk Factors – Risks relating to Our Business and Industry – PRC laws regulating players' age and the playing time of online games may adversely affect our business and operations." In addition, since May 2017, the MOC has enhanced implementation of the real-name registration policy, requiring a player who makes first-time purchases in online games to register his/her real name with valid identity information. These and other government regulations of online games could affect our results of operations. For instance, the enhanced implementation of real-name registration policy could reduce the incentive of players to pay for the in-game virtual items. We believe that the existing regulations and any future regulation will continue to affect our game designs and compliance measures as well as players' interests and preference, which in turn may affect the attractiveness and monetization capabilities of our games.

Since March 2018, the PRC government has suspended the approval and registration process of new online games. It is unclear as to whether and when the suspension will be lifted. Such suspension could materially affect the ability of game developers like ourselves to launch new games and adversely affect our results of operation and growth prospects. As at the Latest Practicable Date, we had 56 game publication numbers registered for our existing games, and we did not have any applications for registration of new games pending for approval. Instead, we have been focusing on improving and updating our existing games. Several of our games have been very popular among players and form the foundation of our large user base. According to our consultation with the SART, updates or enhancements of existing games do not require application for game publication numbers provided that such updates or enhancements do not constitute explicit changes in view of the SART and the original name of such game remains exactly the same. Therefore, we believe that there is potential to increase popularity and profitability of our existing games which we have not optimized and on which we have not yet focused our marketing and promotional efforts. As such, our current development plan and pipeline mainly include enhancements of several of our existing games on condition that the above requirements are satisfied. These enhancements include variations, improvements, additional functions and effects, and new programming language for playing in different social platform (such as playing the same games on HTML5 platform on WeChat). We believe that our signature card and board games, which are classic games with relatively longer life cycles and widely-accepted, pre-existing game rules, more easily allow for variations and upgrades to be developed and accepted by the market. This provides us a degree of insulation from the recent restrictions on development of new games. Furthermore, the suspension in approval of new games by the government, has resulted in less competition brought by new games published by our competitors. However, if the suspension continues for a prolonged period, our business expansion may be adversely affected by the inability to introduce new games.

The issuance of virtual currencies and transaction of virtual items are also subject to PRC regulations. In particular, according to the Inspection of Gambling Notice and the Virtual Currency Notice, online gambling is strictly prohibited. We have designed our games and systems to avoid classification as gambling activity. For instance, we do not allow for virtual items to be converted back into real-world currencies and have strict measures in place to prevent trading of accounts or virtual items between accounts. However, there can be no assurance that our games, especially our card and board games, will not be deemed as illegal or inappropriate or will not be challenged or subject to any regulatory actions in the future. Moreover, any changes in policy and implementation of current regulations by government authorities could also impact the industry as a whole and us in particular.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our results of operations and financial conditions are based on our audited combined financial information prepared in accordance with HKFRSs. Our results of operations and financial condition are sensitive to the accounting methods, assumptions and estimates used in the preparation of our combined financial information. We continually evaluate these estimates and judgements based on historical experience and other factors, including expectations of future events, which we currently believe to be reasonable.

Our significant accounting policies are set forth in detail in note 2.4 to the Accountant's Report and our critical accounting judgement and key sources of estimation uncertainty are set out in note 3 to the Accountant's Report. Actual results may differ from these estimates as facts, circumstances and conditions change, or as a result of different assumptions. We believe the following accounting policies and estimates are critical to an understanding of our financial conditions and results of operations, because the application of these policies requires significant management judgement, estimate and assumptions, and the reporting of materially different amount could result if different judgement was made or different estimates or assumptions were used.

Revenue Recognition

During the Track Record Period, our revenue was primarily derived from the sales and consumption of virtual items in our games.

Revenue is recognised when our Group has fulfilled the obligations stated in the contracts, and when our Group has transferred control over relative goods or services to the customer, on the following bases.

(a) Revenue generated from sales of in-game virtual items

All of our online games are operated using a free to play model. Players are able to download mobile games free from its third party distribution platforms. Players may choose to enhance their game experience by purchasing virtual items.

Players purchase our virtual items ("Paying Players") through various distribution platforms and payment vendors. The distribution platforms collect the payment from the Paying Players and remit the cash to us net of charges which are pre-determined according to the relevant terms of the agreements entered into between us and distribution platforms or third party payment vendors. We may also collect the payment directly from third party payment vendors who will deduct their handling fees and we will in turn remit the commission charges to the distribution platforms.

As we take the primary responsibilities of game development and game distribution, including selecting distribution platforms and payment vendors, providing customer services, hosting game servers, and controlling game and services specifications and pricing, it considers itself as a principal in such arrangement. Accordingly, revenue is recognized on a gross basis, which is the amount that reflects the consideration to which we expect to be entitled in exchange for transferring promised services to a customer. The relevant service fees charged by the third-party payment vendors and the distribution platforms are recorded in cost of sales.

Upon the sales of virtual items, we typically have an implied obligation to provide the service which enables the virtual items to be consumed and displayed in the respective games. As a result, the payments received from the sales of other virtual items are initially included in contract liabilities on the combined statement of financial position and are then recognized over time based on the service period. During the Track Record Period, we estimated the service period based on the average playing period of the paying players.

(b) Revenue from third party game and advertising services

Our Group also provides distribution and advertising services to third party game development and operation companies. The revenue is recognised when service is rendered.

(c) Interest income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Research and Development Costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when our Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and our Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which our Group has applied the practical expedient, our Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which our Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Our Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that our Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortized cost (debt instruments)

This category is the most relevant to our Group. Our Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired.

Our Group's financial assets at amortized cost includes trade receivables, other receivable, and amount due from related parties.

(ii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, our Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when our Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in financial position at fair value with net changes in fair value recognised profit or loss. This category includes listed equity investments which had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from our Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- our Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) our Group has transferred substantially all the risks and rewards of the asset, or (b) our Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When our Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, our Group continues to recognize the transferred asset to the extent of our Group's continuing involvement. In that case, our Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that our Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that our Group could be required to repay.

Impairment of financial assets

Our Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, our Group applies a simplified approach in calculating ECLs. Therefore, our Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. Our Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Our Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due. Our Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, our Group may also consider a financial asset to be in default when internal or external information indicates that our Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by our Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Loans and borrowings

This is the category most relevant to our Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by each of the reporting dates taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each Relevant Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if our Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Share-based payments

Our Company operates share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our Group's operations. Employees (including directors) of our Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the relevant period until the vesting date reflects the extent to which the vesting period has expired and our Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either our Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

SUMMARY RESULTS OF OPERATIONS

The following table sets forth a summary of our combined statements of profit or loss and combined statements of comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	129,833	337,953	459,724	223,993	267,826
Cost of sales	(93,249)	(264,903)	(301,792)	(158,012)	(166,487)
Gross profit	36,584	73,050	157,932	65,981	101,339
Other income and gains	7,918	2,148	4,518	884	4,588
Selling and distribution expenses	(3,226)	(10,002)	(39,247)	(12,194)	(25,576)
Administrative expenses	(8,589)	(9,610)	(16,698)	(6,012)	(10,470)
Research and development costs	(7,624)	(13,562)	(23,649)	(7,216)	(13,208)
Other expenses	(73)	(879)	(6,566)	(851)	(398)
Finance costs	–	(19)	(824)	(433)	(128)
Share of profits/ (losses) of					
a joint venture	–	(243)	(515)	(461)	–
an associate	(9)	(490)	(888)	(452)	–
Profit before Tax	24,981	40,393	74,063	39,246	56,147
Income tax credit/(expense)	41	18	(7,667)	(3,877)	(5,386)
Profit for the year/period	25,022	40,411	66,396	35,369	50,761
Other comprehensive income/((loss) for the year/period, net of tax	20,918	61,701	(32,202)	(18,229)	5,322
Total comprehensive income for the year/period	45,940	102,112	34,194	17,140	56,083

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we operated games developed by our own development team as well as by third parties. All of our games were operated on an Free-to-Play model and we generated revenue through sales of virtual items that could enhance game experience by extending playtime, improving in-game communication, customizing game settings, improving in-game performance and accelerating player progression. We derived most of our revenue from sales of in-game virtual items to players of our self-developed games. We also share revenue collected from players of third party developed games with the developers of those games pursuant to our agreements with them. We also generated non-game revenue from our advertising activities.

Sales proceeds of in-game virtual items are initially recorded as contract liabilities on our combined statement of financial position and are then recognized as revenue in accordance with our revenue recognition policies.

The following table sets forth a breakdown of our revenue by game and non-game revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Game revenue										
Self-developed games	129,246	99.5	336,803	99.7	458,779	99.8	223,471	99.8	264,821	98.9
Third party games	587	0.5	1,150	0.3	945	0.2	522	0.2	941	0.3
Subtotal	129,833	100.0	337,953	100.0	459,724	100.0	223,993	100.0	265,762	99.2
Non-game revenue										
Advertising	–	–	–	–	–	–	–	–	2,064	0.8
Total	**129,833**	**100.0**	**337,953**	**100.0**	**459,724**	**100.0**	**223,993**	**100.0**	**267,826**	**100.0**

Game revenue by category

Our games are classified into three categories, namely, card games, board games and other games. Among these three categories of games, card games are the most popular among our players. Game revenue derived from our card games amounted to RMB114.2 million, RMB293.6 million, RMB432.0 million, RMB208.3 million and RMB236.4 million for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, accounting for 87.9%, 86.9%, 94.0%, 93.0% and 89.0%, of our game revenue during the same periods. As such, card games generated the largest portion of our game revenue during the Track Record Period.

The table below sets forth a breakdown of revenue by game category for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Card games	114,168	87.9	293,595	86.9	432,034	94.0	208,289	93.0	236,436	89.0
Board games	14,348	11.1	42,487	12.6	25,319	5.5	14,546	6.5	6,826	2.6
Other games[(1)]	1,317	1.0	1,871	0.5	2,371	0.5	1,158	0.5	22,500	8.4
Total	**129,833**	**100.0**	**337,953**	**100.0**	**459,724**	**100.0**	**223,993**	**100.0**	**265,762**	**100.0**

Note:

(1) Other games includes other casual games and hard core games.

Game revenue by payment channels

During the Track Record Period, we primarily cooperated with various third party payment channels, including SMS services provided by major mobile carriers, online payment channels such as Alipay, WeChat to collect proceeds from sales of virtual items. Our revenue from SMS services accounted for 96.6%, 89.9%, 50.4%, 58.7% and 48.5% of our total revenue for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively, while our revenue from online payment channels accounted for 3.4%, 10.1%, 49.6%, 41.3% and 51.5% of our total revenue for the same periods.

The table below sets forth a breakdown of game revenue by payment channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
SMS services	125,457	96.6	303,861	89.9	231,594	50.4	131,536	58.7	128,976	48.5
Online payment channels	4,376	3.4	34,092	10.1	228,130	49.6	92,457	41.3	136,786	51.5
Total	**129,833**	**100.0**	**337,953**	**100.0**	**459,724**	**100.0**	**223,993**	**100.0**	**265,762**	**100.0**

Cost of sales

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Payment channel costs	49,623	53.2	144,723	54.6	102,880	34.1	61,636	39.0	56,538	34.0
Distribution platform costs	42,294	45.4	116,943	44.1	190,605	63.2	92,444	58.5	106,713	64.1
Others[(1)]	1,332	1.4	3,237	1.3	8,307	2.7	3,932	2.5	3,236	1.9
Total	93,249	100.0	264,903	100.0	301,792	100.0	158,012	100.0	166,487	100.0

Note:

(1) Others primarily consists of technical services expenses, tax expenses, salary and social insurance and other expenses.

Payment channels costs

Payment channels costs mainly represented fees charged by third-party payment channels. We provide our players a number of payment options to facilitate purchases of virtual items. Players can make payments through SMS, WeChat and Alipay etc. In 2015 and 2016 we primarily used SMS payment services, which typically charged us fees of approximately 30% of the gross spending by players. The use of online payment channels, such as WeChat Pay and Alipay, which typically charge us fees of less than 5% of the gross spending by the players.

Distribution platform costs

Distribution platform costs mainly represented fees charged by the social networking websites, online application stores (such as iOS App Store for iOS systems and Tencent MyApp (騰訊應用寶)), game portals and mobile phone manufacturers which provided game distribution service to us. These distribution platforms typically charge us service fees at a pre-determined percentage, typically ranging between 40% and 70% of the gross spending by the players of the games they distribute.

Gross profit and gross profit margin

For 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, our gross profit was RMB36.6 million, RMB73.1 million, RMB157.9 million, RMB66.0 million and RMB101.3 million, respectively, and our overall gross profit margin was 28.2%, 21.6%, 34.4%, 29.5% and 37.8%, respectively.

Gross profit of game operation by payment channels

Given the significant differences in the cost of SMS and online payment services, our payment channel mix has had a significant effect on our gross profit margin over the Track Record Period. The following table sets forth our gross profit and gross margin by payment channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	Gross profit RMB'000	*Margin %*	*Gross profit RMB'000*	*Margin %*	*Gross profit RMB'000*	*Margin %*	*Gross profit RMB'000 (unaudited)*	*Margin %*	*Gross profit RMB'000*	*Margin %*
SMS services	33,654	26.8	55,966	18.4	44,007	19.0	21,847	16.6	29,833	23.1
Online payment channels	2,930	67.0	17,084	50.1	113,925	49.9	44,134	47.7	69,442	50.8
Total	**36,584**	**28.2**	**73,050**	**21.6**	**157,932**	**34.4**	**65,981**	**29.5**	**99,275**(1)	**37.4**

Note:

(1) This amount does not include the gross profit from advertising of RMB2.1 million. During the Track Record Period, revenue from our advertising activities was recognised on a net basis according to our accounting policies and discussion of gross profit margin in connection with such amount is therefore not meaningful.

See "– Cost of sales – Payment channel costs" above.

Other income and gains

Our other income and gains primarily consisted of (i) dividend income from equity instruments designated at fair value; (ii) bank interest income; (iii) fair value gains on financial assets at fair value through profit or loss (i.e. our wealth management products); (iv) government grants related to income and (v) technical services.

The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Dividend income from equity instruments designated at fair value through FVOCI	7,266	–	–	–	–
Fair value gains on financial assets at fair value through profit and loss	300	513	2,774	449	3,746
Government grants related to income	–	–	140	–	795
Technical services	269	1,298	1,483	324	–
Bank interest income	26	23	92	46	45
Others	57	314	29	65	2
Total	7,918	2,148	4,518	884	4,588

Selling and distribution expenses

Selling and distribution expenses primarily consisted of (i) promotion and advertising expenses representing service fees incurred for our advertisements placed on various social networking websites, such as Baidu, Toutiao and UC Toutiao; (ii) employee benefit expenses for our sales and marketing staff; and (iii) share-based payments.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Promotion and advertising expense	1,391	43.1	3,416	34.2	28,675	73.1	7,892	64.7	19,614	76.7
Employee benefit expenses[(1)]	1,835	56.9	4,005	40.0	7,235	18.4	2,634	21.6	4,954	19.4
Share-based payments	–	–	2,581	25.8	3,337	8.5	1,668	13.7	1,008	3.9
Total	3,226	100.0	10,002	100.0	39,247	100.0	12,194	100.0	25,576	100.0

Note:

(1) Includes salaries, bonus, social insurance and other benefits for our sales and marketing staff.

Administrative expenses

Administrative expenses primarily consisted of (i) employee benefit expenses for our management personnel and supporting staff; (ii) rental and utilities expenses; (iii) office expenses; (iv) professional fees; (v) travelling and accommodation expenses; (vi) share-based payments; and (vii) others.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses[(1)]	3,876	45.1	5,480	57.0	9,781	58.7	2,532	42.2	5,658	54.0
Rental and utilities expenses	1,471	17.1	1,436	14.9	2,310	13.8	1,016	16.9	1,228	11.7
Office expenses	693	8.1	891	9.3	1,684	10.1	920	15.3	864	8.3
Professional fees	1,911	22.2	390	4.1	1,160	6.9	560	9.3	556	5.3
Travelling and accommodation expenses	152	1.8	296	3.1	269	1.6	104	1.7	126	1.2
Share-based payments	–	–	338	3.5	422	2.5	211	3.5	1,440	13.8
Others[(2)]	486	5.7	779	8.1	1,072	6.4	669	11.1	598	5.7
Total	**8,589**	**100.0**	**9,610**	**100.0**	**16,698**	**100.0**	**6,012**	**100.0**	**10,470**	**100.0**

Notes:

(1) Includes salaries, bonus, social insurance and other benefits for our management personnel and supporting staff.

(2) Others primarily includes depreciation expenses of our fixed assets, stamp duty and other expenses.

Research and development expenses

Research and development expenses primarily consisted of (i) employee benefit expenses for our in-house game development staff; (ii) fees paid for registration of our intellectual property rights; (iii) technical service expenses paid for procurement of technical services; (iv) share-based payment expenses; and (v) others. During the Track Record Period, our research and development activities mainly included development of new games and new versions of existing games, as well as continuous enhancement of our IT infrastructure such as our data analytic systems and various other operating systems.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses[(1)]	7,438	97.6	10,868	80.1	18,603	78.8	5,866	81.2	11,889	90.0
Intellectual property fees	141	1.8	861	6.3	195	0.8	251	3.5	283	2.1
Technical service expenses	45	0.6	239	1.8	2,562	10.8	–	–	76	0.6
Share-based payments	–	–	1,594	11.8	2,115	8.9	1,058	14.7	763	5.8
Others[(2)]	–	–	–	–	174	0.7	41	0.6	197	1.5
Total	**7,624**	**100.0**	**13,562**	**100.0**	**23,649**	**100.0**	**7,216**	**100.0**	**13,208**	**100.0**

Notes:

(1) Includes salaries, bonus, social insurance and other benefits for our in-house game development staff.

(2) Primarily includes depreciation expenses of our fixed assets and other miscellaneous expenses.

Other expenses

Our other expenses primarily consisted of (i) impairment losses for trade receivables; (ii) loss on disposal of a joint venture; (iii) technical service expenses; (iv) exchange losses; and (v) others.

The following table sets forth a breakdown of the components of our other expenses in absolute amounts and as a percentage of other expenses to the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Impairment of trade receivables	–	–	1,328	–	15
Impairment of amounts due from related party	–	–	2,900	–	–
Impairment of an investment in an associate	–	–	338	–	–
Loss on disposal of joint venture	–	–	612	–	–
Technical service expense	–	836	1,314	817	347
Exchange losses	72	1	70	32	23
Others	1	42	4	2	13
Total	73	879	6,566	851	398

Finance costs

Our finance costs represented the interest expenses we incurred on our interest-bearing bank borrowings, which amounted to nil, RMB19,000, RMB0.8 million, RMB0.4 million and RMB0.1 million, for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively.

Share of loss of a joint venture

Share of loss of a joint venture represented our share of loss of our investment in a joint venture which amounted to nil, RMB0.2 million, RMB0.5 million, RMB0.5 million, and nil, for 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively. During the Track Record Period, we acquired a 50% interest in ShenZhen Kuwa Leyuan Technology Company Limited and we had disposed of all of such investment in November 2017.

For details, please refer to note 15 of Appendix I to this document.

Share of loss of an associate

Share of loss of an associate represented our share of loss in an associate, which amounted to RMB9,000, RMB0.5 million, RMB0.9 million, RMB0.5 million and nil, respectively, in 2015, 2016, 2017 and the six months ended June 30, 2017 and 2018. We acquired a 23.53% interest in Uniques Digital Company Limited ("**Uniques Digital**") at a consideration of HK$1.0 million in July 2015. In September 2016, we increased the investment to HK$2.0 million after which we held a 35% interest. Uniques Digital is a mobile game development company.

For details, please refer to note 14 of Appendix I to this document.

TAXATION

Cayman Islands

We are an exempt company with limited liability incorporated in the Cayman Islands. Under the Cayman Islands law, we are not subject to tax on income or capital gains in the Cayman Islands.

Hong Kong

Hong Kong profits tax have been provided at the rate of 16.5% on our assembled profit derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which we operate.

PRC

Income tax

The income tax in respect of our operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof.

Zen-Game Shenzhen was accredited as a "Software Enterprise" in 2015 under relevant PRC laws and regulation and made it entitled to enjoy a preferential tax treatment of two years of full tax exemption and three years of a 50% reduction in tax rate beginning in its first profitable year. Therefore, Zen-Game Shenzhen was exempted from income tax in 2015 and 2016) and was entitled to a preferential income tax rate of 12.5% from 2017 to 2019. Zen-Game Shenzhen was also qualified as a Key Software Enterprise for 2017 and was entitled to a preferential tax rate of 10% for 2017 and the six months ended June 30, 2018 (subject to annual assessment).

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses from January 1, 2008 to December 31, 2016, and 175% of their research and development expenses from January 1, 2017 to December 31, 2019, as tax deductible expenses when determining their assessable profits for that year.

Our income tax consists of current income tax and deferred tax. For the two years ended December 31, 2016, we recorded income tax credits of approximately RMB41,000 and RMB18,000, respectively. For the year ended December 31, 2017 and the six months ended June 30, 2017 and 2018, our income tax expenses were RMB7.7 million, RMB3.9 million and RMB5.4 million, respectively. Our effective income tax rate was approximately (0.2)% and (0.04)% for the years ended December 31, 2015 and 2016. This low effective tax rate was largely due to Zen-Game Shenzhen being accredited as a "Software Enterprise" in 2015 and therefore being exempted from income tax for its first two profitable years (i.e. 2015 and 2016). Our effective income tax rate was approximately 10.4% for the year ended December 31, 2017 and approximately 9.6% for the six months ended June 30, 2018. These rates largely were due to Zen-Game Shenzhen being qualified as a Key Software Enterprise since 2016 and therefore enjoying a preferential tax rate of 10% for the year ended December 31, 2017 and for the six months ended June 30, 2018.

During the Track Record Period and up to the Latest Practicable Date, our Directors have confirmed that all relevant taxes had been paid when due and there were no disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Revenue

Our revenue increased by 19.6% or RMB43.8 million from RMB224.0 million in the six months ended June 30, 2017 to RMB267.8 million in the six months ended June 30, 2018, primarily due to (i) an increase in revenue from other games by RMB21.3 million, mainly driven by an increase in revenue of Fishing as a result of a new version of Fishing was launched in February 2018; and (ii) an increase in revenue from card games by RMB28.1 million mainly driven by an increase in revenue of Fight the Landlord as a result of an increase in ARPPU for the six months ended June 30, 2018.

Cost of sales

Our cost of sales increased by 5.4%, or RMB8.5 million from RMB158.0 million for the six months ended June 30, 2017 to RMB166.5 million for the six months ended June 30, 2018, primarily due to an increase by third party distribution platform costs of RMB14.3 million, which was generally in line with the increase in our revenue over the period. The effect was partially offset by a decrease in payment channels cost of RMB5.1 million related to increased use of online payment channels by our players which charge us a lower service fee than SMS payment channels.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 53.5% or RMB35.3 million from RMB66.0 million for the six months ended June 30, 2017 to RMB101.3 million for the six months ended June 30, 2018 and our gross profit margin increased significantly from 29.5% for the six months ended June 30, 2017 to 37.8% in the six months ended June 30, 2018. The increase in our gross profit margin was mainly attributable to increased use by our paying customers of online payment channels, which usually charge us lower rates as compared to SMS payment channels.

Other income and gains

Our other income and gains increased by 411.1%, or RMB3.7 million from RMB0.9 million for the six months ended June 30, 2017 to RMB4.6 million for the six months ended June 30, 2018, primarily due to an increase in fair value gains on financial assets at fair value through profit or loss by RMB3.3 million as a result of an increase in purchases of wealth management products during the period.

Selling and distribution expenses

Our selling and distribution expenses increased by 109.8% or RMB13.4 million from RMB12.2 million in the six months ended June 30, 2017 to RMB25.6 million in the six months ended June 30, 2018, primarily due to an increase in promotion and advertising expenses by RMB11.7 million, mainly as a result of increased advertising costs related to our enhanced efforts to maintain and increase our player base for our existing games.

Administrative expenses

Our administrative expenses increased by 75.0% or RMB4.5 million from RMB6.0 million in the six months ended June 30, 2017 to RMB10.5 million in the six months ended June 30, 2018, primarily due to an increase in employee benefit expenses of RMB3.2 million mainly relating to an increase in bonuses for our management personnel and supporting staff.

Research and development expenses

Our research and development expenses increased by 83.3% or RMB6.0 million from RMB7.2 million for the six months ended June 30, 2017 to RMB13.2 million for the six months ended June 30, 2018, primarily due to an increase in employee benefit expenses of RMB6.0 million as a result of (i) an increase in bonus; and (ii) an upward salary adjustment for our research and development staff.

Other expenses

Our other expenses decreased by 55.6%, or RMB0.5 million from RMB0.9 million for the six months ended June 30, 2017 to RMB0.4 million for the six months ended June 30, 2018, primarily due to a decrease in our technical service expenses by RMB0.5 million. The decrease was mainly attributable to our rendering technical services to our associate, Uniques Digital, in the six months ended June 30, 2017 and not in the six months ended June 30, 2018.

Profit before tax

As a result of the foregoing, our profit before tax increased by 43.1% or RMB16.9 million from RMB39.2 million for the six months ended June 30, 2017 to RMB56.1 million for the six months ended June 30, 2018.

Income tax expense

Our income tax expense increased by 38.5% or RMB1.5 million from RMB3.9 million for the six months ended June 30, 2017 to RMB5.4 million for the six months ended June 30, 2018. This was primarily due to an increase in our profit before tax. Our effective tax rate remained relatively stable at 9.9% for the six months ended June 30, 2017 and 9.6% for the six months ended June 30, 2018.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased by 43.5% or RMB15.4 million from RMB35.4 million for the six months ended June 30, 2017 to RMB50.8 million for the six months ended June 30, 2018. Our net profit margin increased from 15.8% for the six months ended June 30, 2017 to 19.0% for the six months ended June 30, 2018, mainly due to an increase in our gross profit margin.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 36.0% or RMB121.7 million from RMB338.0 million for 2016 to RMB459.7 million for 2017, which was primarily due to an increase in revenue from our self-developed games in 2017. This increase was mainly attributable to an increase in our revenue from card games by RMB138.4 million mainly driven by an increase in revenue of Fight the Landlord as a result of an increase in (i) the number of registered paying players; and (ii) ARPPU. The effect was partially offset by a decrease in our revenue from board games of RMB17.2 million.

Cost of sales

Our cost of sales increased by 13.9%, or RMB36.9 million from RMB264.9 million for the 2016 to RMB301.8 million for the 2017, which was primarily due to an increase in distribution platform costs of RMB73.7 million. The increase in our distribution platform costs was generally in line with the increase in our revenue over the period. The effect was partially offset by a decrease in payment channel costs of RMB41.8 million related to increased use of online payment channels by our players which charge us a lower service fee than SMS payment channels.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 116.0% or RMB84.8 million from RMB73.1 million for 2016 to RMB157.9 million for 2017. Our gross profit margin increased from 21.6% for 2016 to 34.4% for 2017. The increase in our gross profit margin was mainly attributable to an increased use of online payment channels by our paying players, which usually charge us relatively lower rates as compared to SMS payment channels.

Other income and gains

Our other income and gains increased by 114.3%, or RMB2.4 million from RMB2.1 million for 2016 to RMB4.5 million for 2017, primarily due to the increase in fair value gains on financial assets at fair value through profit and loss of RMB2.3 million as a result of an increase in purchases of wealth management products during the year.

Selling and distribution expenses

Our selling and distribution expenses increased by 292.0% or RMB29.2 million from RMB10.0 million for 2016 to RMB39.2 million for 2017, primarily due to an increase in promotion and advertising expenses by RMB25.3 million, mainly as a result of increased advertising expenses relating to our enhanced efforts to maintain and increase player base mainly for our existing games.

Administrative expenses

Our administrative expenses increased by 74.0% or RMB7.1 million from RMB9.6 million for 2016 to RMB16.7 million for 2017, primarily due to (i) an increase in employee benefit expenses of RMB4.3 million, mainly as a result of an increase in performance bonuses for our management personnel and supporting staff; and (ii) an increase in our rental and utilities expenses of RMB0.9 million resulting from the full year effect of increased rent and office space for office properties which were renewed in 2017.

Research and development expenses

Our research and development expenses increased by 73.5% or RMB10.0 million from RMB13.6 million for 2016 to RMB23.6 million for 2017, which was primarily due to an increase in employee benefit expenses of RMB7.7 million, mainly as a result of (i) an increase in bonuses for our research and development staff; and (ii) an increase in the number of our research and development staff.

Other expenses

Our other expenses increased by 633.3%, or RMB5.7 million from RMB0.9 million for 2016 to RMB6.6 million for 2017, which was primarily due to (i) an impairment of trade receivables of RMB1.3 million in 2017 due to a provision for expected credit loss; and (ii) an impairment of amounts due from our associate of RMB2.9 million, namely Uniques Digital Company Limited, in 2017 as that company faced financial difficulty and such balance was considered to be unrecoverable.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 83.4%, or RMB33.7 million from RMB40.4 million for 2016 to RMB74.1 million for 2017.

Income tax credit/(expense)

We had a tax credit of RMB18,000 for 2016, which was due to Zen-Game Shenzhen was exempted from income tax for 2016. We had tax expenses of RMB7.7 million for 2017, which was due to expiration of the income tax exemption for Zen-Game Shenzhen as such exemption was only related to the first two profitable years. Our effective tax rate was (0.04)% and 10.4% for 2016 and 2017, respectively. Our effective tax rate remained lower than the statutory income tax rate of 25% in 2017, mainly due to Zen-Game Shenzhen enjoying a preferential income tax rate of 10% as it was accredited as "Key Software Enterprise".

Profit for the year

As a result of the foregoing, our profit for the year increased by 64.4% or RMB26.0 million from RMB40.4 million for 2016 to RMB66.4 million for 2017. Our net profit margin increased from 12.0% for 2016 to 14.4% for 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 160.4% or RMB208.2 million from RMB129.8 million for 2015 to RMB338.0 million for 2016, primarily due to an increase in revenue from our card games by RMB179.4 million, mainly driven by an increase in revenue from Fight the Landlord as a result of an increase in (i) the number of registered paying players and (ii) ARPPU.

Cost of sales

Our cost of sales increased by 184.2% or RMB171.7 million from RMB93.2 million for 2015 to RMB264.9 million for 2016, primarily due to (i) an increase in distribution platform costs by RMB74.6 million and (ii) an increase in payment channel costs by RMB95.1 million. The increase in both distribution platform costs and payment channels costs was in line with our increase in revenue for 2016.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 99.7% or RMB36.5 million from RMB36.6 million for 2015 to RMB73.1 million for 2016. Our gross profit margin decreased from 28.2% in 2015 to 21.6% in 2016, mainly due to the higher fee rate charged by certain SMS payment channels with which we entered into contracts in 2016.

Other income and gains

Our other income and gains, decreased by 73.4%, or RMB5.8 million from RMB7.9 million for 2015 to RMB2.1 million for 2016, which was primarily due to a decrease in dividend income from RMB7.3 million in 2015 to nil in 2016. The effect was partially offset by an increase in income from providing technical support service to our associate, Uniques Digital Company Limited, of RMB1.0 million.

Selling and distribution expenses

Our selling and distribution expenses increased by 212.5%, or RMB6.8 million from RMB3.2 million in 2015 to RMB10.0 million in 2016. The increase was mainly attributable to (i) an increase in promotional and advertising expenses of RMB2.0 million, which was in line with the increase in our revenue; and (ii) an increase in employee benefit expenses of RMB2.2 million resulting from an increase in the increase in performance bonus for our marketing staff.

Administrative expenses

Our administrative expenses increased by 11.6% or RMB1.0 million from RMB8.6 million for 2015 to RMB9.6 million for 2016, primarily due to (i) an increase in employee benefit expenses of RMB1.6 million as a result of an increase in performance bonus for our management personnel and supporting staff; and (ii) a decrease in professional fees by RMB1.5 million.

Research and development expenses

Our research and development expenses increased by 78.9% or RMB6.0 million from RMB7.6 million for 2015 to RMB13.6 million for 2016, primarily due to an increase in employee benefits expenses of RMB3.4 million as a result of an increase in our number of research and development employees from 2015 to 2016, which was generally in line with the expansion of our operational scale in 2016.

Other expenses

Our other expenses increased by 800.0%, or RMB0.8 million from RMB0.1 million for 2015 to RMB0.9 million for 2016, primarily due to an increase in technical service expenses of RMB0.8 million.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 61.6% or RMB15.4 million from RMB25.0 million for 2015 to RMB40.4 million for 2016.

Income tax credit

We had tax credits of RMB41,000 and for 2015 and RMB18,000 for 2016. Our effective income tax rate was (0.2)% and (0.04)% for the same years, which was due to Zen-Game Shenzhen being accredited as "software enterprise" in 2015 pursuant to which it was entitled to a two-year tax exemption.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased by 61.6% or RMB15.4 million from RMB25.0 million in 2015 to RMB40.4 million in 2016. Our net profit margin decreased from 19.3% in 2015 to 12.0% in 2016, which was primarily due to the decrease in our gross profit margin.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our capital expenditures and working capital requirements mainly through cash generated from our operating activities. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities and [**REDACTED**] from the [**REDACTED**].

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash flows from/(used in) operating activities	(1,949)	12,918	101,159	26,373	54,325
Net cash flows from/(used in) investing activities	(12,449)	2,538	(128,519)	(1,896)	(60,210)
Net cash flows from/(used in) financing activities	15,000	(8,019)	26,776	(12,593)	9,872
Net increase/(decrease) in cash and cash equivalents	602	7,437	(584)	11,884	3,987
Cash and cash equivalents at beginning of year/period	1,837	2,490	10,060	10,060	9,342
Effect of foreign exchange rate changes, net	51	133	(134)	(886)	4
Cash and cash equivalents at end of year/period	2,490	10,060	9,342	21,058	13,333

Net cash flows from operating activities

Cash inflows from operating activities primarily consisted of proceeds we received from sales of virtual items through third party payment channels and distribution platforms. Our cash flows from operating activities reflected our profit before tax, adjusted for non-cash and non-operating items, which mainly included depreciation of property and equipment, dividend income, fair value gains or losses on financial assets at fair value through profit and loss and equity-settled share-based payment expenses, and the effects of changes in working capital, which primarily consisted of changes in trade receivables, contract costs, trade payables and contract liability.

We had net cash flows from operating activities of RMB54.3 million and profit before tax of RMB56.1 million for the six months ended June 30, 2018. Adjustments primarily included fair value gains on financial assets at fair value through profit and loss of RMB3.7 million, depreciation of property and equipment of RMB0.4 million and equity-settled share-based payment expenses of RMB3.2 million, resulting in operating cash flows before changes in working capital of RMB56.1 million. Changes in working capital represented net inflows of RMB3.1 million of cash, primarily attributable to (i) a decrease in trade receivables of RMB9.9 million; (ii) a decrease in contract costs of RMB2.6 million; and (iii) a decrease in prepayments, deposits and other receivables of RMB1.9 million. The effect was partially offset by (i) a decrease in trade payables of RMB3.3 million; (ii) a decrease in contract liability of RMB5.5 million; and (iii) a decrease in other payables and accruals of RMB2.8 million. We paid income taxes of RMB4.9 million for the six months ended June 30, 2018.

We had net cash flows from operating activities of RMB101.1 million and profit before tax of RMB74.1 million for the year ended December 31, 2017. Adjustments primarily included finance costs of RMB0.8 million, fair value gains on financial assets at fair value through profit and loss of RMB2.8 million, share of profits and losses of a joint venture and an associate of RMB1.4 million, loss on disposal of investment in an associate of RMB0.6 million, depreciation of property and equipment of RMB0.5 million, impairment of amounts due from an associate of RMB2.9 million and equity-settled share-based payment expenses of RMB5.9 million, resulting in operating cash flows before changes in working capital of RMB85.0 million. Changes in working capital represented net inflows of RMB23.0 million of cash, primarily attributable to (i) a decrease in trade receivables of RMB23.6 million; and (ii) an increase in contract liability of RMB12.3 million. The effect was partially offset by (i) an increase in prepayments, deposits and other receivables of RMB6.4 million; (ii) a decrease in trade payables of RMB3.3 million; and (iii) an increase in contract costs of RMB4.5 million. We paid income taxes of RMB6.8 million for the year ended December 31, 2017.

We had net cash flows from operating activities of RMB12.9 million and profit before tax of RMB40.4 million for the year ended December 31, 2016. Adjustments primarily included equity-settled share-based payment expenses of RMB4.5 million and depreciation of property and equipment of RMB0.3 million, resulting in operating cash flows before changes in working capital of RMB45.4 million. Changes in working capital represented net outflows of RMB32.5 million, primarily attributable of (i) an increase in trade receivables of RMB58.0 million; and (ii) an increase in contract costs of RMB13.5 million. The effect was partially offset by (i) an increase in trade payables of RMB12.6 million; (ii) an increase in contract liability of RMB19.1 million; and (iii) an increase in other payables and accruals of RMB8.0 million.

We had net cash flows used in operating activities of RMB1.9 million and profit before tax of RMB25.0 million for the year ended December 31, 2015. Adjustments primarily included dividend income of RMB7.3 million and depreciation of property and equipment of RMB0.1 million, resulting in operating cash flows before changes in working capital of RMB17.5 million. Changes in working capital represented net outflows of RMB19.4 million, primarily attributable of (i) an increase in trade receivables of RMB30.5 million; and (ii) an increase in contract costs of RMB6.8 million. The effect was partially offset by (i) an increase in trade payables of RMB13.1 million; and (ii) an increase in contract liability of RMB8.4 million.

Net cash flows from/(used in) investing activities

During the Track Record Period, we derived cash inflows from investing activities mainly from dividend income, fair value gains on financial assets at fair value through profit and loss, disposal of equity instruments designated at FVOCI and decrease in financial assets at fair value through profit or loss. Our cash outflows used in investing activities were mainly from purchases of items of property, plant and equipment, purchases of equity instruments designed at FVOCI and increase in financial assets at fair value through profit or loss.

We had net cash flows used in investing activities of RMB60.2 million for the six months ended June 30, 2018, which was primarily due to an increase in financial assets at fair value through profit or loss of RMB62.2 million. The effect was partially offset by fair value gains on financial assets at fair value through profit or loss of RMB3.7 million.

We had net cash flows used in investing activities of RMB128.5 million for the year ended December 31, 2017, which was primarily due to purchases of financial assets at fair value through profit or loss of RMB130.0 million. The effect was partially offset by fair value gains on financial assets at fair value through profit or loss of RMB2.8 million.

We had net cash flows from investing activities of RMB2.5 million for the year ended December 31, 2016, which was primarily due to our sale of financial assets at fair value through profit or loss of RMB5.8 million. The effect was partially offset by (i) purchases of items of property, plant and equipment of RMB1.1 million; (ii) purchases of investments in an associate of RMB0.9 million; and (iii) purchases of equity instruments designated at FVOCI of RMB1.0 million.

We had net cash flows used in investing activities of RMB12.4 million for the year ended December 31, 2015, which was primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB22.1 million; and (ii) purchases of equity instruments designated at FVOCI of RMB9.9 million. The effect was partially offset by (i) dividend income of RMB7.3 million; and (ii) disposal of equity instruments designated at FVOCI of RMB14.5 million.

Net cash flows from/(used in) financing activities

During the Track Record Period, we derived cash inflows from financing activities mainly from new bank loans and capital contributions from our shareholders. Our cash outflows used in financing activities were mainly from repayment of bank loans and dividends paid.

We had cash flows from financing activities of RMB9.9 million for the six months ended June 30, 2018, which was primarily due to new bank loans of RMB17.6 million. The effect was partially offset by (i) repayment of bank loans of RMB7.6 million; and (ii) interest paid of RMB0.1 million.

We had cash flows from financing activities of RMB26.8 million for the year ended December 31, 2017, which was primarily due to (i) new bank loans of RMB15.7 million; and (ii) capital contribution by the then shareholders of RMB48.0 million. The effect was partially offset by (i) repayment of bank loans of RMB16.1 million; and (ii) dividends paid of RMB20.0 million.

We had net cash flows used in financing activities of RMB8.0 million for the year ended December 31, 2016, which was primarily due to dividends paid of RMB16.0 million. The effect was partially offset by new bank loans of RMB8.0 million.

We had net cash flows from financing activities of RMB15.0 million for the year ended December 31, 2015, which was primarily due to capital contribution by the then shareholders of RMB15.0 million.

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*
Current assets					
Trade receivables	35,301	93,262	68,299	58,368	71,803
Contract costs	8,357	21,830	26,326	23,762	24,117
Financial assets at fair value through profit or loss	25,735	19,896	149,878	212,037	178,063
Prepayments, deposits and other receivables	774	818	7,263	5,407	13,642
Amounts due from a related party	269	1,022	403	–	–
Amounts due from shareholders	–	–	–	–	52,800
Cash and cash equivalents	2,490	10,060	9,342	13,333	5,536
Total current assets	72,926	146,888	261,511	312,907	345,961
Current liabilities					
Trade payables	14,483	27,080	23,816	20,532	29,159
Contract liabilities	10,807	29,954	42,278	36,774	38,066
Other payables and accruals	5,679	13,656	18,141	15,309	17,083
Interest-bearing bank borrowings	–	8,000	7,600	17,600	18,000
Tax payable	–	–	1,484	1,971	2,382
Total current liabilities	30,969	78,690	93,319	92,186	104,690
Net current assets	41,957	68,198	168,192	220,721	241,271

Our total current assets as at December 31, 2015, 2016, 2017, June 30, 2018 and August 31, 2018 amounted to RMB72.9 million, RMB146.9 million, RMB261.5 million, RMB312.9 million and RMB346.0 million, respectively, which comprised trade receivables, contract costs, financial assets at fair value through profit or loss, prepayments, deposits and other receivables, amounts due from a related party, amounts due from shareholders and cash and cash equivalents. Our total current liabilities as at December 31, 2015, 2016, 2017, June 30, 2018 and August 31, 2018 amounted to RMB31.0 million, RMB78.7 million, RMB93.3 million, RMB92.2 million and RMB104.7 million, respectively, which comprised trade payables, contract liabilities, other payables and accruals, interest-bearing bank borrowings and tax payable.

Our net current assets increased by RMB20.6 million, from RMB220.7 million as at June 30, 2018 to RMB241.3 million as at August 31, 2018, primarily due to (i) an increase in trade receivables of RMB13.4 million; and (ii) an increase in amounts due from shareholders of RMB52.8 million. Such amount due from shareholders had been fully settled as at the Latest Practicable Date. The effect was partially offset by (i) a decrease in financial assets at fair value through profit or loss of RMB34.0 million; and (ii) an increase in trade payables of RMB8.6 million.

Our net current assets increased by RMB52.5 million, from RMB168.2 million as at December 31, 2017 to RMB220.7 million as at June 30, 2018. This was primarily due to an increase in financial assets at fair value through profit or loss by RMB62.1 million. The effect was partially offset by (i) an increase in interest-bearing bank borrowings of RMB10.0 million; and (ii) a decrease in trade receivables of RMB9.9 million.

Our net current assets increased by RMB100.0 million, from RMB68.2 million as at December 31, 2016 to RMB168.2 million as at December 31, 2017. This was primarily due to (i) an increase in financial assets at fair value through profit or loss of RMB130.0 million; and (ii) an increase in prepayments, deposits and other receivables of RMB6.5 million. The effect was partially offset by (i) a decrease in trade receivables of RMB25.0 million; (ii) an increase in contract liabilities of RMB12.3 million; and (iii) an increase in other payables and accruals of RMB4.4 million.

Our net current assets increased by RMB26.2 million, from RMB42.0 million as at December 31, 2015 to RMB68.2 million as at December 31, 2016. This was primarily due to (i) an increase in trade receivables of RMB58.0 million; (ii) an increase in contract costs of RMB13.4 million; and (iii) an increase in cash and cash equivalents of RMB7.6 million. The effect was partially offset by (i) a decrease in financial assets at fair value through profit or loss of RMB5.8 million; (ii) an increase in trade payables of RMB12.6 million; (iii) an increase in contract liabilities of RMB19.2 million; (iv) an increase in other payables and accruals by RMB8.0 million; (v) an increase in interest-bearing bank borrowings of RMB8.0 million.

See "– Discussion of certain items from the combined balance sheet" in this section for a discussion of various current assets and current liabilities items.

Working capital statement

Taking into consideration the financial resources presently available to us, including the expected cash generated from our operations and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the opinion that we have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document.

DISCUSSION OF CERTAIN ITEMS FROM THE COMBINED BALANCE SHEET

Equity instruments designated at FVOCI (Fair value through other comprehensive income)

Our equity instruments designated at FVOCI consisted of listed equity investment and non-listed equity investment, which were designated as equity instruments designated at FVOCI financial assets. The following table sets out the details of our equity instruments designated at FVOCI as at the dates indicated:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity investment:				
Genimous Technology Co., Ltd. ("**Zhidu Technology**")	–	103,061	58,086	64,668
Non-listed equity investment:				
Shenzhen Flying Fish Interactive Technology Company Limited	–	286	2,560	3,069
Shanghai Falcon Network Limited	20,255	–	–	–
	20,255	103,347	60,646	67,737

Listed equity investment represents our shareholding in Zhidu Technology, a third party company listed in Shenzhen Stock Exchange. On May 18, 2016, we disposed 3.2889% equity investment in Shanghai Falcon Network Limited in exchange of 5,803,941 shares of Zhidu Technology. The accumulated fair value reserve recognized for Shanghai Falcon Network Limited in other comprehensive income of RMB22,693,000 was transferred to the retained earnings in the combined financial statement. We accounted for the equity investment in Zhidu Technology as equity instrument designated at FVOCI. The fair value of the shares of Zhidu Technology as at December 31, 2016, 2017 and June 30, 2018 was RMB103,061,000, RMB58,086,000 and RMB64,668,000, respectively. Pursuant to relevant regulations of Shenzhen Stock Exchange, our shareholding in Zhidu Technology was subject to a lockup period of three years starting from the exchange date.

The following table sets forth the gross gain/(loss) and income tax effect in respect of our equity instruments designated at FVOCI recognised in other comprehensive income for the periods indicated:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The gross gain/(loss) in respect of equity instruments designated at FVOCI recognized in other comprehensive income	23,467	82,093	(42,701)	7,091
Income tax effect	(2,597)	(20,524)	10,676	(1,773)
	20,870	61,569	(32,025)	5,318

Our Group has a stringent investment policy in place and no investment shall be made without prior management approval. Going forward, any potential equity investment shall first be assessed by the management and it shall not hinder the capital needs of our Group. In addition, our Group will carry out a more in-depth study of the proposed investment and prepare a feasibility report for management's approval. Our Directors and senior management will be responsible for overseeing the daily management of the investment.

Trade receivables

Our trade receivables primarily represented the sales proceeds that certain of our distribution platforms and payment channels have collected from players but not yet paid to us. As at December 31, 2015, 2016 and 2017 and June 30, 2018, we had trade receivables of RMB35.3 million, RMB93.3 million, RMB68.3 million and RMB58.4 million, respectively.

Our trade receivables increased by RMB58.0 million, or 164.3% from RMB35.3 million as at December 31, 2015 to RMB93.3 million as at December 31, 2016, which was generally in line with our business growth. Our trade receivables decreased by RMB25.0 million, or 26.8% to RMB68.3 million as at December 31, 2017 and further decreased by RMB9.9 million, or 14.5% to RMB58.4 million as at June 30, 2018, which was primarily due to increased use of payment channels with shorter settlement period.

The following table sets forth the details of our trade receivables as of the dates indicated.

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	35,301	93,262	69,627	59,712
Provision for expected credit losses	–	–	(1,328)	(1,344)
	35,301	93,262	68,299	58,368

Trade receivables – net

We have applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. We consider the overall credit risk and days past due of our trade receivables to measure the expected credit losses. Our allowance for expected credit losses of trade receivables on a collective basis was nil, nil, RMB1.3 million and RMB1.3 million as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively. The expected loss rates are determined as follows:

June 30, 2018	**Amount**	**Expected credit loss rate**	**Impairment**
	RMB'000		*RMB'000*
Trade receivables aged:			
Within one year	43,995	1.40%	616
One to two years	15,717	4.63%	728
Total:	59,712		1,344

December 31, 2017	**Amount**	**Expected credit loss rate**	**Impairment**
	RMB'000		*RMB'000*
Trade receivables aged:			
Within one year	53,086	1.00%	531
One to two years	16,541	4.81%	797
Total:	69,627		1,328

December 31, 2016	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within one year	82,884	–	–
One to two years	10,378	–	–
Total:	93,262		–

December 31, 2015	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within one year	34,701	–	–
One to two years	600	–	–
Total:	35,301		–

Based on our past experience, we believe that no further provision for impairment is necessary in respect of these balances as there has been no significant change in credit quality and the balances are still considered fully recoverable.

We seek to maintain strict control over outstanding receivables and our senior management regularly review overdue balances to minimize credit risk. We do not hold any collateral or other credit enhancements over our trade receivables balances, and our trade receivables are non-interest bearing. We closely review the trade receivable balances and any overdue balances on an ongoing basis and assess the collectability of overdue balances.

We grant credit terms within 90 days to our distribution platforms and payment channels. During the Track Record Period, we had trade receivables that were aged by one to two years old. These receivable were mainly attributable to revenue in respect of our customers' spending collected through SMS services which were receivable from certain major mobile carriers and the related payment channel vendors which helped us to connect to the billing systems of the mobile carriers. It took longer time for us to receive such revenue from the payment channels in respect of SMS services as it had to go through more checking and settlement procedures within certain mobile carriers and the related payment channel vendors.

The following table sets forth an aging analysis of our gross trade receivables as at the dates indicated, based on the recognition date of gross trade receivables and net of provision:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	25,189	31,599	36,345	37,834
90 to 180 days	6,240	25,686	7,202	3,557
181 days to 1 year	3,272	25,599	9,539	2,604
1 to 2 years	600	10,378	15,213	14,373
Total	35,301	93,262	68,299	58,368

As at the Latest Practicable Date, RMB43.1 million, or 73.8% of our trade receivables outstanding as of June 30, 2018 had been settled. In respect of the trade receivable aged for one to two years as at June 30, 2018, 75.1% had been settled as at the Latest Practicable Date.

The following table sets forth the average turnover days of trade receivables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
Average trade receivables turnover days	56	70	64	43

Note: The calculation of average trade receivables turnover days is based on the average of the opening and closing balances of trade receivables for the relevant year/period, divided by revenue and multiplied by the number of days contained in that year/period.

Trade receivables turnover days indicates the average time required for us to collect cash payments from sales. Our average trade receivables turnover days were 56 days, 70 days, 64 days and 43 days for the three years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, respectively, which were within our credit terms granted to distribution platforms and payment channels. The decreasing trend of our average trade receivables turnover days was mainly due to the increased use of online payment channels by our players and such online payment channels (such as WeChat Pay and Alipay) usually settle our receivable faster than the SMS payment channels.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented wealth management products we purchased from sizable and reputable banks in the PRC in the form of short-term wealth management products from time to time which were generally described as having low risk in the product description manuals published by the issuing banks and had generally higher yields than time deposits that we would otherwise make with banks in the PRC. As at December 31, 2015, 2016, 2017 and June 30, 2018, we had financial assets at fair value through profit or loss of RMB25.7 million, RMB19.9 million, RMB149.9 million and RMB212.0 million, respectively.

We are subject to interests risk, default risk and market risk associated with the investment in securities and wealth management products. We have gradually formalised our capital and investment management policies to monitor and control the potential risks relating to these investment activities. In determining whether and in which product to invest, our management team will consider, on a case-by-case basis, and among other things, the level of risk, return on investment, liquidity and the term to maturity of the relevant securities and wealth management products. Our investment portfolio and policies are reviewed by our Directors and management team on a regular basis.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of our prepayments, deposits and other receivables by non-current portion and current portion as at the dates indicated:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion				
Deposits for distribution platforms	3,000	3,000	4,000	4,000
Current portion				
Deposits and prepayments for advertising and promotion	205	9	5,187	2,806
Rental deposits and other receivables	297	347	538	737
Other prepayments	272	462	1,538	1,864
	774	818	7,263	5,407

Deposits for distribution platforms

Deposits for distribution platforms mainly represented the long-term deposits paid to distribution platforms for contract performance. Our deposits for distribution platforms remained stable at RMB3.0 million and RMB3.0 million as at December 31, 2015 and 2016, respectively. Our deposits for distribution platforms increased by RMB1.0 million, or 33.3% from RMB3.0 million as at December 31, 2016 to RMB4.0 million as at December 31, 2017, primarily due to an additional deposit we placed to another distribution platform for our games during the year ended December 31, 2017. Our deposits for distribution platforms as at June 30, 2018 remained stable at RMB4.0 million.

Deposits and prepayments for advertising and promotion

Deposits and prepayments for advertising and promotion remained relatively comparable as at December 31, 2015 and 2016. Our deposits and prepayments for advertising and promotion increased by RMB5.2 million as at December 31, 2017, which was in line with the increase in our promotion and advertising expenses to maintain and expand our player base. Our deposits and prepayments for advertising and promotion decreased by RMB2.4 million, or 46.2% from RMB5.2 million as at December 31, 2017 to RMB2.8 million as at June 30, 2018, primarily due to the deposits we had previously placed being released as the advertisements and promotions were completed.

Rental deposits and other receivables

Rental and other deposits mainly included deposits for office lease.

Other prepayments

Other prepayments mainly represented prepayments for intellectual property service providers and server owners. The continuing increase in our other prepayments during the Track Record Period was generally in line with our business expansion.

Amounts due from a related party

Amounts due from a related party amounted to approximately RMB0.3 million, RMB1.0 million, RMB0.4 million and nil as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively. These balances primarily related to technical services we provided to our associate, Uniques Digital Company Limited, during the three years ended December 31, 2017. We had no outstanding amounts due from a related party as at June 30, 2018.

Trade payables

Our trade payables primarily represented service fees payable to distribution platforms, promotion and advertising and technical service providers, for which we were normally granted credit terms of up to 180 days.

As at December 31, 2015, 2016, 2017 and June 30, 2018, we had trade payables of RMB14.5 million, RMB27.1 million, RMB23.8 million and RMB20.5 million, respectively. Our trade payables increased by RMB12.6 million, or 86.9% from RMB14.5 million as at December 31, 2015 to RMB27.1 million as at December 31, 2016, which was generally in line with the increase in our operating expenses as a result of our business expansion. Our trade payables decreased by RMB3.3 million, or 12.2% from RMB27.1 million as at December 31, 2016 to RMB23.8 million as at December 31, 2017 and further decreased by RMB3.3 million, or 13.9% to RMB20.5 million as at June 30, 2018, which was primarily due to the shortened settlement cycle.

The following table sets forth an aging analysis of our trade payables, based on the invoice date, as at the dates indicated:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	12,516	12,487	11,764	9,496
3 to 6 months	1,866	9,366	6,357	7,286
6 month to 1 year	101	5,058	4,807	2,064
1 year to 2 years	–	169	888	1,686
Total	14,483	27,080	23,816	20,532

The following table sets forth the average trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
Average trade payables turnover days	31	29	31	24

Note: The calculation of average turnover days is based on the average of the opening and closing balances of trade payables for the relevant year or period, divided by cost of sales for the year or period and multiplied by the number of days contained in that year or period.

Average trade payables turnover days indicates the average time we take to make cash payments to distribution platforms, promotion and advertising and technical service providers. Our average trade payables turnover days were 31 days, 29 days, 31 days and 24 days for the three years ended December 31, 2017 and the six months ended June 30, 2018, respectively, which was in line with credit terms granted to us.

As at the Latest Practicable Date, RMB14.6 million, or 71.2% of our trade payables outstanding as of June 30, 2018 had been settled.

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated:

	As at December 31,			As at June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary and welfare payables	4,369	6,773	13,686	12,768
Other tax payables	1,148	6,477	4,353	2,227
Others	162	406	102	314
Total	5,679	13,656	18,141	15,309

Other payables and accruals mainly consisted of salary and welfare payables, other tax payables and others. Salary and welfare payables mainly comprised salaries, wages and benefits payables to our staff. Other tax payables mainly represented value added tax, value added tax surcharge and individual income tax. Others mainly consisted of payables for rent and rates, utilities and other expenses.

Our other payables and accruals increased by RMB8.0 million, or 140.4% from RMB5.7 million as at December 31, 2015 to RMB13.7 million as at December 31, 2016, primarily due to an increase in other tax payables of RMB5.3 million as a result of the increase in revenue for the year. Our other payables and accruals increased by RMB4.4 million, or 32.1% from RMB13.7 million as at December 31, 2016 to RMB18.1 million as at December 31, 2017, which was primarily due to an increase in salary and welfare payables of RMB6.9 million, which was in line with the increase in our staff costs. The effect was partially offset by a decrease in other tax payables of RMB2.1 million, which was mainly attributable to a decrease in value added tax payable as at December 31, 2017. Our other payables and accruals decreased by RMB2.8 million, or 15.5%, from RMB18.1 million as at December 31, 2017 to RMB15.3 million as at June 30, 2018, which was primarily due to a decrease in value added tax payables as at June 30, 2018.

Contract liabilities/costs

Contract liabilities primarily consisted of the proceeds from sales of in-game virtual items. Upon the sales of virtual items, we typically have an implied obligation to provide the service to the paying players which enables the virtual items to be consumed and displayed in the respective games. As a result, the proceeds received from the sales of virtual items are initially included as contract liabilities on the combined statement of financial position and are then amortised (as recognition of revenue) when the services have been rendered. During the Track Record Period, we estimated such service period based on the average playing period of the paying players. As at December 31, 2015, 2016, 2017 and June 30, 2018, we had contract liabilities of RMB10.8 million, RMB30.0 million, RMB42.3 million and RMB36.8 million, respectively.

Our contract liabilities increased by RMB19.2 million, or 177.8% from RMB10.8 million as at December 31, 2015 to RMB30.0 million as at December 31, 2016 and further increased by RMB12.3 million, or 41.0% to RMB42.3 million as at December 31, 2017, primarily due to increases in our revenue in 2016 and 2017. Our contract liabilities decreased by RMB5.5 million, or 13.0% from RMB42.3 million as at December 31, 2017 to RMB36.8 million as at June 30, 2018, primarily because our gross spending by the players in the second quarter of 2018 was lower as compared to that in the fourth quarter of 2017.

Contract costs primarily consisted of capitalised payment channel costs and distribution platform costs. Contract costs are amortized (as cost of sales) when the related revenue are recognised. As at December 31, 2015, 2016, 2017 and June 30, 2018, we had contract costs of RMB8.4 million, RMB21.8 million, RMB26.3 million and RMB23.8 million, respectively. The movement of our contract costs was in line with the movement of our contract liabilities during the Track Record Period.

As at August 31, 2018, all of our contract liabilities as of June 30, 2018, were subsequently amortized as our revenue for the two months ended August 31, 2018. As at the same date, all of our contract costs as at June 30, 2018, were subsequently amortized as our cost of sales for the two months ended August 31, 2018.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Interest-bearing bank borrowings

As at December 31, 2015, 2016, 2017 and June 30, 2018 and August 31, 2018, our interest-bearing bank borrowings consisted of bank loans. The following table sets forth our bank loans as of the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Bank loans	–	8,000	7,600	17,600	18,000

All amounts set out above were repayable within one year of the dates indicated.

The following table sets forth the effective interest rates for our interest-bearing bank borrowings as at the dates indicated:

	As at December 31,			As at June 30,	As at August 31,
	2015	2016	2017	2018	2018
	%	%	%	%	%
					(Unaudited)
Bank loans	–	5.22	5.22	4.35-4.92	4.35-4.92

All of our bank loans were denominated in Renminbi. As at December 31, 2016 and 2017, our bank loans were guaranteed by Shenzhen Laiwan and our equity investment in Zhidu Technology held by Shenzhen Laiwan was pledged as collateral. As at June 30 and August 31, 2018, our bank loans were unsecured and guaranteed by (i) personal guarantees provided by Mr. Ye and Mr. Yang; and (ii) Shenzhen Laiwan. All the guarantees will be fully released upon [**REDACTED**].

As at August 31, 2018, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to RMB18.0 million, which consisted of unsecured and guaranteed bank loans. We had an unutilised banking facilities of RMB27.0 million. There are no material covenants relating to these outstanding indebtedness. Our Directors have confirmed that there has been no material change in our indebtedness since June 30, 2018 up to the Latest Practicable Date.

Save as disclosed above and apart from intra-group liabilities, as at August 31, 2018, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

We have no present intention or plan to raise material external debt financing. During the Track Record Period and up to the Latest Practicable Date, to the best of our Directors' knowledge, our Directors confirm that we are not aware of any material defaults in the payment of trade and non-trade payables or bank borrowings or any defaults in material financial covenants.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms that were fair and reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, see note 32 to the Accountants' Report in Appendix I to this document.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

Our capital expenditures principally consisted of additions property and equipment for our operations. For the three years ended December 31, 2017 and the six months ended June 30, 2018, we incurred capital expenditures of RMB0.1 million, RMB1.1 million, RMB0.8 million and RMB1.8 million, respectively, which primarily represented additions of electronic devices and motor vehicles for daily operations. Since July 1, 2018 and up to the Latest Practicable Date, we did not have any material capital expenditures. We financed our capital expenditures primarily through cash generated from our operating activities.

We expect to fund our capital expenditures principally through the [**REDACTED**] we receive from the [**REDACTED**] and our internal resources. We believe that these sources of funding will be sufficient to finance our capital expenditure needs for the next 12 months from the date of this document.

Operating lease arrangements

As lessee

As at December 31, 2015, 2016, 2017 and June 30, 2018, our Group had commitments for future minimum lease payments in respect of certain of our offices under operating lease arrangements, with leases negotiated from one to four years, we had total future minimum lease payments under non-cancellable operating lease arrangements which fall due as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	961	1,181	2,152	1,989
In the second to fifth years, inclusive	–	2,224	2,164	175
	961	3,405	4,316	2,164

Capital commitments

As at December 31, 2015, 2016, 2017 and June 30, 2018, we did not have any capital commitment.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates indicated:

	As at/for the year ended December 31,			As at/ for the six months ended June 30,
	2015	2016	2017	2018
Profitability ratios				
Return on equity[(1)] (%)	39.3	26.2	29.9	36.3
Return on total assets[(2)] (%)	25.7	15.8	20.3	26.4
Liquidity ratios				
Current ratio[(3)] (times)	2.4	1.9	2.8	3.4
Capital adequacy ratios				
Gearing ratio[(4)] (%)	N/A	5.2	3.4	6.2
Debt to equity ratio[(5)] (%)	N/A	N/A	N/A	1.5
Interest coverage ratio[(6)] (times)	N/A	2,126.9	90.9	439.6

Notes:

(1) For the three years ended December 31, 2017, return on equity is calculated by dividing profit for the year by the equity attributable to owners of the parent as at the respective year-end date. For the six months ended June 30, 2018, return on equity is calculated by dividing profit for the period by the equity attributable to owners of the parent as at the respective period-end date, multiplying 365/181.

(2) For the three years ended December 31, 2017, return on total assets is calculated by dividing profit for the year by the total assets as at the respective year-end date. For the six months ended June 30, 2018, return on total assets is calculated by dividing profit for the period by the total assets as at the respective period-end date, multiplying 365/181.

(3) Current ratio is calculated by dividing current assets by current liabilities as at the year/period-end date.

(4) Gearing ratio is calculated by dividing total debt (being interest-bearing bank borrowings) by total equity as at the respective year/period-end date.

(5) Debt to equity ratio is calculated by dividing net debts (being interest-bearing bank borrowings less cash and cash equivalents) by total equity as at the respective year/period-end date.

(6) Interest coverage ratio is calculated by dividing profit before finance costs and tax by finance costs.

Return on equity

Our return on equity was 39.3%, 26.2%, 29.9% and 36.3% for the three years ended December 31, 2017 and the six months ended June 30, 2018, respectively. The decrease in our return on equity for the year ended December 31, 2016 was primarily due to an increase in our equity attributable to owners of the parent, which was mainly driven by contributions from (i) an increase in fair value reserve of financial assets at FVOCI resulting from an increase in fair value of equity instruments designated at FVOCI; and (ii) an increase in our profit for the year. The increase in our return on equity for the year ended December 31, 2017 and the six months ended June 30, 2018 was primarily due to an increase in profit for the respective year/period.

Return on total assets

Our return on total assets was 25.7%, 15.8%, 20.3% and 26.4% for the three years ended December 31, 2017 and the six months ended June 30, 2018, respectively. The fluctuation of our return on total assets for the three years ended December 31, 2017 and the six months ended June 30, 2018 was generally in line with that of our return on equity for the same periods.

Current ratio

Our current ratio was 2.4, 1.9, 2.8 and 3.4 as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively. The decrease in current ratio as at December 31, 2016 was primarily due to increases in trade payables, contract liability and interest-bearing bank borrowings. The increase in current ratio as at December 31, 2017 was primarily due to an increase in financial assets at fair value through profit or loss. The effect was partially offset by a decrease in trade receivables. The increase in current ratio as at June 30, 2018 was primarily due to an increase in financial assets at fair value through profit or loss.

Gearing ratio

We maintained no debts as at December 31, 2015.

Our gearing ratio was 5.2%, 3.4% and 6.2% as at December 31, 2016, 2017 and June 30, 2018. The increase in our gearing ratio as at December 31, 2016 was primarily due to new bank loans of RMB8.0 million. The decrease in gearing ratio as at December 31, 2017 was primarily due to an increase in equity resulting from an increase in profit for the year. The increase in gearing ratio as at June 30, 2018 was primarily due to new bank loans of RMB17.6 million during the six months ended June 30, 2018. The effect was offset by repayment of bank loans of RMB7.6 million during the same period.

Debt to equity ratio

We had net cash as at December 31, 2015, 2016 and 2017.

Our debt to equity ratio as at June 30, 2018 was 1.5% was primarily due to an increase in total net debt, which was driven by increase in interest-bearing bank borrowings.

Interest coverage ratio

We did not incur any finance costs for the year ended December 31, 2015.

Our interest coverage ratio was 2,126.9 times, 90.9 times and 439.6 times for the two years ended December 31, 2016, 2017 and June 30, 2018, respectively. The increase in interest coverage ratio for 2016 was primarily due to the incurrence of finance costs as a result of the increase in interest-bearing bank borrowings. The decrease in interest coverage ratio for 2017 was primarily due to an increase in finance costs incurred during the year as a result of the full effect of interests paid for the interest-bearing bank borrowings raised in 2016. The increase in our interest coverage ratio for the six months ended June 30, 2018 was primarily due to a decrease in finance costs incurred during the period as a result of the repayment of interest-bearing bank borrowings raised in 2016 during the period and we only raised new bank loans in the second quarter of 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for operating lease commitments, during the Track Record Period and up to the Latest Practicable Date, we had no other material off-balance sheet arrangements or transactions.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks, including credit risk and liquidity risk. We monitor and manage such financial risks through internal risk reports which analyze exposure by degree and magnitude of risk. Please also see note 35 to the Accountants' Report in Appendix I to this document for further details regarding our financial risks.

Credit risk

The credit risk of our other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since we trade mainly with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty.

We had certain concentrations of credit risks as our five largest distribution platforms and/or payment channels accounted for approximately 63.4%, 56.7%, 53.7% and 53.1% of our total trade receivables as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

We have applied the simplified approach to providing impairment for expected credit losses ("ECLs") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Our management considers that the expected credit loss rate for our trade receivables and contract assets minimal as at December 31, 2015, 2016, 2017 and June 30, 2018.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources to meet our financial obligations.

Based on the contractual undiscounted payments, our financial liabilities amounted to RMB19.0 million, RMB42.6 million, RMB45.2 million and RMB51.9 million as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

As at December 31, 2015, we had financial liabilities of RMB19.0 million, which were payable on demand or within three months, comprised of (i) trade payables of RMB14.5 million; and (ii) financial instruments included in other payables and accruals of RMB4.5 million.

As at December 31, 2016, we had financial liabilities of RMB42.6 million, which were payable on demand or within one year, comprised of (i) trade payables of RMB27.1 million; (ii) financial instruments included in other payables and accruals of RMB7.2 million; and (iii) interest-bearing bank borrowings of RMB8.4 million.

As at December 31, 2017, we had financial liabilities of RMB45.2 million, which were payable on demand or within three months, comprised of (i) trade payables of RMB23.8 million; (ii) financial instruments included in other payables and accruals of RMB13.8 million; and (iii) interest-bearing bank borrowings of RMB7.6 million.

As at June 30, 2018, we had financial liabilities of RMB51.9 million, which were payable on demand or within one year, comprised of (i) trade payables of RMB20.5 million; (ii) financial instruments included in other payables and accruals of RMB13.1 million; and (iii) interest-bearing bank borrowings of RMB18.3 million.

DIVIDENDS

We are a holding company incorporated in the Cayman Islands. The payment and amount of our future dividends will depend on the availability of dividends received from our subsidiaries. Distributions from us and our subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements or other agreements that we or they may enter into in the future. In addition, PRC laws and regulations require that dividends of a PRC enterprise be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws and regulations also require a PRC enterprise to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends.

The amounts of dividends actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders. Our Company does not have a fixed dividend policy. Our Board has the absolute discretion to recommend any dividends.

During the two years ended December 31, 2016 and 2017, Zen-Game Shenzhen declared and paid dividends of RMB16.0 million and RMB20.0 million, respectively to its then shareholders. Subsequent to the Track Record Period, Zen-Game Shenzhen declared a dividend of RMB78.0 million in September 2018 which had been fully settled as at the Latest Practicable Date. Other than the foregoing, we did not pay or declare to our then Shareholders during the Track Record Period. We will continue to re-evaluate the payment and amount of our future dividends in light of our financial conditions and the prevailing economic climate. However, there can be no assurance that dividends of any amount will be declared or distributed in any year/period.

DISTRIBUTABLE RESERVES

Our Company was incorporated on August 28, 2018 and is an investment holding company. As at June 30, 2018, we did not have any distributable reserves.

[**REDACTED**]

Our [**REDACTED**] primarily consist of [**REDACTED**] commissions and professional fees paid to the reporting accountants, legal advisers and other professional advisers for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The total estimated [**REDACTED**] expenses (based on the mid-point of our indicative price range of HK$[**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, including [**REDACTED**] and excluding any discretionary incentive fee which may be payable by us) in relation to the [**REDACTED**] are approximately HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million), of which HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million) is directly attributable to the [**REDACTED**] and is expected to be capitalized after the [**REDACTED**]. The remaining amount of HK$[**REDACTED**] million (equivalent to RMB[**REDACTED**] million) is expected to be charged to our Company's combined statements of profit or loss and is expected to be incurred in the four months ending December 31, 2018. During the Track Record Period, we did not incur any [**REDACTED**].

EFFECT ON OUR FINANCIAL PERFORMANCE DUE TO [REDACTED]

Our profit for the year for the year ending December 31, 2018 will have a considerable reduction due to the incurrence of [**REDACTED**] in 2018. Our financial performance for the year ending December 31, 2018 will be affected by such expenses as compared with our financial performance for the year ended December 31, 2017.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Zen-Game Shenzhen declared dividends of RMB78.0 million in September 2018 which had been fully settled as at the Latest Practicable Date.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on our combined net tangible assets as of June 30, 2018 as if it had taken place on June 30, 2018.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of June 30, 2018 or any future date. It is prepared based on our combined net tangible assets as of June 30, 2018 as set out in the Accountants' Report as set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this document.

	Combined net tangible assets attributable to owners of the Company as of June 30, 2018	Estimated net [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets	Unaudited pro forma adjusted combined net tangible assets per Share	
	RMB'000 (*Note 1*)	*RMB'000* (*Note 2*)	*RMB'000*	*RMB* (*Note 3*)	*HK$* (*Note 4*)
Based on an [**REDACTED**] of HK$[**REDACTED**] per share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The combined net tangible assets attributable to owners of the Company as of June 30, 2018 is extracted from the Accountants' Report, which is based on the audited combined equity attributable to owners of the Company as of June 30, 2018 of approximately RMB281.7 million less deferred tax assets as of June 30, 2018 of approximately RMB0.1 million.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] per Share or HK$[**REDACTED**] per Share, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and does not take into account any Share which may be issued upon the exercise of the [**REDACTED**]. The estimated net [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.88.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and does not take into account of any Share which may be issued upon the exercise of the [**REDACTED**].

(4) The unaudited pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.88.

NO MATERIAL ADVERSE CHANGE

Investors should be aware of the impact of the [**REDACTED**] expenses on the financial performance of our Group for the year ending December 31, 2018. Save as disclosed above, our Directors confirm that, up to the date of this document, there had been no material adverse change in the financial or trading positions or document of our Group since June 30, 2018 (being the date of which our Group's latest audited financial information was made up as set out in the Accountants' Report in Appendix I to this document) and there has been no event since June 30, 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate that the net [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] fees and expenses payable by us in connection with the [**REDACTED**], will be in the amounts set out below:

- approximately HK$[**REDACTED**] million, if the [**REDACTED**] is not exercised, or approximately HK$[**REDACTED**] million, if the [**REDACTED**] is exercised in full, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low-end of the proposed [**REDACTED**] range;

- approximately HK$[**REDACTED**] million, if the [**REDACTED**] is not exercised, or approximately HK$[**REDACTED**] million, if the [**REDACTED**] is exercised in full, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the proposed [**REDACTED**] range; or

- approximately HK$[**REDACTED**] million, if the [**REDACTED**] is not exercised, or approximately HK$[**REDACTED**] million, if the [**REDACTED**] is exercised in full, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the high-end of the proposed [**REDACTED**] range.

We intend to use the net [**REDACTED**] from [**REDACTED**] for the purposes and in the amounts set out below, assuming the [**REDACTED**] is not exercised and assuming the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share (being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share):

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, will be used to strengthen our research and development capabilities. In particular, we intend to allocate:

  - approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, to be used for optimizing and upgrading our existing games and developing new versions of our existing games. When the new game publication number approval process of the PRC government resumes, we will also allocate resources to develop new games as and when appropriate. We plan to employ up to 100 employees specialized in product planning, artistic designing and research and development from 2019 to 2021. The average annual salary of such employees will be approximately RMB400,000. For the same period, we also plan to recruit about five senior product directors with an average annual salary of approximately RMB1.0 million; and

  - approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, to be used to upgrade the technical infrastructure of our platform. From 2019 to 2021, we plan to recruit and establish a platform research and development team of 20 to 30 personnel with an average annual salary of approximately RMB500,000. We also plan to purchase and rent more servers over the next three years to meet the increasing demand of our growing player base, as a result of the continued development of our platform.

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, will be used to fund promotional and marketing activities. Over the next three years, we plan to engage more advertising platforms and organize various sales and marketing events to promote our games, platform and brand. We also plan to recruit 30 to 50 sales and marketing staff, with average annual salaries of approximately RMB150,000 for general staff and approximately RMB1.0 million for senior directors;

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, will be used to acquire other mobile card and board and casual game developers and companies whose business as supplement ours. We will also consider game developers who have obtained game publication numbers for games with good potential but who lack the necessary resources or experience to operate mobile games as potential acquisition or cooperation targets. We plan to acquire five to eight such companies from 2019 to 2021 with an estimated average investment amount in the range of RMB3.0 million to RMB10.0 million. Apart from acquisition and subject to commercial realities, we may also consider other forms of partnership or cooperation with game or other entertainment companies. As of the Latest Practicable Date, we had not identified any specific targets;

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, will be used to fund our expansion to overseas markets. We plan to establish overseas offices and we also plan to establish an overseas sales and marketing team, primarily targeting candidates with experience in game operation and localization in markets into which we are looking to expand. We mainly target overseas markets in Asia (such as Hong Kong and Taiwan) and North America; and

- approximately [**REDACTED**]% of our total estimated net [**REDACTED**], or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

In the event that the [**REDACTED**] is fixed below or above the mid-point of the indicative price range, the net [**REDACTED**] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [**REDACTED**] received from the exercise of the [**REDACTED**] will be allocated to the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the net [**REDACTED**] to short-term demand deposits and/or money market instruments.

In the event of any material change in our use of net [**REDACTED**] of the [**REDACTED**] from the purposes described above or in our allocation of the net [**REDACTED**] among the purposes described above, we will issue a formal announcement.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

[**REDACTED**]

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower,
1 Tim Mei Avenue,
Central,
Hong Kong

The Directors
Zengame Technology Holding Limited

Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of Zengame Technology Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●], which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2015, 2016, and 2017 and 30 June 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [DATE] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and statements of cash flows of the Group for six months ended 30 June 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the

Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE [REDACTED] OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Certified Public Accountants
Hong Kong
[DATE]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Six months ended 30 June	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	*5*	129,833	337,953	459,724	223,993	267,826
Cost of sales		(93,249)	(264,903)	(301,792)	(158,012)	(166,487)
Gross profit		36,584	73,050	157,932	65,981	101,339
Other income and gains	*5*	7,918	2,148	4,518	884	4,588
Selling and distribution expenses		(3,226)	(10,002)	(39,247)	(12,194)	(25,576)
Administrative expenses		(8,589)	(9,610)	(16,698)	(6,012)	(10,470)
Research and development costs		(7,624)	(13,562)	(23,649)	(7,216)	(13,208)
Other expenses		(73)	(879)	(6,566)	(851)	(398)
Finance costs	*7*	–	(19)	(824)	(433)	(128)
Share of profits and losses of:						
a joint venture		–	(243)	(515)	(461)	–
an associate		(9)	(490)	(888)	(452)	–
PROFIT BEFORE TAX	*6*	24,981	40,393	74,063	39,246	56,147
Income tax credit/(expense)	*10*	41	18	(7,667)	(3,877)	(5,386)
PROFIT FOR THE YEAR/PERIOD		25,022	40,411	66,396	35,369	50,761

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
PROFIT FOR THE YEAR/PERIOD		25,022	40,411	66,396	35,369	50,761
OTHER COMPREHENSIVE INCOME						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		48	132	(177)	(116)	4
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		48	132	(177)	(116)	4
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):						
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVOCI")	*16*	20,870	61,569	(32,025)	(18,113)	5,318
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		20,918	61,701	(32,202)	(18,229)	5,322
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		45,940	102,112	34,194	17,140	56,083
Attributable to:						
Owners of the parent		45,946	102,112	34,194	17,140	56,083
Non-controlling interest		(6)	–	–	–	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property and equipment	*13*	231	1,032	1,345	2,804
Investments in an associate	*14*	828	1,268	–	–
Investments in a joint venture	*15*	–	557	–	–
Equity instruments designated at FVOCI	*16*	20,255	103,347	60,646	67,737
Long-term prepayments, deposits and other receivables	*20*	3,000	3,000	4,000	4,000
Deferred tax asset	*26*	–	178	82	71
Total non-current assets		24,314	109,382	66,073	74,612
CURRENT ASSETS					
Trade receivables	*17*	35,301	93,262	68,299	58,368
Contract costs	*18*	8,357	21,830	26,326	23,762
Financial assets at fair value through profit or loss	*19*	25,735	19,896	149,878	212,037
Prepayments, deposits and other receivables	*20*	774	818	7,263	5,407
Amounts due from a related party	*32*	269	1,022	403	–
Cash and cash equivalents	*21*	2,490	10,060	9,342	13,333
Total current assets		72,926	146,888	261,511	312,907
CURRENT LIABILITIES					
Trade payables	*22*	14,483	27,080	23,816	20,532
Contract liability	*23*	10,807	29,954	42,278	36,774
Other payables and accruals	*24*	5,679	13,656	18,141	15,309
Interest-bearing bank borrowings	*25*	–	8,000	7,600	17,600
Tax payable		–	–	1,484	1,971
Total current liabilities		30,969	78,690	93,319	92,186
NET CURRENT ASSETS		41,957	68,198	168,192	220,721
TOTAL ASSETS LESS CURRENT LIABILITIES		66,271	177,580	234,265	295,333
NON-CURRENT LIABILITIES					
Deferred tax liabilities	*26*	2,556	23,240	11,857	13,631
Total non-current liabilities		2,556	23,240	11,857	13,631
Net assets		63,715	154,340	222,408	281,702
EQUITY					
Equity attributable to owners of the parent					
Issued capital	*27*	–	–	–	–
Reserves	*28/29*	63,715	154,340	222,408	281,702
Total equity		63,715	154,340	222,408	281,702

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent								
	Notes	Issued capital	Capital reserve	Statutory surplus reserves	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Non-controlling interests	Total
		RMB'000 (Note 27)	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015		–	11,587	–	–	–	(5)	(6,694)	(526)	4,362
Profit for the year		–	–	–	–	–	–	25,016	6	25,022
Other comprehensive income for the year:										
Change in fair value of equity instruments designated at FVOCI		–	–	–	–	20,870	–	–	–	20,870
Exchange differences on translation of foreign operations		–	–	–	–	–	48	–	–	48
Total comprehensive income for the year		–	–	–	–	20,870	48	25,016	6	45,940
Acquisition of a subsidiary under common control *(Note 29)*		–	(1,587)	–	–	–	–	–	–	(1,587)
Acquisition of non-controlling interests *(Note 29)*		–	–	–	–	–	–	(520)	520	–
Capital injection from shareholders		–	15,000	–	–	–	–	–	–	15,000
Transfer of fair value reserve of equity instruments designated at FVOCI		–	–	–	–	(13,079)	–	13,079	–	–
Capital injection from retained profits		–	26,200	–	–	–	–	(26,200)	–	–
Transfer to statutory surplus reserve		–	–	2,676	–	–	–	(2,676)	–	–
At 31 December 2015 and 1 January 2016		–	51,200*	2,676*	–*	7,791*	43*	2,005*	–	63,715
Profit for the year		–	–	–	–	–	–	40,411	–	40,411
Other comprehensive income for the year:										
Change in fair value of equity instruments designated at FVOCI		–	–	–	–	61,569	–	–	–	61,569
Exchange differences on translation of foreign operations		–	–	–	–	–	132	–	–	132
Total comprehensive income for the year		–	–	–	–	61,569	132	40,411	–	102,112
Transfer to statutory surplus reserve		–	–	4,256	–	–	–	(4,256)	–	–
Transfer of fair value reserve of equity instruments designated at FVOCI *(Note 16)*		–	–	–	–	(22,693)	–	22,693	–	–
Equity-settled share-based payment	*28*	–	–	–	4,513	–	–	–	–	4,513
Dividend paid to the then shareholders	*11*	–	–	–	–	–	–	(16,000)	–	(16,000)
At 31 December 2016 and 1 January 2017		–	51,200*	6,932*	4,513*	46,667*	175*	44,853*	–	153,340

		Attributable to owners of the parent								
	Notes	Issued capital	Capital reserve	Statutory surplus reserves	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	(Accumulated losses)/ retained profits	Non-controlling interests	Total
		RMB'000 (Note 27)	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year		–	–	–	–	–	–	66,396	–	66,396
Other comprehensive income for the year:										
Change in fair value of equity instruments designated at FVOCI		–	–	–	–	(32,025)	–	–	–	(32,025)
Exchange differences on translation of foreign operations		–	–	–	–	–	(177)	–	–	(177)
Total comprehensive income for the year		–	–	–	–	(32,025)	(177)	66,396	–	34,194
Capital injection from shareholders		–	48,000	–	–	–	–	–	–	48,000
Dividend paid to the then shareholders	*11*	–	–	–	–	–	–	(20,000)	–	(20,000)
Transfer to statutory surplus reserve		–	–	7,499	–	–	–	(7,499)	–	–
Equity-settled share-based payment	*28*	–	–	–	5,874	–	–	–	–	5,874
At 31 December 2017 and 1 January 2018		–	99,200*	14,431*	10,387*	14,642*	(2)*	83,750*	–	222,408

		Attributable to owners of the parent							
	Notes	Issued capital	Capital reserve	Statutory surplus reserves	Share-based payment reserve	Fair value reserve of financial assets at FVOCI	Exchange fluctuation reserve	Retained profits	Total
		RMB'000 (Note 27)	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*
At 31 December 2017 and 1 January 2018		–	99,200	14,431	10,387	14,642	(2)	83,750	222,408
Profit for the year		–	–	–	–	–	–	50,761	50,761
Other comprehensive income for the year:									
Change in fair value of equity instruments designated at FVOCI		–	–	–	–	5,318	–	–	5,318
Exchange differences on translation of foreign operations		–	–	–	–	–	4	–	4
Total comprehensive income for the year		–	–	–	–	5,318	4	50,761	56,083
Transfer to statutory surplus reserve		–	–	5,234	–	–	–	(5,234)	–
Equity-settled share-based payment	*28*	–	–	–	3,211	–	–	–	3,211
At 30 June 2018		–	99,200*	19,665*	13,598*	19,960*	2*	129,277	281,702

		Attributable to owners of the parent							
	Notes	**Issued capital**	**Capital reserve**	**Statutory surplus reserves**	**Share-based payment reserve**	**Fair value reserve of financial assets at FVOCI**	**Exchange fluctuation reserve**	**Retained profits**	**Total**
		RMB'000 (Note 27)	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000 (Note 28)*	*RMB'000 (Note 29)*	*RMB'000 (Note 29)*	*RMB'000*	*RMB'000*
As at 1 January 2017		–	51,200	6,932	4,513	46,667	175	44,853	154,340
Profit for the period (unaudited)		–	–	–	–	–	–	35,369	35,369
Other comprehensive income for the period:									
Change in fair value of equity instruments designated at FVOCI (unaudited)		–	–	–	–	(18,113)	–	–	(18,113)
Exchange differences on translation of foreign operations (unaudited)		–	–	–	–	–	(116)	–	(116)
Total comprehensive income for the period (unaudited)		–	–	–	–	(18,113)	(116)	35,369	17,140
Dividend paid to the then shareholders (unaudited)		–	–	–	–	–	–	(20,000)	(20,000)
Transfer to statutory surplus reserve		–	–	3,424	–	–	–	(3,424)	–
Equity-settled share-based payment (unaudited)	*28*	–	–	–	2,937	–	–	–	2,937
At 30 June 2017 (unaudited)		–	51,200	10,356	7,450	28,554	59	56,798	154,417

* These reserve accounts comprise the combined reserves of RMB63,715,000, RMB154,340,000, RMB222,408,000, and RMB281,702,000 in the combined statements of financial position as at 31 December 2015, 2016, and 2017 and 30 June 2018.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:		24,981	40,393	74,063	39,246	56,147
Adjustments for:						
Finance costs	*7*	–	19	824	433	128
Dividend income	*5*	(7,266)	–	–	–	–
Interest income	*5*	(26)	(23)	(92)	(46)	(45)
Fair value gains on financial assets at fair value through profit and loss	*5*	(300)	(513)	(2,774)	(449)	(3,746)
Share of profits and losses of a joint venture and an associate		9	733	1,403	913	–
Loss on disposal of investment in a joint venture		–	–	612	–	–
Depreciation of property and equipment	*6*	124	306	518	205	383
Equity-settled share-based payment expenses	*6*	–	4,513	5,874	2,937	3,211
Impairment of trade receivables	*6*	–	–	1,328	–	16
Impairment of amounts due from a related party	*6*	–	–	2,900	–	–
Impairment of an investment in an associate	*6*	–	–	338	–	–
		17,522	45,428	84,994	43,239	56,094
(Increase)/decrease in trade receivables		(30,538)	(57,961)	23,635	(17,103)	9,915
(Increase)/decrease in contract costs		(6,807)	(13,473)	(4,496)	(1,329)	2,564
Decrease/(increase) in prepayments, deposits and other receivables		1,112	(44)	(6,445)	(12,789)	1,856
Decrease/(increase) in long-term prepayments, deposits and other receivables		(3,000)	–	(1,000)	3,000	–
Decrease/(increase) in amounts due from a related party		(269)	(753)	(2,281)	1,022	403
Increase/(decrease) in trade payables		13,124	12,597	(3,264)	4,352	(3,284)
Increase/(decrease) in contract liability		8,403	19,147	12,324	6,427	(5,504)
(Decrease)/increase in other payables and accruals		(1,496)	7,977	4,485	(264)	(2,832)
Cash generated from operations		(1,949)	12,918	107,952	26,555	59,212
Income tax paid		–	–	(6,793)	(182)	(4,887)
Net cash flows from/(used in) operating activities		(1,949)	12,918	101,159	26,373	54,325

	Notes	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES						
Dividend income		7,266	–	–	–	–
Interest received		26	23	92	46	45
Fair value gains or losses on financial assets at fair value through profit and loss ("FVPL")		300	513	2,774	449	3,746
Purchases of items of property, plant and equipment	*13*	(145)	(1,106)	(833)	(275)	(1,842)
Proceeds from disposal of investment in a joint venture		–	(2)	230	–	–
Acquisition of subsidiaries under common control		(1,587)	–	–	–	–
Purchases of investments in an associate	*14*	(838)	(929)	–	–	–
Purchases of investments in a joint venture	*15*	–	(800)	(800)	–	–
Purchases of equity instruments designated at FVOCI	*34*	(9,867)	(1,000)	–	–	–
Disposal of equity instruments designated at FVOCI	*34*	14,531	–	–	–	–
(Increase)/decrease in financial assets at fair value through profit or loss		(22,135)	5,839	(129,982)	(2,116)	(62,159)
Net cash flows from/(used in) investing activities		(12,449)	2,538	(128,519)	(1,896)	(60,210)
CASH FLOWS USED IN FINANCING ACTIVITIES						
New bank loans	*30*	–	8,000	15,737	15,737	17,600
Repayment of bank loans	*30*	–	–	(16,137)	(7,897)	(7,600)
Interest paid	*30*	–	(19)	(824)	(433)	(128)
Dividends paid	*30*	–	(16,000)	(20,000)	(20,000)	–
Capital contribution by the then shareholders		15,000	–	48,000	–	–
Net cash flows from/(used in) financing activities		15,000	(8,019)	26,776	(12,593)	9,872
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		602	7,437	(584)	11,884	3,987
Cash and cash equivalents at beginning of year/period		1,837	2,490	10,060	10,060	9,342
Effect of foreign exchange rate changes, net		51	133	(134)	(886)	4
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		2,490	10,060	9,342	21,058	13,333
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*21*	2,490	10,060	9,342	21,058	13,333
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	*21*	2,490	10,060	9,342	21,058	13,333

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands on 28 August 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered address of the office of the Company is located at P.O. Box 2075, #31 The Strand, 46 Canal Point Drive Grand Cayman, KY1-1105, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries are principally engaged in developing and operating of mobile games in the People's Republic of China (hereafter, the "PRC") and investment business in the PRC (hereafter, the "[**REDACTED**]"). There has been no significant change in the Group's principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies or have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which are set out below:

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zen Interactive Limited *(Note (a))*	31 August 2018 British Virgin Islands	USD50,000	100	–	Investment holding
Zengame Interactive Limited *(Note (a))*	13 September 2018 Hong Kong	HK$10	100	–	Investment holding
Shenzhen Tiantianlaiwan Technology Co.,Ltd (深圳市天天來玩科技有限公司) (hereafter, the "Tiantianlaiwan") *(Note (a))*	29 September 2018 Mainland China	RMB50,000,000	100	–	Provision of technical service
Shenzhen Zen Game Technology Company Limited (深圳市禪遊科技股份有限公司) (hereafter, the "Zen Game") *(Notes (b)(c))*	20 July 2010 Mainland China	RMB54,000,000	–	100	Developing and operating of mobile games
Shenzhen Laiwan Technology Company Limited (深圳市來玩科技有限公司) (hereafter, the "Shenzhen Laiwan") *(Notes (a)(b))*	15 September 2014 Mainland China	RMB50,000,000	–	100	Developing and operating of mobile games
Shenzhen Zen-Game Interactive Entertainment Company Limited (深圳市禪遊互動娛樂有限公司) (hereafter, the "Chanyou Huyu") *(Notes (a)(b))*	30 November 2011 Mainland China	RMB3,800,000	–	100	Developing and operating of mobile games
Shenzhen Leqi Technology Company Limited (深圳市樂其科技有限公司) (hereafter, the "Shenzhen Leqi") *(Notes (a)(b))*	29 June 2015 Mainland China	RMB500,000	–	100	Developing and operating of mobile games

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen Leduo Interactive Technology Company Limited (深圳市樂多互動科技有限公司) (hereafter, the "Shenzhen Leduo") *(Notes (a)(b))*	4 June 2015 Mainland China	RMB500,000	–	100	Developing and operating of mobile games
Shanghai Zen-Game Technology Company Limited (上海禪遊科技有限公司) (hereafter, the "Shanghai Chanyou") *(Notes (a)(b))*	9 August 2016 Mainland China	RMB1,000,000	–	100	Developing and operating of mobile games
International Mobile Entertainment Company Limited (hereafter, the "International Mobile") *(Note (d))*	26 February 2014 Hong Kong	HK$2,000,000	–	100	Developing and operating of mobile games
Zen-Game (Hong Kong) Technology Company Limited (hereafter, the "Zen Game HK") *(Note (e))*	21 May 2015 Hong Kong	HK$10,000,000	–	100	Investment holding

(a) No audited financial statements have been prepared as these companies are incorporated in jurisdictions which do not have any statutory audit requirements or the entities are newly established in 2018.

(b) The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

(c) The statutory financial statements of this entity for the years ended 31 December 2015, 2016 and 2017 prepared in accordance with relevant accounting principles and financial regulations were audited by Dahua Certified Public Accountants LLP, Shenzhen Donghai Certified Public Accountants LLP, Shenzhen Donghai Certified Public Accountants LLP registered in the PRC.

(d) The statutory financial statements of this entity for the period from 26 February 2014 to 30 June 2015 and the years ended 30 June 2016 and 2017 prepared in accordance with relevant accounting principles and financial regulations were all audited by S.K.CHUI & CO. Certified Public Accountants registered in Hong Kong.

(e) The statutory financial statements of this entity for the period from 21 May 2015 to 30 November 2016 prepared in accordance with relevant accounting principles and financial regulations were audited by S.K.CHUI & CO. Certified Public Accountants registered in Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in paragraph headed "Reorganization" in the section headed "History and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 27 October 2018.

Due to regulatory restrictions on foreign ownership in providing mobile game developing and publishing in the PRC, the Listing Business was carried out by Zen Game and its subsidiaries (collectively the "PRC Operating Entities") during the Relevant Periods. The wholly-owned subsidiaries of the Company, (the "WFOEs") have entered into the structured contracts ("Structured Contracts") with, among others, the PRC Operating Entities and their respective registered equity holders. The arrangements of the Structured Contracts enable the WFOEs to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Accordingly, the PRC Operating Entities are controlled by the Company based on the Structured Contracts though the Company does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the Structured Contracts are disclosed in the section headed "Structured Contracts" in the Document.

The Reorganization only involved inserting new holding entities, including the WFOEs, at the top of Zen Game, the then holding company of the Group, and has not resulted in any change of economic substances. Accordingly, for the purpose of this report, the Historical Financial Information has been presented on a combined basis as a continuation of Zen Game and its subsidiaries as if the Company had been the holding company of Zen Game and its subsidiaries at the beginning of the Relevant Periods.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

HKFRS 15 "*Revenue from contracts with customers*" are effective for the annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied HKFRS 15 consistently throughout the Relevant Period.

HKFRS 9 "*Financial Instruments*" are effective for the annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has applied HKFRS 9 consistently throughout the Relevant Period.

The Historical Financial Information has been prepared under the historical cost convention except for certain equity investments and wealth management products which have been measured at fair value.

The Historical Financial Information has also been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in preparation of the Historical Financial Information.

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2021

[3] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK (SIC)-Int 15 *Operating Leases – Incentives* and HK (SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities

for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 31 to the financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB2,164,000.

Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

HK (IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

Subsidiaries arising from the Reorganization

The PRC Operating Entities have entered into Structured Contracts with, among others, WFOEs and Shenzhen Tianchan Technology Co., Ltd., Shenzhen Dingyi Technology Co., Ltd., Shenzhen Dezhiqing Investment Co., Ltd., Shenzhen Dewenshiji Technology Co., Ltd., Shenzhen Palaya Technology Co., Ltd., Shenzhen Befortune Investment Co., Ltd.; Xizang Taifu Wenhua Chuanmei Co., Ltd. and Mangguo Wenchuang (Shanghai) Holding Investment Fund Partnership (Limited Partnership) who are the registered equity holders of the PRC Operating Entities. The Structured Contracts became effective on 27 October 2018. In particular, WFOEs undertake to provide the PRC Operating Entities with certain consultancy and technical services as required to support their operations. In return, WFOEs are entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Entities through intercompany charges levied on these services rendered. The registered equity holder of the PRC Operating Entities is also required to transfer its interests in the PRC Operating Entities to WFOEs or the designee appointed by WFOEs upon a request made by WFOEs when permitted by the PRC laws. WFOEs have not provided any financial support that it was not previously contractually required to do so to the PRC Operating Entities during the Relevant Periods. WFOEs intend continuously to provide to or assist the PRC Operating Entities in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power, and thus control over the PRC Operating Entities.

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associate and joint venture are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the combined statement of profit or loss and combined other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Fair value measurement

The Group measures financial instruments such as equity instruments designated at FVOCI and financial assets at fair value through profit or loss at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personal services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	25%
Electronic devices	20-33%
Leasehold improvement	Shorter of estimated useful lives or remaining lease terms

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the profit or loss in the year the asset is derecognized is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Research and development costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables, other receivable, and amount due from related parties.

(ii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due. The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract cost

Costs incurred to obtain a contract that are not incremental costs are required to be expensed as incurred, unless they are explicitly chargeable to the customer (regardless of whether the contract is obtained). Any capitalised contract costs are amortised, with the expense recognised on a systematic basis that is consistent with the entity's transfer control of the related goods or services to the customer.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

Revenue from contracts with customers

Revenue is recognised when the group has fulfilled the obligations stated in the contracts, and when the group has transferred control over relative goods or services to the customer, on the following bases.

(a) Revenue generated from sales of in-game virtual items

All of the Group's online games are operated using a free to play model. Players are able to download mobile games free from third party distribution platforms. Players may choose to enhance their game experience by purchasing game beans and other virtual items.

Players purchase the Group's game beans and other virtual items ("Paying Players") through various distribution platforms and payment vendors. The distribution platforms collect the payment from the Paying Players and remit the cash to the Company net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and distribution platforms or third party payment vendors. The Group may also collect the payment directly from third party payment vendors who will deduct their handling fees and the Group will in turn remit the commission charges to the distribution platforms.

As the Group takes the primary responsibilities of game development and game distribution, including selecting distribution platforms and payment vendors, providing customer services, hosting game servers, and controlling game and services specifications and pricing, it considers itself as a principal in such arrangement. Accordingly, revenue is recognized on a gross basis, which is the amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer. The relevant service fees charged by the third-party payment vendors and the distribution platforms are recorded in cost of sales.

Upon the sales of game beans and other virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be consumed and displayed in the respective games. As a result, the payments received from the sales of game beans and other virtual items are initially included in contract liabilities on the combined statement of financial position and are then recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

- Consumable virtual items represent items that are extinguished after consumption in the form of charges levied on each round of games played. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from contract liabilities) when the items are consumed and the related services are rendered. If the Group is unable to track the consumption information of consumable virtual items, the related service period is estimated to be average playing period of Paying Players ("Player Relationship Period").

- Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognized ratably over the average life of durable virtual items for the applicable game, which the Group makes best estimates to be Player Relationship Period.

During the Relevant Periods, the related service period of almost all the virtue items is estimated to be Player Relationship Period.

(b) Revenue from third-party games and advertising services

The Group also provides publishing and advertising services to third party game development and operation companies. The revenue is recognised when service is rendered.

(c) Interest income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Share-based payments

The Company operates share incentive scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other Employee benefits

Pension scheme

The Group contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees of the Group's subsidiaries which operates in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in RMB. The Company's functional currency is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Contractual Arrangements

The PRC Operating Entities are mainly engaged in the provision of mobile game publishing in the PRC, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the PRC Operating Entities and enjoys all economic benefits of the PRC Operating Entities through the Contractual Arrangements.

The Group considers that it controls the PRC Operating Entities, notwithstanding the fact that it does not hold direct equity interest in the PRC Operating Entities, as it has power over the financial and operating policies of the PRC Operating Entities and receives substantially all of the economic benefits from the business activities of the PRC Operating Entities through the Contractual Arrangements. Accordingly, the PRC Operating Entities have been accounted as subsidiaries during the Relevant Periods.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Principal vs agent

The Group recognizes revenue of self-developed game on a gross basis.

The Group evaluates agreements with distribution channels and payment vendors in order to determine whether the Group acts as the principal in the arrangement with each party respectively, which it considers in determining if relevant revenue should be reported gross or net of the predetermined amount of the proceeds shared with them.

The determination of whether to record the revenue gross or net is based on an assessment of various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has general inventory risk; (iii) changes the product or performs part of the services; (iv) has latitude in establishing the selling price; (v) has involvement in the determination of product and service specifications. The assessment is performed for all of the Group's mobile games.

During the Track Record, the Group takes primary responsibilities of game operation, providing customer services, hosting game servers, if needed, and controlling games and services. Accordingly, the Group record the self-developed games revenue received through these third parties on a gross basis. Commissions paid to distribution channels and payment vendors are recorded as cost of sales.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provision for expected credit losses of trade and other receivables

The provision rate of receivables is made based on assessment of their recoverability and aging analysis of receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's other receivables and trade receivables is disclosed in note 20 and 17 to the Historical Financial Information, respectively.

Fair value of equity-settled share-based payments

The equity-settled share-based payments were estimated as at the date of grant using a binomial models. This models requires the Group to make estimates about expected dividend yield, weighted-average expected life, forfeiture rate, suboptimal exercise factor, volatility and discount rates, and hence they are subject to uncertainty. Further details are included in note 28 to the Historical Financial Information.

Fair value of equity investments

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques including market approach. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as Price/Earning ratios, Entity Value/Revenue ratios and discount for lack of marketability. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Further details are included in note 34.

Estimates of Player Relationship Period

The Group recognizes the revenues ratably over the estimated average Player Relationship Period for durable virtue items and the consumable virtue items whose consumption information are unable to be tracked. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a quarterly basis. Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average Player Relationship Period may change in the future. The Group will continue to monitor the estimated average Player Relationship Period, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis to that in prior periods. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the mobile game publishing and investment business.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the Relevant Periods, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No revenue from services provided to a single customer amounted to 10% or more of the total revenue of the Group during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue mainly represents the value of providing mobile game publishing during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

		Year ended 31 December			Six months ended 30 June	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue						
Game development and operation		129,246	336,803	458,779	223,471	264,821
Third party games		587	1,150	945	522	941
Advertising		–	–	–	–	2,064
		129,833	337,953	459,724	223,993	267,826
Other income						
Dividend income from equity instruments designated at FVOCI		7,266	–	–	–	–
Bank interest income		26	23	92	46	45
Fair value gains or losses on financial assets at fair value through profit and loss		300	513	2,774	449	3,746
Government grants-related to income*		–	–	140	–	795
Technology service		269	1,298	1,483	324	–
Others		57	314	29	65	2
		7,918	2,148	4,518	884	4,588

* Various government grants have been received from local government authorities in the PRC. There are no unfulfilled conditions and other contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Services fee charged by distribution platforms and payment vendors		91,917	261,666	293,485	154,080	163,251
Promotion expenses		3,226	10,002	39,247	12,194	25,576
Employee benefit expense (excluding directors' and chief executives' remuneration *(note 8)*):						
Wages and salaries		11,873	17,948	32,906	10,374	20,793
Pension scheme contributions (defined contribution scheme)		356	726	1,230	591	701
Equity-settled share-based payment expenses	*28*	–	4,513	5,874	2,937	3,211
Depreciation of property and equipment	*13*	124	306	518	205	383
Research and development costs		7,624	13,562	23,649	7,216	13,208
Minimum lease payments under operating leases		1,203	1,145	1,874	846	1,032
Impairment of trade receivables*	*17*	–	–	1,328	–	16
Impairment of amounts due from related party*	*32*	–	–	2,900	–	–
Impairment of an investment in an associate*	*14*	–	–	338	–	–

* Provision of impairment for trade receivables, amounts due from related party and an investment in an associate is included in other expenses in the combined statement of profit or loss.

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Interest expenses	–	19	824	433	128

8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods.

Subsequent to the end of the Relevant Periods, Mr. Ye Sheng (葉升) and Mr. Yang Min (楊民) were appointed as executive directors of the Company in 2018. Mr. Lin Cong (林蔥) and Ms. Li Wen (李雯) were appointed as non-executive directors of the Company in 2018. Mr. Jin Shu Hui (金書匯), Mr. Mao Zhonghua (毛中華) and Mr. Yang Yi (陽翼) were appointed as independent non-executive directors of the Company in 2018, and Mr. Ye Sheng (葉升) was appointed as the chief executive director of the Company in September 2018.

Certain of the directors received remuneration from a subsidiary now of the Predecessor Group for their appointment as directors or senior management of this subsidiary. The remuneration of each of these directors as recorded in the financial statements of the subsidiary is set out below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,894	2,542	4,786	886	960
Pension scheme contributions	40	46	50	24	26
	1,934	2,588	4,836	910	986

(a) Executive directors and non-executive directors

Year ended 31 December 2015	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Mr. Ye Sheng (葉升)	947	20	967
Mr. Yang Min (楊民)	947	20	967
Non-executive directors:			
Mr. Lin Cong (林蔥)	–	–	–
Ms. Li Wen (李雯)	–	–	–
Independent non-executive directors:			
Mr. Jin Shu Hui (金書匯)	–	–	–
Mr. Mao Zhong Hua (毛中華)	–	–	–
Mr. Yang Yi (陽翼)	–	–	–
	1,894	40	1,934

Year ended 31 December 2016	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Mr. Ye Sheng (葉升)	1,271	23	1,294
Mr. Yang Min (楊民)	1,271	23	1,294
Non-executive directors:			
Mr. Lin Cong (林蔥)	–	–	–
Ms. Li Wen (李雯)	–	–	–
Independent non-executive directors:			
Mr. Jin Shu Hui (金書匯)	–	–	–
Mr. Mao Zhong Hua (毛中華)	–	–	–
Mr. Yang Yi (陽翼)	–	–	–
	2,542	46	2,588

Year ended 31 December 2017	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Mr. Ye Sheng (葉升)	2,375	25	2,400
Mr. Yang Min (楊民)	2,375	25	2,400
Non-executive directors:			
Mr. Lin Cong (林蔥)	–	–	–
Ms. Li Wen (李雯)	–	–	–
Independent non-executive directors:			
Mr. Jin Shu Hui (金書匯)	–	–	–
Mr. Mao Zhong Hua (毛中華)	18	–	18
Mr. Yang Yi (陽翼)	18	–	18
	4,786	50	4,836

Period ended 30 June 2017 (Unaudited)	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Mr. Ye Sheng (葉升)	443	12	455
Mr. Yang Min (楊民)	443	12	455
Non-executive directors:			
Mr. Lin Cong (林蔥)	–	–	–
Ms. Li Wen (李雯)	–	–	–
Independent non-executive directors:			
Mr. Jin Shu Hui (金書匯)	–	–	–
Mr. Mao Zhong Hua (毛中華)	–	–	–
Mr. Yang Yi (陽翼)	–	–	–
	886	24	910

Period ended 30 June 2018	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Executive directors:			
Mr. Ye Sheng (葉升)	450	13	463
Mr. Yang Min (楊民)	450	13	463
Non-executive directors:			
Mr. Lin Cong (林蔥)	–	–	–
Ms. Li Wen (李雯)	–	–	–
Independent non-executive directors:			
Mr. Jin Shu Hui (金書匯)	–	–	–
Mr. Mao Zhong Hua (毛中華)	30	–	30
Mr. Yang Yi (陽翼)	30	–	30
	960	26	986

Though the above directors were appointed after April 2018, the above remuneration information of each of these directors was recorded in the financial statements of the subsidiaries.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the years ended 31 December 2015, 2016 and 2017 and each of the six months ended 30 June 2017 and 2018 included 2, 2, 2, 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the 3, 3, 3, 3, and 3 highest paid employees who are neither a director nor chief executive of the Group during the years ended 31 December 2015, 2016 and 2017 and each of the six months ended 30 June 2017 and 2018 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,273	1,798	2,856	756	1,017
Equity-settled share-based payment expense	–	3,136	4,020	2,010	1,187
Pension scheme contributions	16	37	41	19	22
	1,289	4,971	6,917	2,785	2,226

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(Unaudited)	
Nil to HK$1,000,000	3	–	–	2	1
HK$1,000,001 to HK$1,500,000	–	1	–	1	2
HK$1,500,001 to HK$2,000,000	–	1	–	–	–
HK$2,000,001 to HK$2,500,000	–	1	1	–	–
HK$2,500,001 to HK$3,000,000	–	–	1	–	–
HK$3,000,001 to HK$3,500,000	–	–	1	–	–

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Zen Game was accredited as "software enterprise" in 2015 under relevant PRC laws and regulation and was entitled with a preferential tax treatment (i.e., 2-year exemption and 3-year half payment) from its first profitable year. Therefore, Zen Game was exempted from income tax for its first two profitable years (i.e. 2015 and 2016), and was entitled with a preferential income tax rate of 12.5% from 2017 to 2019. Zen Game also qualified as a "Key Software Enterprise" in November 2016 and the applicable tax rate was 10% for the year ended 31 December 2017. Therefore, Zen Game applied the most preferential tax rate of 10% for the year ended 31 December 2017 after two years' exemption from taxation.

Pursuant to the PRC Enterprise Income Tax ("EIT") Law and the respective regulations, the other PRC subsidiaries are subject to income tax at a statutory rate of 25% for the Relevant Periods.

Hong Kong profits tax have been provided at the rate of 16.5% on the Group's assembled profit derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The major components of the income tax expense for the years are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Current tax					
Charge for the year	–	–	8,288	3,811	5,374
Deferred tax (*note 26*)	(41)	(18)	(611)	66	12
Total tax charge for the year/period	(41)	(18)	7,667	3,877	5,386

* The qualification of "Key Software Enterprise" and related preferential income tax rate are subject to annual assessment.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of Mainland China (i.e., 25%) where the main operating entity is domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e.,the statutory tax rate) to the effective tax rate, are as follows:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (Unaudited)*	*%*	*RMB'000*	*%*
Profit before tax	24,981		40,393		74,063		39,246		56,147	
Tax at the statutory tax rate	6,245	25.0	10,098	25.0	18,516	25.0	9,812	25.0	14,037	25.0
Effect of different applicable tax rates for specific jurisdictions or enacted by local authority	(6,476)	(25.9)	(10,485)	(26.0)	(12,228)	(16.5)	(6,265)	(16.0)	(8,640)	(15.4)
Super deduction for research and development expenses *(note a)*	–	–	–	–	(886)	(1.2)	(306)	(0.8)	(770)	(1.4)
Expenses not deductible for tax	–	–	–	–	761	1.0	316	0.8	382	0.7
Effect on opening deferred tax of increase in rates	–	–	2	(0.0)	–	–	–	–	–	–
Tax losses not recognized	190	0.7	367	1.0	1,504	2.0	320	0.8	377	0.7
Tax charge at the Group's effective rate	(41)	(0.2)	(18)	(0.0)	7,667	10.4	3,877	9.8	5,386	9.6

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amounts of temporary difference associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB7,542,000, 52,483,000, 99,524,000, 146,181,000 for the years/period ended 31 December 2016, 2017 and six months ended 30 June 2018.

(a) According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses from January 1, 2008 to December 31, 2016, and 175% of the research and development expenses from January 1, 2017 to December 31, 2019, as tax deductible expenses.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group has tax losses arising in Mainland China of RMB1,457,000, RMB2,186,000, RMB8,534,000 and RMB1,257,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as they have arisen in a subsidiary that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The unrecognized deferred tax assets from tax losses will expire as followings:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020	1,457	1,457	1,457	1,457
31 December 2021	–	2,186	2,186	2,186
31 December 2022	–	–	8,534	8,534
30 June 2023	–	–	–	1,257
	1,457	3,643	12,177	13,434

11. DIVIDENDS

No dividends had been paid or declared by the Company during the Relevant Periods since the Company was incorporated on 27 October 2018.

During the years ended 31 December 2016 and 2017, a subsidiary of the Company, declared and paid cash dividends of RMB16,000,000 and RMB20,000,000 respectively to its then shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Relevant Periods.

13. PROPERTY AND EQUIPMENT

	Electronic devices	Total
	RMB'000	*RMB'000*
31 December 2015		
At 1 January 2015:		
Cost	536	536
Accumulated depreciation	(326)	(326)
Net carrying amount	210	210
At 1 January 2015, net of accumulated depreciation	210	210
Additions	145	145
Depreciation provided during the period *(note 6)*	(124)	(124)
At 31 December 2015, net of accumulated depreciation	231	231
At 31 December 2015:		
Cost	681	681
Accumulated depreciation	(450)	(450)
Net carrying amount	231	231

	Electronic devices	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2016			
At 1 January 2016:			
Cost	681	–	681
Accumulated depreciation	(450)	–	(450)
Net carrying amount	231	–	231
At 1 January 2016, net of accumulated depreciation	231	–	231
Additions	137	969	1,106
Disposals	(2)	–	(2)
Depreciation provided during the year *(note 6)*	(133)	(173)	(306)
Exchange realignment	3	–	3
At 31 December 2016, net of accumulated depreciation	236	796	1,032
At 31 December 2016:			
Cost	819	969	1,788
Accumulated depreciation	(583)	(173)	(756)
Net carrying amount	236	796	1,032

	Electronic devices	Motor vehicles	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017				
At 1 January 2017:				
Cost	819	969	–	1,788
Accumulated depreciation	(583)	(173)	–	(756)
Net carrying amount	236	796	–	1,032
At 1 January 2017, net of accumulated depreciation	236	796	–	1,032
Additions	417	–	416	833
Depreciation provided during the year *(note 6)*	(199)	(230)	(89)	(518)
Exchange realignment	(2)	–	–	(2)
At 31 December 2017, net of accumulated depreciation	452	566	327	1,345
At 31 December 2017:				
Cost	1,230	969	415	2,614
Accumulated depreciation	(778)	(403)	(88)	(1,269)
Net carrying amount	452	566	327	1,345

	Electronic devices	Motor vehicles	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2018				
At 1 January 2018:				
Cost	1,230	969	415	2,614
Accumulated depreciation	(778)	(403)	(88)	(1,269)
Net carrying amount	452	566	327	1,345
At 1 January 2018, net of accumulated depreciation	452	566	327	1,345
Additions	388	1,454	–	1,842
Depreciation provided during the year *(note 6)*	(133)	(174)	(76)	(383)
At 30 June 2018, net of accumulated depreciation	707	1,846	251	2,804
At 30 June 2018:	–			
Cost	1,618	2,423	415	4,456
Accumulated depreciation	(911)	(577)	(164)	(1,652)
Net carrying amount	707	1,846	251	2,804

14. INVESTMENTS IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	828	1,268	338	338
Goodwill on acquisition	–	–	–	–
Provision for impairment	–	–	338	338
	828	1,268	–	–

Particulars of the Group's associate is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Uniques Digital Company Limited* ("Uniques Digital")	HK$2,000,000 as registered capital	Hong Kong	35%	Mobile game development

* In 2015, the Group invested HK$1,000,000 into Uniques Digital and accounted for 23.53% of the total equity interest. In 2016, the Group invested an additional HK$1,000,000, and the equity interest percentage increased from 23.53% to 35%.

** The recoverable amount of the investment in Uniques Digital has been determined based on a value-in-use calculation using the Company's share of the present value of the estimated future cash flows expected to be generated by the associate from financial budgets covering a five-year period. The projected cash flows have been updated to reflect the current financial performance of Uniques Digital, and the key assumptions adopted for growth rates and discount rates used in the value-in-use calculations are based on management's best estimates. Growth rates are determined by considering both internal and external factors. The pre-tax discount rate applied to the cash flow projections is 30%. As a result of this analysis, management has recognised full impairment charge of RMB338,000 during the year ended 31 December 2017. The impairment charge is recorded within other expenses in the statement of profit or loss.

The following table illustrates the financial information of the Uniques Digital that are not individually material:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' loss for the year/period	(9)	(490)	(888)	–
Share of the associates' total comprehensive income	(9)	(490)	(888)	–
Carrying amount of the Group's investments in the associates	828	1,268	–	–

15. INVESTMENTS IN A JOINT VENTURE

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	557	–	–
Goodwill on acquisition	–	–	–	–
Provision for impairment	–	–	–	–
	–	557	–	–

Particulars of the Group's joint venture is as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
ShenZhen Kuwa Leyuan Technology Company Limited* ("Kuwa")	RMB1,600,000 as registered capital	Mainland China	50%	Mobile game development

* In 2016, the Group invested RMB800,000 into Kuwa and accounted for 50% of the total equity investment. On 8 November 2017, the Company disposed the entire equity interest in Kuwa to a third party for a consideration of RMB230,000.

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the joint venture's loss for the year/period	–	(243)	(515)	–
Share of the joint venture's total comprehensive loss	–	(243)	(515)	–
Aggregate carrying amount of the Group's investments in the joint venture	–	557	–	–

16. EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity investment:				
Genimous Technology Co., Ltd. ("Zhidu Technology")*	–	103,061	58,086	64,668
Non-listed equity investment:				
Shenzhen Flying Fish Interactive Technology Company Limited ("Flying Fish")	–	286	2,560	3,069
Shanghai Falcon Network Limited ("Shanghai Falcon")*	20,255	–	–	–
	20,255	103,347	60,646	67,737

The above investments consist of investments in equity securities which were designated as equity instruments designated at FVOCI financial assets.

In the years ended 31 December 2015, 2016 and 2017 and 30 June 2018, the changes in fair value and income tax effect in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income are as below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The gross fair value change in respect of the Group's equity instruments designated at FVOCI recognised in other comprehensive income	23,467	82,093	(42,701)	7,091
Income tax effect	(2,597)	(20,524)	10,676	(1,773)
Change in fair value on equity instruments designated at FVOCI	20,870	61,569	(32,025)	5,318

Equity instruments designated at FVOCI include investments in equity shares of listed and non-listed companies. The Group holds non-controlling interests (between 3% and 7%) in these companies. These investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

* Listed equity investment represents the Group's shareholding in Zhidu Technology, a third party company listed in Shenzhen Stock Exchange. On 18 May 2016, the Group disposed its 3.2889% equity investment in Shanghai Falcon in exchange of 5,803,941 shares of Zhidu Technology. The accumulated fair value reserve recognized for Shanghai Falcon in other comprehensive income of RMB22,693,000 was transferred to the retained earnings in the combined financial statement. The Group accounted for the equity investment in Zhidu Technology as equity instrument designated at FVOCI. The fair value of the shares of Zhidu Technology as at 31 December 2016 and 2017 and 30 June 2018 was RMB103,061,000, RMB58,086,000 and RMB64,668,000, respectively. Pursuant to relevant regulations of Shenzhen Stock Exchange, The Group's shareholding in Zhidu Technology was subject to a lockup period of three years starting from the exchange date.

17. TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	35,301	93,262	69,627	59,712
Provision for expected credit losses	–	–	(1,328)	(1,344)
	35,301	93,262	68,299	58,368

The Group's trade receivables primarily consist of those due from third party distribution platforms and payment vendors who collected payment from Paying Players on behalf of the Group. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and are generally on terms within 90 days.

An aging analysis of the trade receivables as at the end of each of the Relevant Periods, based on the recognition date of gross trade receivables and net of provision, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	25,189	31,599	36,345	37,834
90 to 180 days	6,240	25,686	7,202	3,557
181 to 1 year	3,272	25,599	9,539	2,604
1 year to 2 years	600	10,378	15,213	14,373
	35,301	93,262	68,299	58,368

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses. During the Relevant Periods, the expected losses rate are determined as follows:

31 December 2015	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within 1 year	34,701	–	–
1 to 2 years	600	–	–
	35,301		–

31 December 2016	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within 1 year	82,884	–	–
1 to 2 years	10,378	–	–
	93,262		–

31 December 2017	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within 1 year	53,086	1.00%	531
1 to 2 years	16,541	4.81%	797
	69,627		1,328

30 June 2018	Amount	Expected credit loss rate	Impairment
	RMB'000		*RMB'000*
Trade receivables aged:			
Within 1 year	43,995	1.40%	616
1 to 2 years	15,717	4.63%	728
	59,712		1,344

The movements in the allowance for expected credit losses of trade receivables are as follows:

		As at 31 December			As at 30 June
	Note	2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	–	–	(1,328)
Provision for expected credit losses	*6*	–	–	(1,328)	(16)
At the end of year/period		–	–	(1,328)	(1,344)

18. CONTRACT COSTS

Contract costs are mainly related to contract acquisition costs. Management expects that incremental relevant service fees paid as a result of obtaining customer contracts are recoverable, which meet contract acquisition cost criteria when the Group views the Paying Player as its customers. The Group has therefore capitalised them as contract costs in the amount of RMB8,357,000, RMB21,830,000, RMB26,326,000 and RMB23,762,000 as at the end of each of the Relevant Periods.

Capitalised relevant service fees are amortised when the related revenue are recognised, which is consistent with the pattern of recognition of the associated revenue. The amount of amortisation was RMB91,917,000, RMB261,666,000, RMB293,485,000 and RMB163,251,000 for each of the Relevant Periods and there was no impairment loss in relation to the costs capitalised.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products issued by licensed banks, at fair value	25,735	19,896	149,878	212,037
	25,735	19,896	149,878	212,037

Wealth management products were denominated in RMB, with an expected rate of return ranging from 3.09% to 4.22%, 3.71% to 4.44%, 4.36% to 5.14% and 3.33% to 5.50% per annul for the years ended December 31, 2015, 2016 and 2017 and six months ended 30 June 2018, respectively. The return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss. None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgement and are within categorized level 2 of fair value hierarchy.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non Current portion				
Deposits and other receivables – non current	3,000	3,000	4,000	4,000
Current portion				
Prepayments	451	470	3,795	4,351
Deposits and other receivables	323	348	3,468	1,056
	774	818	7,263	5,407

As at the end of each of the Relevant Periods, the amounts due from non-trade debtors were unsecured and interest-free. None of the above assets was either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The credit exposures of about balances have not been significant increase in credit risk since initial recognition, the Group is required to provide for 12-month expected credit loss. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the Relevant Periods, the Group estimated the expected loss rate for the above receivables is insignificant.

21. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	2,490	10,060	9,342	13,333
Denominated in:				
RMB	1,825	8,107	6,013	10,810
HK$	390	1,279	2,190	1,623
US$	275	674	1,139	900

The cash and bank balances of the Group denominated in RMB amounted to RMB1,825,000, RMB8,107,000, RMB6,013,000 and RMB10,810,000 as at December 31, 2015, 2016 and 2017 and 30 June 2018, respectively. The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	12,516	12,487	11,764	9,496
3 to 6 months	1,866	9,366	6,357	7,286
6 month to 1 year	101	5,058	4,807	2,064
1 year to 2 years	–	169	888	1,686
	14,483	27,080	23,816	20,532

The trade payable are non-interest-bearing and are normally settled on 180-day terms.

23. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2015, 2016 and 2017 and 30 June 2018 and will be expected to be recognised within one year:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Online game revenue	10,807	29,954	42,278	36,774

Deferred online game revenue primarily consists of the unamortized revenue from sales of game beans and other virtual items for online games, where there is still an implied obligation to be provided by the Group.

(1) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the reporting periods relates to carried-forward contract liabilities.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period					
Online game revenue	2,184	10,807	29,954	29,954	42,278

(2) Unsatisfied contracts

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected to be recognized within one year				
Online game revenue	10,807	29,954	42,278	36,774

24. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary and welfare payables	4,369	6,773	13,686	12,768
Other tax payables	1,148	6,477	4,353	2,227
Other payables	162	406	102	314
	5,679	13,656	18,141	15,309

Other payables are non-interest-bearing and repayable on demand.

25. INTEREST-BEARING BANK BORROWINGS

31 December 2016

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans	5.22	2017	8,000

The Bank loan was denominated in RMB and repaid on 31 January 2017. It was guaranteed by a subsidiary of the Company and the equity investment in Zhidu Technology held by the subsidiary was pledged as a collateral.

31 December 2017

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans	5.22	2018	7,600

The Bank loan was denominated in RMB and repaid on 31 January 2018. It was guaranteed by a subsidiary of the Company and the equity investment in Zhidu Technology held by the subsidiary was pledged as a collateral.

30 June 2018

	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans	4.35-4.92	2019	17,600

The Bank loan is denominated in RMB and guaranteed by Mr. Ye Sheng, Mr. Yang Min and a subsidiary of the Company.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets and liabilities:				
At 1 January	–	(2,556)	(23,062)	(11,775)
Deferred tax credited to profit or loss during the year *(note 10)*	41	18	611	(12)
Deferred tax charged to other comprehensive income	(2,597)	(20,524)	10,676	(1,773)
At 31 December/30 June	(2,556)	(23,062)	(11,775)	(13,560)

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets				
Tax loss *(note 10)*	41	61	207	124
Fair value adjustments arising from equity instruments designated at FVOCI	–	178	–	–
Provision for accounts receivable *(note 10)*	–	–	523	652
	41	239	730	776
Deferred tax liabilities				
Fair value adjustments arising from equity instruments designated at FVOCI	2,597	23,299	12,444	14,217
Fair value adjustment arising from wealth management products *(note 10)*	–	2	61	119
	2,597	23,301	12,505	14,336
	(2,556)	(23,062)	(11,775)	(13,560)

For presentation purposes, certain deferred tax assets and liabilities have been offset in financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the combined statement of financial position	–	178	82	71
Net deferred tax liabilities recognised in the combined statement of financial position	2,556	23,240	11,857	13,631
	(2,556)	(23,062)	(11,775)	(13,560)

27. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 August 2018 with authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which all the shares were issued and allotted and fully paid.

28. SHARE-BASED PAYMENT

Hezhong Century Technology Company Limited ("Hezhong") is a limited liability company controlled by Mr. Ye Sheng and Mr. Yang Min incorporated in PRC since May 2012 and became a shareholder of Zen Game since June 2012. Except for holding equity interest in Zen Game, Hezhong did not conduct any other business. 58.86% of then equity interest of Hezhong has been set up as a pool ("Pool") to reward the employees of the Group and was held under the name of Mr. Ye Sheng. On 1 June 2016 and 1 June 2018, Hezhong granted 3,502,850 and 617,000 restricted shares units ("RSUs") out of the Pool to the senior management and key employees ("Grantees") of the Group to retain them for the continuing operation and development of the Group. The RSUs enabled the Grantees to indirectly entitle to the ownership of Zen Game through their respective equity interests in Hezhong.

The vesting period of the RSUs is determined to be four years with each of 25% will be vested at rear of each anniversary, or six years with each of 10% will be vested at rear of the initial two anniversaries and each of 20% of at the rear of the following four anniversaries.

Movements during the year

Movements in the number of shares held for the Scheme and awarded shares for the years ended 31 December 2016, 2017 and 30 June 2018 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2016	–	–	–
Granted	3,502,850	–	3,502,850
Awarded	–	–	–
At 31 December 2016	3,502,850	–	3,502,850
Awarded	(630,463)	630,463	–
At 31 December 2017	2,872,387	630,463	3,502,850
Granted	617,000	–	617,000
Awarded	(630,462)	630,462	–
At 30 June 2018	2,858,925	1,260,925	4,119,850

As part of the Restructuring, the Company issued shares to Hezhong Power Limited which is the nominee of trust and beneficially owned by the Grantees in exchange for controlling Hezhong's equity interest in Zen Game. The percentage of equity interest held by Hezhong Power Limited in the Company is identical to the percentage of equity interest in Zen Game indirectly held by the Grantees through Hezhong. There was no change in any other vesting conditions. There was no significant incremental value noted before and after the modification given the Zen Game has carried out substantially all of the businesses owned by Group.

The expense recognised for employee services received during the year is shown in the following table:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Share-based payment expenses	–	4,513	5,874	2,937	3,211

The directors of the Company appointed an independent valuer, Value Link Group, to estimate the fair values of the above RSUs as at the respective grant dates.

The following table lists the key inputs to the model used for the valuation of restricted shares granted on each grant date:

	Granted on 1 June 2016	Granted on 1 June 2018
Weighted average cost of capital (%)	24	22
Discount for lack of marketability (%)	27	15
Weighted average share price (RMB per share)	5.06	14.97
Model used	Discounted cash flow method	Discounted cash flow method

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the combined statement of changes in equity on pages 6 and 7 of the financial statements.

(a) Capital reserve

The capital reserve of the Group represents the difference between the aggregate of the paid-up share capital of the subsidiaries, the consideration paid by the Group for the business combination under common control and acquisition of non-controlling shareholder.

On 27 May 2015, Zen Game acquired 100% equity investment of International Mobile with a consideration of HK$2,000,000 from its shareholders Mr. Ye Sheng and Mr. Yang Min who are also the controlling shareholder of the Company. The acquisition was accounted for as business combination under common control. International Mobile did not carry out any significant business activities prior to the acquisition.

On 1 January 2015, Zen Game acquired 23% equity investment of Chanyou Huyu from the non-controlling shareholder with a consideration of RMB1. Upon completion of this equity transfer, it became a wholly-owned subsidiary of Zen Game.

(b) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, each of the companies that is domiciled in the PRC is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(c) Fair value reserve of financial assets at FVOCI

Fair value reserve of financial assets at FVOCI comprises all revaluation changes arising from the equity instruments designated at FVOCI.

(d) Share-based payment reserve

The share-based payment reserve comprises the fair value of share-based payment granted and exercised, as further explained in note 28 to the Historical Financial Information.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies not using RMB as functional currencies. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4 to the financial statements.

30. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financial activities:

	Interest-bearing bank borrowings	Interest paid	Dividend paid
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	–	–	–
Changes from financing cash flows	–	–	–
At 31 December 2015 and 1 January 2016	–	–	–
Changes from financing cash flows	8,000	(19)	(16,000)
At 31 December 2016 and 1 January 2017	8,000	–	–
Changes from financing cash flows	(400)	(824)	(20,000)
At 31 December 2017 and 1 January 2018	7,600	–	–
Changes from financing cash flows	10,000	(128)	–
At 30 June 2018	17,600	–	–

31. COMMITMENTS

Operating lease commitments

As lessee

The Group leases certain of its offices under operating lease arrangements. Leases for offices were negotiated for terms of 1 to 4 years. As at the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	961	1,181	2,152	1,989
In the second to fifth years, inclusive	–	2,224	2,164	175
	961	3,405	4,316	2,164

32. RELATED PARTY TRANSACTIONS

Name of related party	Relationship with the Group
ShenZhen Kuwa Leyuan Technology Company Limited ("Kuwa")	Associate
Uniques Digital Company Limited ("Uniques Digital")	Associate
Shenzhen Feiteng Technology Company Limited ("Feiteng")	Company whose key management is the Group's controlling shareholder
Mr. Ye Sheng	The chief executive director

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Relevant Periods:

(a) Transactions with related party

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Distribution of games developed by Feiteng	192	–	–	–
Technical service provided to Uniques Digital	269	1,816	2,281	–
	461	1,816	2,281	–

(b) Outstanding balances with related party

As disclosed in the statements of financial position, the Group had outstanding balances with related party at 31 December 2015, 2016 and 2017 and 30 June 2018.

Amounts due from related party

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Uniques Digital	269	1,022	3,303	2,900
Provision for expected credit losses	–	–	(2,900)	(2,900)
	269	1,022	403	–

These balances are unsecured, interest-free and repayable on demand.

The amounts due from a related party are unsecured, interest-free and repayable on demand.

At the end of December 31, 2015 and 2016, the credit exposures of amounts due from a related party has not been significant increases in credit risk since initial recognition, the Group is required to provide for 12-month expected credit loss.

In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward looking macroeconomic data. Up to December 31, 2016, the Group estimated the expected loss rate for the above receivables is insignificant. Due to the fact that Uniques Digital was in financial difficulties, at the end of December 31, 2017, the credit exposures has been significant increase in credit risk since initial recognition on an individual basis. A loss allowance is made for lifetime expected credit loss. RMB2,900,000 was expected to be unrecoverable.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,833	3,879	7,028	1,938
Equity-settled share-based payment expense	–	2,340	3,038	2,137
Pension scheme contributions	52	69	87	50
	2,885	6,288	10,153	4,125

Further details of directors' and the chief executive's emoluments are included in note 8.

(d) Mr. Ye Sheng and Mr. Yang Min provided a guarantee for certain bank loans made to the Group of up to RMB25,000,000 as at 30 June 2018. Further details are included in note 25 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

31 December 2015

Financial assets	Financial assets at amortised cost	Financial assets at FVPL	Financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI	–	–	20,255	20,255
Trade receivables	35,301	–	–	35,301
Financial assets included in prepayments, deposits and other receivables	774	–	–	774
Financial assets included in long-term prepayments, deposits and other receivables	3,000	–	–	3,000
Financial assets at fair value through profit or loss	–	25,735	–	25,735
Amounts due from a related party	269	–	–	269
Cash and cash equivalents	2,490	–	–	2,490
	41,834	25,735	20,255	87,824

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	14,483
Financial liabilities included in other payables and accruals	4,531
	19,014

31 December 2016

Financial assets	Financial assets at amortised cost	Financial assets at FVPL	Financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI	–	–	103,347	103,347
Trade receivables	93,262	–	–	93,262
Financial assets included in prepayments, deposits and other receivables	818	–	–	818
Financial assets included in long-term prepayments, deposits and other receivables	3,000	–	–	3,000
Financial assets at fair value through profit or loss	–	19,896	–	19,896
Amounts due from a related party	1,022	–	–	1,022
Cash and cash equivalents	10,060	–	–	10,060
	108,162	19,896	103,347	231,405

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	27,080
Financial liabilities included in other payables and accruals	7,179
Interest-bearing bank borrowings	8,000
	42,259

31 December 2017

Financial assets	Financial assets at amortised cost	Financial assets at FVPL	Financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI	–	–	60,646	60,646
Trade receivables	68,299	–	–	68,299
Financial assets included in prepayments, deposits and other receivables	7,263	–	–	7,263
Financial assets included in long-term prepayments, deposits and other receivables	4,000	–	–	4,000
Financial assets at fair value through profit or loss	–	149,878	–	149,878
Amounts due from a related party	403	–	–	403
Cash and cash equivalents	9,342	–	–	9,342
	89,307	149,878	60,646	299,831

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	23,816
Financial liabilities included in other payables and accruals	13,788
Interest-bearing bank borrowings	7,600
	45,204

30 June 2018

Financial assets	Financial assets at amortised cost	Financial assets at FVPL	Financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI	–	–	67,737	67,737
Trade receivables	58,368	–	–	58,368
Financial assets included in prepayments, deposits and other receivables	5,407	–	–	5,407
Financial assets included in long-term prepayments, deposits and other receivables	4,000	–	–	4,000
Financial assets at fair value through profit or loss	–	212,037	–	212,037
Cash and cash equivalents	13,333	–	–	13,333
	81,108	212,037	67,737	360,882

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	20,532
Financial liabilities included in other payables and accruals	13,082
Interest-bearing bank borrowings	17,600
	51,214

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the fair values of the Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the carrying amounts of cash and cash equivalents, trade receivables, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, trade payables, amounts due to related parties, financial liabilities included in other payables and accruals and interest-bearing bank borrowings reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) Financial instruments in level 1

The fair value of the listed securities are determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on the quoted market prices (level 1: quoted price (unadjusted) in active markets) without deduction for transaction costs.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

The fair values of wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the combined statements of financial position, and the related changes in fair values, which are recorded in the combined statements of profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

(c) Financial instruments in level 3

Level 3 instruments of the Group's assets are equity investments in unlisted companies and a listed company.

The fair values of the equity investments in unlisted companies have been estimated using the market approach. Major assumptions used in the valuation include discount of lack of marketability, P/E ratio and etc. The fair value of the equity investment in the listed company has been estimated using the closing price quoted in the active stock market discounted by the percentage of the lack of marketability during the lockup period of three years after the exchange date as further described in note 16 to the Historical Financial Information.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI:				
Non-listed equity investment	–	–	20,255	20,255
Financial assets at fair value through profit or loss	–	25,735	–	25,735
	–	25,735	20,255	45,990

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI:				
Listed equity investment	–	–	103,061	103,061
Non-listed equity investment	–	–	286	286
Financial assets at fair value through profit or loss	–	19,896	–	19,896
	–	19,896	103,347	123,243

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI:				
Listed equity investment	–	–	58,086	58,086
Non-listed equity investment	–	–	2,560	2,560
Financial assets at fair value through profit or loss	–	149,878	–	149,878
	–	149,878	60,646	210,524

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI:				
Listed equity investment	–	–	64,668	64,668
Non-listed equity investment	–	–	3,069	3,069
Financial assets at fair value through profit or loss	–	212,037	–	212,037
	–	212,037	67,737	279,774

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2. The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity instruments designated at FVOCI:				
At 1 January	1,452	20,255	103,347	60,646
Total gains recognised in other comprehensive income	23,467	82,092	(42,701)	7,091
Purchases	9,867	1,000	–	–
Disposals	(14,531)	–	–	–
At 31 December/At 30 June	20,255	103,347	60,646	67,737

Below is a summary of significant unobservable inputs in recurring Level 3 to the valuation of financial instruments together with a quantitative sensitivity analysis at the end of each of the Relevant Periods:

			Range of inputs			
			31 December			As at 30 June
	Valuation technique	Significant unobservable input	2015	2016	2017	2018
Equity instruments designated at FVOCI						
Listed equity investment	Market approach	Discount for lack of marketability (%)	–	10	10	10
Non-listed equity investment	Market approach	Discount for lack of marketability (%)	30	30	30	30
		Price-Earnings ratio ("P/E ratio")	–	15.0	14.7	13.9
		Entity Value/Revenue ratio ("EV/Revenue ratio")	2.75	–	–	–

The fair value of equity instruments designated at FVOCI is affected by changes in the discount for lack of marketability, P/E ratio and EV/Revenue ratio. If the discount for lack of marketability had increased/decreased by 10% with all other variables held constant, the fair value of equity instruments designated at FVOCI for the year ended 31 December 2015, 2016 and 2017 and 30 June 2018 would have been approximately RMB2,025,000, RMB10,335,000, RMB6,045,000, RMB6,774,000 lower/higher, respectively.

If the P/E ratio and EV/Revenue ratio had increased/decreased by 10% with all other variables held constant, the fair value of equity instruments designated at FVOCI for the year ended 31 December 2015, 2016 and 2017 and 30 June 2018 would have been approximately RMB2,026,000, RMB29,000, RMB256,000, RMB307,000 higher/lower, respectively.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, Equity instruments designated at FVOCI and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades mainly with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by product type.

The following table demonstrates the concentrations of credit risk of the total trade receivables which were due from the Group's five largest distribution platforms or payment vendors.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	%	%	%	%
Percentage of total trade receivables due from:				
Group's five largest trade receivables	63.4	56.7	53.7	53.1

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the Historical Financial Information.

The Group has applied the simplified approach to provide for impairment for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The ECLs also incorporate forward looking information. Management considered that the expected credit loss rate for the Group's trade receivables and contract assets is minimal as at 31 December 2015, 2016 and 2017 and 30 June 2018.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2015			
	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	14,382	101	–	14,483
Financial instruments included in other payables and accruals	4,531	–	–	4,531
	18,913	101	–	19,014

	As at 31 December 2016			
	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	21,853	5,227	–	27,080
Financial instruments included in other payables and accruals	7,179	–	–	7,179
Interest-bearing bank borrowings	–	580	7,784	8,364
	29,032	5,807	7,784	42,623

	As at 31 December 2017			
	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	18,121	5,695	–	23,816
Financial instruments included in other payables and accruals	13,788	–	–	13,788
Interest-bearing bank borrowings	–	7,603	–	7,603
	31,909	13,298	–	45,207

	As at 30 June 2018			
	On demand	Less than 3 months	3 to less than 12 months	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,782	3,750	–	20,532
Financial instruments included in other payables and accruals	13,082	–	–	13,082
Interest-bearing bank borrowings	–	271	18,024	18,295
	29,864	4,021	18,024	51,909

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Company review the asset-liability ratio, which is total assets divided by total liability, on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts, and manage the asset-liability ratios. The Group's overall strategy remained unchanged during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	97,240	256,270	327,584	387,519
Total liabilities	33,525	101,930	105,176	105,817
Asset-liability ratio	34%	40%	32%	27%

36. EVENTS AFTER THE RELEVANT PERIODS

On 19 September 2018, a subsidiary of the Company, declared cash dividends of RMB78,000,000 to its then shareholders.

III. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2018.

[**REDACTED**]

[**REDACTED**]

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this document.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Zengame Technology Holding Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Zengame Technology Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 30 June 2018, and related notes as set out on pages [●] of the document dated [date] issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the notes thereto.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the [**REDACTED**] of shares of the Company on the Group's financial position as at 30 June 2018 as if the transaction had taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Document is solely to illustrate the impact of the [**REDACTED**] of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong

[date]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 28, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To

every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [●].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on August 28, 2018. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●], 2018 and our Company's principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Ms. Li Yan Wing Rita, a Hong Kong resident, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Law and certain provisions of Articles of Association is set out in Appendix III to this document.

2. Changes in share capital of our Company

As at the date of the incorporation of our Company, the initial authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, one Share of HK$0.01 was issued to an initial subscriber who is an Independent Third Party.

On the same day, the said one Share was transferred to Sky-zen Capital for a consideration at par value. On the same day, our Company issued and allotted 10,320,799 Shares to Sky-zen Capital, 8,740,190 Shares to J&L Y, 7,655,670 Shares to D Fun Limited, 510,378 Shares to JIAWEI, 25,194 Shares to Meidada, 471,314 Shares to Family Wall, 4,210,628 Shares to Playa, 1,759,248 Shares to BeFuture and 351,842 Shares to D Zing for a consideration at par value and credited as fully-paid.

On October 17, 2018, our Company allotted and issued 2,899,172 Shares to RSU Nominee and 1,055,564 Shares to G-MEI for a consideration at par value and credited as fully-paid.

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the authorized share capital of our Company will be HK$[500,000,000] divided into [50,000,000,000] Shares, of which [1,000,000,000] Shares will be issued fully paid or credited as fully paid, and [49,000,000,000] Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company – 4. Written resolutions of the then Shareholders of our Company passed on [●], 2018" in this Appendix, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this document, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital or registered capital of our subsidiaries and PRC Operating Entities

The following alterations in the share capital or registered capital of our subsidiaries and PRC Operating Entities took place within the two years immediately preceding the date of this document:

Zen-Game Shenzhen

On August 10, 2017, the registered capital of Zen-Game Shenzhen was increased from RMB50 million to RMB54 million.

Shenzhen Laiwan

On December 12, 2017, the registered capital of Shenzhen Laiwan was increased from RMB1 million to RMB50 million.

Zen-Game HK

On May 8, 2017, the share capital of Zen-Game HK was increased from HK$7 million to HK$10 million.

Save as disclosed above, there has been no alteration in the share capital or registered capital of our subsidiaries and PRC Operating Entities within the two years preceding the date of this document.

4. Written resolutions of the then shareholders of our Company passed on [●], 2018

Pursuant to the written resolutions of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on [●], 2018:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$[500,000,000] divided into [50,000,000,000] Shares of HK$0.01 each by the creation of [1,962,000,000] Shares of HK$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(c) conditional upon (i) the Listing Committee granting the [**REDACTED**] of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] and the Share Option Scheme) as mentioned in this document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] Agreement becoming unconditional

(including, if relevant, as a result of the waiver of any condition(s)) by the Sole [**REDACTED**] (on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], the sum of HK$[[**REDACTED**]] be capitalized and applied in paying up in full at par value [[**REDACTED**]] Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company on [●], 2018 and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(iii) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to allot and issue the [**REDACTED**] and the Shares as may be required to be allotted and issued upon the exercise of the [**REDACTED**] on and subject to the terms and conditions stated in this document and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time

being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before any exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to our Directors, whichever occurs first;

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] but before the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by;

(2) an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(3) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(4) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary document is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then Shareholders of our Company passed on [●], 2018, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the [**REDACTED**] (excluding Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our Company – 4. Written resolutions of the then shareholder of our Company passed on [●], 2018" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the [**REDACTED**], our Group underwent the Corporate Reorganization. Please see the section headed "History and Corporate Structure – Corporate Reorganization" in this document for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(a) an investment framework agreement dated June 30, 2017 and entered into between Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya, Befortune, Dewenshiji, Mr. Ye, Mr. Yang, Mangguo Investment, Xizang Taifu, Jinhui and Zen-Game Shenzhen, pursuant to which (i) Mangguo Investment and Xizang Taifu agreed to subscribe for 2,500,000 and 1,500,000 new shares in Zen-Game Shenzhen, respectively; and (ii) Jinhui agreed to acquire 1,500,000 shares in Zen-Game Shenzhen in aggregate from Tianchan and Dingyi;

(b) an investment supplemental agreement dated June 30, 2017 and entered into between Tianchan, Dingyi, Dechangqing, Hezhongshiji, Palaya, Befortune Dewenshiji, Mr. Ye, Mr. Yang, Mangguo Investment, Xizang Taifu, Jinhui, Zen-Game Shenzhen, pursuant to which certain special rights in respect of the investment framework agreement described in paragraph (a) above were granted to Mangguo Investment, Xizang Taifu and Jinhui by Zen-Game Shenzhen;

(c) a share transfer agreement dated June 30, 2017 and entered into between Tianchan, Dingyi, Mr. Ye, Mr. Yang, Zen-Game Shenzhen and Jinhui, pursuant to which each of Tianchan and Dingyi agreed to transfer, and Jinhui agreed to purchase, 750,000 shares in Zen-Game Shenzhen, representing in aggregate 2.7778% in shares of Zen-Game Shenzhen, at a consideration of RMB9,000,000 and RMB9,000,000, respectively;

(d) a subscription agreement dated June 30, 2017 and entered into between Zen-Game Shenzhen, Tianchan, Dingyi, Palaya, Hezhongshiji, Dechangqing, Dewenshiji, Befortune, Mr. Ye, Mr. Yang, Mangguo Investment and Xizang Taifu, pursuant to which Mangguo Investment agreed to subscribe for 2,500,000 shares in Zen-Game Shenzhen at a consideration of RMB30 million whereas Xizang Taifu agreed to subscribe for 1,500,000 shares in Zen-Game Shenzhen at a consideration of RMB18 million;

(e) an exclusive consultancy and technical service agreement dated October 27, 2018 and entered into by and among Tiantianlaiwan and Zen-Game Shenzhen, pursuant to which Tiantianlaiwan agreed to provide exclusive consultancy and technical service to Zen-Game Shenzhen, and as consideration, Zen-Game Shenzhen agreed to pay on a quarterly basis the relevant services fees to Tiantianlaiwan equal to the revenue of Zen-Game Shenzhen for the preceding quarter;

(f) an intellectual property license agreement dated October 27, 2018 and entered into by and among Tiantianlaiwan, the Registered Shareholders and Zen-Game Shenzhen, pursuant to which Tiantianlaiwan granted Zen-Game Shenzhen a non-exclusive and non-transferable intellectual property license to use the intellectual property rights relating to games development, operation and services that are legally owned by Tiantianlaiwan from time to time for the sole purpose of games development, operation and services of Zen-Game Shenzhen;

(g) an exclusive call option agreement dated October 27, 2018 and entered into by and among Tiantianlaiwan, the Registered Shareholders and Zen-Game Shenzhen, pursuant to which each of the Registered Shareholders irrevocably granted Tiantianlaiwan or its designated purchaser an exclusive option to purchase all or some of the shares in Zen-Game Shenzhen at the lowest price permitted under the PRC laws and regulations;

(h) a share pledge agreement dated October 27, 2018 and entered into by and among the Registered Shareholders, Zen-Game Shenzhen and Tiantianlaiwan, pursuant to

which the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of its shares of Zen-Game Shenzhen together with all related rights thereto to Tiantianlaiwan for the purpose of securing the performance of the contractual obligations of Zen-Game Shenzhen and the Registered Shareholders under the Structured Contracts;

(i) a shareholders' rights entrustment agreement dated October 27, 2018 and entered into by and among the Registered Shareholders, Zen-Game Shenzhen and Tiantianlaiwan, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Tiantianlaiwan to exercise all its rights as the shareholder of Zen-Game Shenzhen to the extent permitted by the PRC laws;

(j) a shareholder's power of attorney executed by Tianchan dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(k) a shareholder's power of attorney executed by Dingyi dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(l) a shareholder's power of attorney executed by Dechangqing dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(m) a shareholder's power of attorney executed by Hezhongshiji dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(n) a shareholder's power of attorney executed by Palaya dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(o) a shareholder's power of attorney executed by Befortune dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(p) a shareholder's power of attorney executed by Xizang Taifu dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(q) a shareholder's power of attorney executed by Dewenshiji dated October 27, 2018 appointing Tiantianlaiwan as its appointee to exercise all its shareholder's rights in Zen-Game Shenzhen;

(r) an undertaking dated October 27, 2018 executed by Ms. Xie Yingying (謝瑩瑩), the spouse of Mr. Ye, in favor of Tiantianlaiwan, irrevocably acknowledging and consenting the signing of the Structured Contracts by Mr. Ye;

(s) an undertaking dated October 27, 2018 executed by Ms. Jiang Qian (江茜), the spouse of Mr. Yang, in favor of Tiantianlaiwan, irrevocably acknowledging and consenting the signing of the Structured Contracts by Mr. Yang;

(t) the Deed of Indemnity;

(u) the Deed of Non-Competition; and

(v) the [**REDACTED**].

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered Owner	Place of registration	Class	Registration number	Expiry date
1.	天天棋牌	Zen-Game Shenzhen	PRC	41	13260846	September 6, 2025
2.	指尖麻将	Zen-Game Shenzhen	PRC	41	16710634	June 6, 2026
3.	天天斗地主	Zen-Game Shenzhen	PRC	42	19531868	June 20, 2028
4	天天爱保皇	Zen-Game Shenzhen	PRC	41	24391087	August 13, 2028

As at the date of this document, we have made the following application for the registration of trademark which, in the opinion of our Directors, is material to our business:

No.	Trademark	Name of applicant	Place of application	Class	Application number	Application date
1		Zen-Game Shenzhen	Hong Kong	41	304604148	July 20, 2018

Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyright	Place of registration	Name of registered proprietor	Registration number	Registration date
1	Zen-game Fight the Landlord game software V2.0 [禪遊鬥地主遊戲軟體V2.0]	PRC	Zen-game Shenzhen	2018SR321279	May 9, 2018
2	MEIZU Fight the Landlord game software V1.00 [魅族鬥地主遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2016SR159752	June 28, 2016
3	Sichuan Mahjong (Fight to the Bitter End) game software V2.0 [四川麻將(血戰到底)遊戲軟體V2.0]	PRC	Zen-game Shenzhen	2016SR075055	April 13, 2016
4	Tiantian Fight the Landlord (Live-action Version) game software V2.0 [天天鬥地主(真人版)遊戲軟體V2.0]	PRC	Zen-game Shenzhen	2016SR075052	April 13, 2016
5	Hunan Run Fast game software V2.00 [湖南跑得快遊戲軟體V2.00]	PRC	Zen-game Shenzhen	2016SR075027	April 13, 2016
6	Tiantian Love Sheng Ji game software V2.00 [天天愛升級遊戲軟體V2.00]	PRC	Zen-game Shenzhen	2016SR075021	April 13, 2016
7	Single-player Mahjong (Happy Version) software V1.00 [單機麻將(歡樂版)軟體V1.00]	PRC	Zen-game Shenzhen	2016SR072002	April 8, 2016
8	Single-player Fight the Landlord (Happy Version) software V1.00 [單機鬥地主(歡樂版)軟體V1.00]	PRC	Zen-game Shenzhen	2016SR072001	April 8, 2016
9	Happy Mengmengxiao mobile game software V1.0 [開心萌萌消手機版遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2016SR062604	March 28, 2016
10	Kuaishou Fishing mobile game software V1.00 [快手捕魚手機版遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2016SR062600	March 28, 2016
11	Fingertip Tiantian Fight the Landlord V1.0 [指尖天天鬥地主遊戲V1.0]	PRC	Zen-game Shenzhen	2015SR242518	December 3, 2015
12	Fingertip Shuang Kou game software V1.00 [指尖雙扣遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2015SR238642	December 1, 2015
13	Fingertip Single-player Fight the Landlord game software V1.00 [指尖單機鬥地主遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2015SR217523	November 10, 2015
14	Fingertip Sichuan Mahjong game software V1.00 [指尖四川麻將遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2015SR217149	November 10, 2015
15	Fingertip Run Fast mobile game software V1.00 [指尖跑得快手機版遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2015SR217136	November 10, 2015
16	Tiantian Love Army Chess game software V1.0 [天天愛軍棋遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2015SR189867	September 29, 2015
17	Tiantian Love Chinese Chess mobile game software V1.0 [天天愛象棋手機版遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2015SR122095	July 2, 2015

No.	Copyright	Place of registration	Name of registered proprietor	Registration number	Registration date
18	Sichuan Mahjong (Happy Version) mobile game software V1.0 [四川麻將(歡樂版)手機版遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2015SR052894	March 25, 2015
19	Four Players Fight the Landlord (Crazy Version) game software V1.0 [四人鬥地主瘋狂版遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2014SR180474	November 25, 2014
20	Tiantian Mahjong (Single-player Version) game software V1.0 [天天麻將(單機版)遊戲軟體V1.0]	PRC	Zen-game Shenzhen	2014SR140200	September 18, 2014
21	Tiantian Love Shuang Kou game software V1.00 [天天愛雙扣遊戲軟體V1.00]	PRC	Zen-game Shenzhen	2014SR030002	March 12, 2014
22	Game operation and management platform software V1.0 [遊戲運營管理平台軟體V1.0]	PRC	Zen-game Shenzhen	2012SR133644	December 25, 2012
23	Online card and board game development platform software V1.0 [聯網棋牌開發平台軟體V1.0]	PRC	Zen-game Shenzhen	2012SR118654	December 4, 2012
24	Tiantian Fight the Landlord (Crazy Version) game software V1.00 [天天鬥地主(瘋狂版)遊戲軟體V1.00]	PRC	Shenzhen Laiwan	2016SR262067	September 14, 2016
25	Live-action Tiantian Fight the Landlord game software V2.0 [真人天天鬥地主遊戲軟體V2.0]	PRC	Hudongyule	2016SR380504	December 19, 2016
26	Quanmin Mengmengxiao game software V1.0 [全民萌萌消遊戲軟體V1.0]	PRC	Hudongyule	2016SR134019	June 6, 2016

Domain Names

As at the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Registrant	Domain name	Date of registration	Expiration date
1	Zen-Game Shenzhen	zen-game.com	July 3, 2010	July 3, 2019
2	Zen-Game Shenzhen	zen-game.cn	July 26, 2010	July 26, 2019
3	Zen-Game Shenzhen	12317wan.com	January 6, 2013	January 6, 2020
4	Zen-Game Shenzhen	12317wan.cn	January 6, 2013	January 6, 2020
5	Zen-Game Shenzhen	365you.com	February 20, 2011	February 3, 2020
6	Zen-Game Shenzhen	365you.com.cn	July 20, 2012	July 20, 2019
7	Zen-Game Shenzhen	chanyou.me	July 19, 2017	July 19, 2019
8	Zen-Game Shenzhen	chanyou001.com	July 19, 2017	July 19, 2019
9	Hudongyule	yuhougame.com	May 12, 2016	May 12, 2019

No.	Registrant	Domain name	Date of registration	Expiration date
10	Shenzhen Laiwan	laiwanwan.com.cn	January 6, 2013	January 6, 2020
11	Shenzhen Laiwan	laiwano.cn	December 7, 2017	December 7, 2020
12	Shenzhen Laiwan	laiwanx.com	December 7, 2017	December 7, 2020
13	Shenzhen Laiwan	letsgaga.com	December 7, 2017	December 7, 2020
14	Leduohudong	leduo-game.com	May 26, 2016	May 26, 2019
15	Leqi Technology	leqi-game.com	May 26, 2016	May 26, 2019
16	Zen-Game Shanghai	5ipoker.cn	August 25, 2016	August 25, 2019

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by the non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing by served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the independent non-executive Director.

The current basic annual salaries of our Directors are as follows:

Mr. Ye Sheng	Nil
Mr. Yang Min	Nil
Mr. Lin Cong	Nil
Ms. Li Wen	Nil
Mr. Jin Shuhui	RMB100,000
Mr. Mao Zhonghua	RMB100,000
Mr. Yang Yi	RMB100,000

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018, the aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1.9 million, RMB2.6 million, RMB4.8 million and RMB1.0 million, respectively.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2018 would be approximately RMB1.9 million.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

***(a) Interests and short positions of our Directors in our share capital and our associated corporations as of the Latest Practicable Date and following the* [REDACTED] *and the* [REDACTED]**

As of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the [**REDACTED**], the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Long position in our Company

Name	Capacity/ Nature of interest	Immediately after the [REDACTED] and the [REDACTED][1] Number of Shares	Immediately after the [REDACTED] and the [REDACTED][1] Approximate percentage of shareholding in our Company
Mr. Ye	Founder of a discretionary trust[2]	[**REDACTED**]	[**REDACTED**]%
Mr. Yang	Founder of a discretionary trust[3]	[**REDACTED**]	[**REDACTED**]%
Ms. Li Wen	Interest in a controlled corporation[4]	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

(2) Sky-zen Capital is owned as to (i) 80% by YeFT Nominee, the holding vehicle used by Core Trust, the trustee of the Ye Family Trust which is a discretionary trust established by Mr. Ye as the settlor and beneficiary; and (ii) 20% by Mr. Ye. Accordingly, Mr. Ye is deemed to be interested in all the Shares held by Sky-zen Capital upon the [**REDACTED**].

(3) J&L Y is owned as to (i) 80% by YFT Nominee, the holding vehicle used by Core Trust, the trustee of the Yang Family Trust which is a discretionary trust established by Mr. Yang as the settlor and beneficiary; and (ii) 20% by Mr. Yang. Accordingly, Mr. Yang is deemed to be interested in all the Shares held by J&L Y upon the [**REDACTED**].

(4) D Zing is owned as to 100% by Ms. Li Wen. Accordingly, Ms. Li Wen is deemed to be interested in all the Shares held by D Zing upon the [**REDACTED**].

(ii) Long position in associated corporation:

Zen-Game Shenzhen

Name	Capacity/ Nature of interest	Immediately after the [REDACTED] and the [REDACTED] Number of shares	Immediately after the [REDACTED] and the [REDACTED] Approximate percentage of shareholding
Mr. Ye	Interest in a controlled corporation[1]	[**REDACTED**]	[**REDACTED**]%
Mr. Yang	Interest in a controlled corporation[2]	[**REDACTED**]	[**REDACTED**]%
Ms. Li Wen	Interest in a controlled corporation[3]	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Mr. Ye holds 99% equity interest of Tianchan and he is thus deemed to be interested in the shares held by Tianchan in Zen-Game Shenzhen.

(2) Mr. Yang holds 90% equity interest of Dingyi and he is thus deemed to be interested in the shares held by Dingyi in Zen-Game Shenzhen.

(3) Ms. Li Wen holds 70% equity interest of Dewenshiji and he is thus deemed to be interested in the shares held by Dewenshiji in Zen-Game Shenzhen.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest Practicable Date and immediately following completion of the [**REDACTED**] and the [**REDACTED**] and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the [**REDACTED**], so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

(i) Long position in our Company

		Immediately after the [REDACTED] and the [REDACTED][1]	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Sky-zen Capital[2]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ms. Xie[3]	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
YeFT Nominee[2]	Interest of a controlled corporation	[**REDACTED**]	[**REDACTED**]%
J&L Y[4]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ms. Jiang[5]	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
YFT Nominee[4]	Interest of a controlled corporation	[**REDACTED**]	[**REDACTED**]%
D Fun[6]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Ms. Zhang[6]	Founder of a discretionary trust	[**REDACTED**]	[**REDACTED**]%
Mr. Zeng[7]	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
ZFT Nominee[6]	Interest of a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Playa[8]	Beneficial owner	[**REDACTED**]	[**REDACTED**]%

		Immediately after the [REDACTED] and the [REDACTED](1)	
Name	**Capacity/ Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Bao Zhoujia	Founder of a discretionary trust(8)	[**REDACTED**]	[**REDACTED**]%
BFT Nominee	Interest of a controlled corporation(8)	[**REDACTED**]	[**REDACTED**]%
RSU Nominee	Beneficial owner(9)	[**REDACTED**]	[**REDACTED**]%
Core Trust	Trustee(2)	[**REDACTED**]	[**REDACTED**]%
	Trustee(4)	[**REDACTED**]	[**REDACTED**]%
	Trustee(6)	[**REDACTED**]	[**REDACTED**]%
	Trustee(8)	[**REDACTED**]	[**REDACTED**]%
	Trustee(9)	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

(2) Sky-zen Capital is owned as to (i) 80% by YeFT Nominee, the holding vehicle used by Core Trust, the trustee of the Ye Family Trust which is a discretionary trust established by Mr. Ye as the settlor and beneficiary; and (ii) 20% by Mr. Ye. Accordingly, YeFT Nominee is deemed to be interested in all the Shares held by Sky-zen Capital upon the [**REDACTED**].

(3) Ms. Xie is the spouse of Mr. Ye and she is thus deemed to be interested in all the Shares held by Mr. Ye under the SFO.

(4) J&L Y is owned as to (i) 80% by YFT Nominee, the holding vehicle used by Core Trust, the trustee of the Yang Family Trust which is a discretionary trust established by Mr. Yang as the settlor and beneficiary; and (ii) 20% by Mr. Yang. Accordingly, YFT Nominee is deemed to be interested in all the Shares held by J&L Y upon the [**REDACTED**].

(5) Ms. Jiang is the spouse of Mr. Yang and she is thus deemed to be interested in all the Shares held by Mr. Yang under the SFO.

(6) D Fun is owned as to (i) 80% by ZFT Nominee, the holding vehicle used by Core Trust, the trustee of the Zhang Family Trust which is a discretionary trust established by Ms. Zhang as the settlor and beneficiary; and (ii) 20% by Ms. Zhang. Accordingly, each of ZFT Nominee and Ms. Zhang is deemed to be interested in all the Shares held by D Fun upon the [**REDACTED**].

(7) Mr. Zeng is the spouse of Ms. Zhang and he is thus deemed to be interested in all the Shares held by Ms. Zhang under the SFO.

(8) Playa is owned as to (i) 80% by BFT Nominee, the holding vehicle used by Core Trust, the trustee of the Bao Family Trust which is a discretionary trust established by Mr. Bao Zhoujia as the settlor and beneficiary; and (ii) 20% by Mr. Bao Zhoujia. Accordingly, each of BFT Nominee and Mr. Bao Zhoujia is deemed to be interested in all the Shares held by Playa.

(9) RSU Nominee is wholly-owned by Core Trust, the trustee under the RSU Scheme.

(ii) Long position in associated corporation

Zen-Game Shenzhen

Name	Capacity/ Nature of interest	Immediately after the [REDACTED] and the [REDACTED]	
		Amount of registered share capital	Approximate percentage of shareholding
		(RMB)	
Tianchan	Beneficial owner(1)	[**REDACTED**]	[**REDACTED**]%
Ms. Xie	Interest of spouse(2)	[**REDACTED**]	[**REDACTED**]%
Dingyi	Beneficial owner(3)	[**REDACTED**]	[**REDACTED**]%
Ms. Jiang	Interest of spouse(4)	[**REDACTED**]	[**REDACTED**]%
Dechangqing	Beneficial owner(5)	[**REDACTED**]	[**REDACTED**]%
Dezhiqing	Interest in a controlled corporation(5)	[**REDACTED**]	[**REDACTED**]%
Ms. Zhang	Interest in a controlled corporation(5)	[**REDACTED**]	[**REDACTED**]%
Mr. Zeng	Interest of spouse(6)	[**REDACTED**]	[**REDACTED**]%
Hezhongshiji	Beneficial owner(7)	[**REDACTED**]	[**REDACTED**]%
Palaya	Beneficial owner(8)	[**REDACTED**]	[**REDACTED**]%
Mr. Bao Zhoujia	Interest in a controlled corporation(8)	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Tianchan is owned as to 99% by Mr. Ye and 1% by Ms. Xie.

(2) Ms. Xie is the spouse of Mr. Ye so she is deemed to be interested in the shares held by Mr. Ye under the SFO.

(3) Dingyi is owned as to 90% by Mr. Yang and 10% by Ms. Jiang.

(4) Ms. Jiang is the spouse of Mr. Yang so she is deemed to be interested in the shares held by Mr. Yang under the SFO.

(5) Dechangqing is owned as to 99% by Dezhiqing which is in turn owned as to 99% by Ms. Zhang. Dezhiqing and Ms. Zhang are therefore deemed to be interested in the shares held by Dechangqing upon the [**REDACTED**].

(6) Mr. Zeng is the spouse of Ms. Zhang so he is deemed to be interested in the shares held by Ms. Zhang under the SFO.

(7) Hezhongshiji is owned as to 6.411% by Mr. Ye, 11.178% by Tianchan, 9.523% by Dingyi, 1.185% by Ms. Xie Biyu, 0.470% by Mr. Kang Yonghong, 7.140% by Mr. Zhu Weijie, 0.470% by Mr. Huang Yucong, 9.524% by Mr. Yu Xi and 54.099% by Mr. Ye as trustee who held shares underlying the restricted share unit granted by Hezhongshiji on behalf of certain eligible participants.

(8) Palaya is owned as to 90% by Mr. Bao Zhoujia. Mr. Bao Zhoujia is therefore deemed to be interested in the shares held by Palaya upon the [**REDACTED**].

2. Disclaimers

Save as disclosed in this document:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account Shares which may be issued upon the exercise of the [**REDACTED**] or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the [**REDACTED**]), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(e) save in connection with the [**REDACTED**], none of the parties listed in the section headed "G. Other Information – 10. Consents of experts" in this Appendix:

  (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. RSU SCHEME AND SHARE OPTION SCHEME

1. RSU Scheme

An RSU Scheme was approved and adopted by a resolution of our Board on October 9, 2018. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the RSU Scheme

The purpose is to incentivize our directors, senior management and employees for their contribution to our Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(b) RSU Awards

An award of RSU gives a participant in the RSU Scheme a conditional right to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the restricted share units, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion.

For the purposes of the RSU Scheme, "Board" means the board of Directors of our Company or a duly authorized committee of the board of directors.

(c) Participants of the RSU Scheme

Eligible persons of the RSU Scheme include existing employees, Directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any Subsidiaries ("**Eligible Persons**").

Subject to the conditions and restrictions on the grant, the Board may select any Eligible Person for participation in the RSU Scheme. Eligible Persons selected by the Board to be granted RSUs under the RSU Scheme at its discretion is regarded as "Selected Persons". Unless so selected, no Eligible Person shall be entitled to participate in the RSU Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.

(d) Term of the RSU Scheme

Subject to the termination clause under paragraph (y), the RSU Scheme shall be valid and effective for a period of ten (10) years ("**Term**"), commencing on the date of the first grant of the RSUs, being June 1, 2016 (unless it is terminated earlier in accordance with its terms), after which no further RSUs shall be granted or accepted, but the provisions of the RSU Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the Term.

(e) Grant of RSUs

Subject to the limitations and conditions of the RSU Scheme, the Board may, at its absolute discretion, grant RSUs to any Selected Person on such terms and conditions as the Board thinks fit, provided that:

(i) no RSUs shall be granted after the expiry of the term of the RSU Scheme or after the earlier termination of the RSU Scheme in accordance with paragraph (w); and

(ii) RSUs that have lapsed in accordance with paragraph (t) or for any other reasons can be re-granted by the Board.

A grant shall be made to a Selected Person by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Grant Letter**") and such grant shall be subject to the terms as specified in the RSU Scheme. The Selected Person shall undertake to hold the RSUs on the terms on which it is granted and be bound by the provisions of the RSU Scheme, such RSU shall remain open for acceptance by the Selected Person to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the RSU Scheme or after the RSU Scheme has been terminated in accordance with the provisions of the RSU Scheme. To the extent that the RSU is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

(f) Acceptance of RSUs

A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter or as otherwise determined by the Board. Once accepted, the RSUs are deemed granted from the date of the Grant Letter, unless otherwise determined by the Board. Upon acceptance, the Selected Person becomes a Participant in the RSU Scheme.

(g) Restrictions on Grants

The Board may not grant any RSUs to any Selected Persons in any of the following circumstances:

(i) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless the Board determines otherwise; or

(ii) where granting the RSUs would result in a breach by our Company, the Subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

(iii) after a price sensitive event in relation to the securities of our Company has occurred or a price sensitive matter in relation to the securities of our Company has been the subject of a decision, until an announcement of such inside information has been duly published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); or

(iv) within the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of the Board (or such date as first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Group for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline to publish an announcement of the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; or

(v) where such grant of RSUs would result in breach of the limits of the RSU Scheme.

(h) Grant to Directors

Where any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of our Group are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Grant to Connected Persons

Any grant of RSU to any director, chief executive or substantial shareholder of the Company (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules) shall be subject to the prior approval of the independent non-executive Directors and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of RSU to a Director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the RSU forms part of the relevant Director's remuneration under his/her service contract.

(j) Maximum number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the Trustee for the purpose of the RSU Scheme from time to time.

(k) Rights Attached to RSUs

A Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the Participant. Further, a Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the Grant Letter to the Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

(l) Rights Attached to Shares

Any Shares transferred to a Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

(m) RSUs to be Personal to the Grantee

Unless otherwise approved by the Board, the RSUs granted pursuant to the RSU Scheme are personal to each Participant, and are not assignable. Unless otherwise approved by the Board, participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee (as defined below) on trust for the Participants, the RSUs or any interest or benefits therein.

(n) Appointment of RSU Trustee

Our Company may appoint a professional trustee (the "**Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise.

(o) Vesting

The Board may determine in its absolute discretion, any vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the Grant Letter.

(p) Provision of Funds

Upon appointing the Trustee, our Company shall procure that sufficient funds are provided to the Trustee by whatever lawful means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme may be transferred, allotted or issued to the Trustee as the Board may in its absolute discretion determine.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the Vesting Notice to each of the relevant Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(q) Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of the Shareholders (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(r) Rights on compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(s) Rights on a voluntary winding-up

If an effective resolution is passed during the Term for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the Participant, but the Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

(t) Lapse or cancellation of RSUs

Any unvested RSUs will automatically lapse immediately upon the earliest of:

(i) the date on which such Participant's employment or service terminates for any reason, except (1) the employment or service is terminated by reason of death, retirement or disability; (2) where the employment is terminated involuntarily without cause; (3) where the company employing the Participant ceases to be one of the Subsidiaries; or (4) any other incident occurs as the Board may at its discretion specify; or

(ii) the time when the Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs; or

(iii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (r) closes; or

(iv) the record date for determining entitlements under the compromise or arrangements referred to in paragraph (s); or

(v) the date of commencement of a winding-up of our Company; or

(vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or

(vii) the time when the Board has decided that the unvested RSUs shall not be vested in the Participant in accordance with the rules of the RSU Scheme and the terms and conditions as set out in the Grant Letter.

A Participant's RSUs will lapse on a proportional basis based on the proportion that (i) the time between the Grant Date and the occurrence of the following relevant event bears to (ii) the entire vesting period set out in the Participant's Grant Letter if:

(i) the Participant's employment or service is terminated because of the Participant's death, retirement or disability;

(ii) the Participant's employment or service is terminated involuntarily without cause;

(iii) the company with which the Participant is employed ceases to be one of the Subsidiaries; or

(iv) any other incident occurs as the Board may at its discretion specify,

provided that the performance criteria set out in the Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

If at any time, a Participant:

(i) ceases to be an employee as a result of termination of his/her employment with our Group for Cause. For the purpose of this Rule, "**Cause**" means the Participant is in breach of his/her contract of employment with or any other obligation to our Group;

(ii) fails, during the course of his/her employment, to devote the whole of his/her time and attention to the business of our Group or to use his/her best endeavours to develop the business and interests of our Group;

(iii) is concerned during the course of his/her employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group;

(iv) is in breach of his/her contract of employment with or any other obligation to our Group;

(v) has, in the opinion of the Board, conducted himself/herself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its Subsidiary; or

(vi) is in breach of any restrictions, terms or conditions attached to the grant of the RSUs,

then all vested and unvested RSUs shall automatically lapse and such Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

The Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(i) our Company or the Subsidiaries pay to the Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board;

(ii) our Company or the relevant Subsidiary provides to the Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or

the Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the RSUs.

(u) Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, the Board may make such equitable adjustments, designed to protect the Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(v) Amendment of the RSU Scheme

Save as provided in the RSU Scheme, the Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all Participants. Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any Participant shall be subject to the consent of the Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the Participants on the date of the relevant resolution passed by the Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. The Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(w) Termination of the RSU Scheme

The Board may terminate the RSU Scheme at any time before the expiry of the Term. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to these Rules prior to the termination of the operation of the RSU Scheme. Our Company or the relevant Subsidiary shall notify the Trustee and all Participants of such termination and of how any property held by the Trustee on trust for the Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(x) Administration of the RSU Scheme

The Board has the power to administer the RSU Scheme, including the power to construe and interpret these Rules and the terms of the RSUs granted under it. The Board may delegate the authority to administer the RSU Scheme to a committee of the Board. The Board may also appoint one or more independent third party contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as the Board thinks fit. The Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a director is a Participant, he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and the Board's administration of the RSU Scheme.

(y) General

An application has been made to the Listing Committee for the [**REDACTED**] of, and permission to deal in, new Shares underlying any RSUs which may be granted pursuant to the RSU Scheme.

As at the Latest Practicable Date, [2,899,172] RSUs in respect of an aggregate of [2,899,172] Shares had been granted by our Company pursuant to the RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Trustee and comply with Chapter 14A of the Listing Rules. Details of the RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

(z) Outstanding RSUs granted

As at the Latest Practicable Date, RSUs in respect of underlying Shares representing approximately [6.10]% of the total issued share capital of our Company immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) had been granted to 24 Selected Persons pursuant to the RSU Scheme. Assuming the total number of shares in issue on the [**REDACTED**] Date will be [**REDACTED**] Shares, the RSUs granted to the Selected Persons as at the Latest Practicable Date will represent [61,035,200] underlying Shares. Three of the Selected Persons are the directors of certain of our PRC Operating Entities and two (excluding those who are also a director of certain of our PRC Operating Entities) are members of our senior management.

Details of the RSUs granted under the RSU Scheme as at the date of this document are set out below:

Name of the Grantees of the RSUs	Position held with our Group	Address	Number of Shares represented by RSUs	Date of Grant	Approximate percentage of shareholding immediately following the completion of the [REDACTED]
Director of our PRC Operating Entities					
Zhu Weijie (朱偉傑)	Director of Hudongyule; product operations director of our Group	Room 15B, Block 2, Bincheng Xian Huating, Xixiang Avenue, Baoan District, Shenzhen, the PRC	14,817,670	June 1, 2016	[**REDACTED**]
Chen Yan (陳豔)	Director of Leduohudong; business director of our Group	105, Block 41, Lianhuabei, Futian District, Shenzhen, the PRC	11,851,780	June 1, 2016	[**REDACTED**]
Xiong Mi (熊密)	Director of Leqi Technology	504, Block 14, Xiyuan Residence, Nanshan Village, Nanshan District, Shenzhen, the PRC	2,962,950	June 1, 2016	[**REDACTED**]
Senior management members of our Company (excluding those who are also a director of our PRC Operating Entities)					
Huang Haiyan (黃海燕)	Chief Financial Officer	9F, Block 3, Huangpu Yayuan Phase 2, Futian District, Shenzhen, the PRC	6,400,000	June 1, 2018	[**REDACTED**]
Zhang Yong (張勇)	Joint Company Secretary	2D, Block B, Fenglinzuoan, Nonglin Road, Futian District, Shenzhen, the PRC	1,481,470	June 1, 2018	[**REDACTED**]

Rank/position held with our Group	Number of Shares represented by RSUs	Date of Grant	Approximate percentage of shareholding immediately following the completion of the [REDACTED]
9 employees with a manager grade or above	15,742,910	June 1, 2016	[**REDACTED**]
	1,259,570	June 1, 2018	[**REDACTED**]
10 employees with a manager grade or below	6,518,850	June 1, 2016	[**REDACTED**]

The maximum number of Shares which may be granted under the RSU Scheme is 2,899,172. No grant of Shares will incur a dilution of the shareholding of our Shareholders immediately following the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] and any options which may be granted under the Share Option Scheme).

2. Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on [●], 2018 and adopted by a resolution of the Board on [●], 2018 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(b) Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(ii) a director or proposed director (including an independent non-executive director) of any member of our Group;

(iii) a direct or indirect shareholder of any member of our Group;

(iv) a supplier of goods or services to any member of our Group;

(v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(vii) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(viii) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the Share Option Scheme (the person referred above are the "Eligible Persons").

(c) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the [**REDACTED**] (such 10% limit representing [**REDACTED**] Shares) excluding Shares which may fall to be issued upon the exercise of the [**REDACTED**] granted by our Company (the "Scheme Mandate Limit") provided that:

(i) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted

under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(ii) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(iii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

(d) Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

(e) Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(f) Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

(g) Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted

during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

(h) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(i) Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(j) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(i) the nominal value of a Share;

(ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

(k) Exercise of Option

(i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(iii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(iv) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(v) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(1) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(2) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(3) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

I. the Option period;

II. the period of two months from the date of such notice; or

III. the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(4) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(l) Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(m) Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(i) the expiry of the Option period;

(ii) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(iii) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme – 11. Exercise of Option" in this Appendix, the date of the commencement of the winding-up of our Company;

(iv) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;

(vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(n) Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(i) the maximum number of Shares subject to the Share Option Scheme; and/or

(ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(iii) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(i) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(ii) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(iii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iv) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(v) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

(o) Cancellation of Options not exercised

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "Cancellation Date"):

(i) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(ii) the grantee makes a written request to the Board for the Option to be cancelled; or

(iii) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

(q) Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(r) Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

(s) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(iii) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and any alteration to the aforesaid alteration provisions,

(iv) provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

(t) Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(i) the approval of our Shareholders for the adoption of the Share Option Scheme;

(ii) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of [**REDACTED**] Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(iii) the commencement of dealing in our Shares on the Stock Exchange; and

(iv) the obligations of the [**REDACTED**] under the [**REDACTED**] Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(i) the Share Option Scheme will forthwith terminate;

(ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(iv) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the [**REDACTED**] of [**REDACTED**] Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the [**REDACTED**] or any event on transaction on or before [**REDACTED**] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the consolidated financial statements of our Group as set out in Appendix I to this document or in the audited accounts of the relevant members of our Group for the three years ended December 31, 2015, 2016, 2017 and the six months ended June 30, 2018 (the "Accounts"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after June 30, 2018 up to and including the [**REDACTED**] or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the [**REDACTED**] or to the extent such claim arises or is increased by an increase in the rates of taxation after the [**REDACTED**] with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from any non-compliance committed by our Group (if any) before the [**REDACTED**].

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately HK$46,800 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the [**REDACTED**] Committee for [**REDACTED**] of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the [**REDACTED**] and any Shares falling to be issued pursuant to the exercise of the [**REDACTED**], and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK$[**REDACTED**] to act as sponsor to our Company in the [**REDACTED**].

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since June 30, 2018 (being the date to which our latest audited combined financial statements were made up).

7. Binding effect

[**REDACTED**]

8. Miscellaneous

(1) Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this document, no commission has been paid or payable (except commissions to the [**REDACTED**]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Guotai Junan Capital Limited	A corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Legal advisors to our Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual document

The English language and the Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the section headed "Statutory and General Information – G. Other Information – 10. Consents of experts" in Appendix IV to this document; and (c) copies of each of the material contracts referred to in the section headed "Statutory and General Information – C. Further information about our Business – 1. Summary of material contracts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountants' Report from Ernst & Young, our reporting accountants, the text of which is set out in Appendix I to this document;

(c) the audited combined financial statements of our Group for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;

(d) the report from Ernst & Young, our reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in the section headed "Statutory and General Information – C. Further information about our Business – 1. Summary of material contracts" in Appendix IV to this document;

(f) the service agreements and appointment letters entered into between our Company and each of our Directors;

(g) the written consents referred to in the section headed "Statutory and General Information – G. Other Information – 10. Consents of experts" in Appendix IV to this document;

(h) the letter issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law as referred to in Appendix III to this document;

(i) the legal opinions prepared by Commerce & Finance Law Offices, our legal advisers as to PRC law, in respect of certain aspects of our Group and our property interests in the PRC;

(j) the industry report prepared by Frost & Sullivan;

(k) the Companies Law;

(l) the RSU Scheme; and

(m) the Share Option Scheme.