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OURGAME INTERNATIONAL HOLDINGS LIMITED

聯眾國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6899)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	Six months ended		Changes
	30 June		
	2014	2013	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	207,285	87,500	+136.9%
Profit attributable to equity holders of the Company	33,203	266	+12382.3%
Non-IFRS adjusted net profit*	62,635	717	+8635.7%
Attributable to equity holders of the Company	62,633	690	+8977.2%
Attributable to non-controlling interests	2	27	-92.6%

* Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding (i) share-based compensation expense; and (ii) expenses relating to the listing of the Company on The Stock Exchange of Hong Kong Limited.

OPERATIONAL HIGHLIGHTS

	Six months ended		Changes
	30 June		
	2014	2013	
	(Unaudited)	(Unaudited)	
Monthly active users (“MAUs”)			
(in thousands):			
Self-developed PC games	10,229	9,734	+5.1%
— Fight the Landlord	3,556	3,227	+10.2%
— Mahjong	1,938	1,402	+38.2%
— Texas Hold'em	108	26	+315.4%
— Other self-developed games	4,627	5,079	-8.9%
Mobile games	14,272	9,091	+57.0%
Total	24,501	18,825	+30.2%
Monthly paying users (“MPUs”)			
(in thousands):			
Self-developed PC games	312	218	+43.1%
Mobile games ⁽¹⁾	415	62	+569.4%
Total	727	280	+159.6%
Monthly average revenue per paying user			
(“ARPPU”) (in RMB):			
Self-developed PC games	70.7	49.3	+43.4%
Mobile games ⁽¹⁾	18.5	9.9	+86.9%

⁽¹⁾ The calculation of MPUs and ARPPU of mobile games does not include mobile games on non-smart devices and third-party operated mobile games, for which data are not available.

BUSINESS REVIEW

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**HKE**x”) since 30 June 2014 (the “**Listing Date**”). It is a historical milestone of the Company, capping off several years’ effort of transformation and reinvigoration of the Company’s business. It is also a recognition by the investors of the Company’s strategy, performance, and governance and will serve as an accelerator for the Company’s growth going forward.

In the first half of 2014, we made significant progress in executing our strategy of further development and optimization of our PC card and board games portfolio, rapid ramp-up of our mobile games development and monetization, leveraging our competitive strengths of our integrated platform and integrated online/offline model. Our games products and services resonated with our users and we achieved significant growth in our financial results for the first half and further strengthened our leadership in our target card and board games markets in China.

For the six months ended 30 June 2014, we achieved substantial growth on almost all major financial and operational metrics compared with the same period last year. The Group’s revenue for the six months ended 30 June 2014 amounted to RMB207.3 million, an increase of 136.9% over the same period in 2013. Our net profit for the six months ended 30 June 2014 amounted to RMB33.2 million, which represents an increase of 14337.0% over the net profit for the same period in 2013. Our adjusted net profit for the six months ended 30 June 2014 amounted to RMB62.6 million, representing an increase of 8635.7% over the same period in 2013. Our MAUs for the six months ended 30 June 2014 amounted to 24.5 million, which represents an increase of 30.2% over the MAUs for the same period in 2013. Both of our ARPPU for self-developed PC games and mobile games showed robust growth. Our ARPPU for self-developed PC games increased 43.4% and ARPPU for mobile games increased by 86.9% over the same period ended 30 June 2013.

Our PC games benefited from our continued innovation and enhancement of our key games as well as improvement in our integrated platform and integrated online/offline model. Our revenue from the PC platform for the six months ended 30 June 2014 amounted to RMB149.3 million, representing an increase of 84.0% over the revenue from the same period in 2013. Also, for the six months ended 30 June 2014, all of the major game categories recorded strong growth but at the same time maintained overall platform balance and revenue diversification, once again reflecting the strength of our integrated platform. The revenue of our major self-developed PC games categories for the six months ended 30 June 2014, namely Texas Hold’em, Mahjong and Fight the Landlord amounted to RMB56.1 million, RMB43.8 million and RMB19.0 million, respectively, representing an increase of 131.6%, 85.1% and 84.0% over the revenue generated from these categories for the same period in 2013. MPUs for our self-developed PC games for the six months ended 30 June 2014 amounted to 312 thousand, which represents an increase of 43.1% over the MPUs for the same period in 2013.

Our mobile games business for the six months ended 30 June 2014 recorded strong growth over the same period in 2013. We undertook a strategy of building a large and high quality mobile user base first, followed by monetization and we believe this strategy is bearing fruit. The revenue of our mobile platform for the six months ended 30 June 2014 was RMB55.0 million, representing an increase of

RMB50.9 million over the revenue for the same period ended 30 June 2013. The MPUs of our mobile platform for the six months ended 30 June 2014 was 415 thousand, representing an increase of 569.4% over the MPUs for the same period ended 30 June 2013. The increase in revenue from our mobile games is also reflected in our overall revenue composition. Our mobile revenue as a percentage of our total revenue increased by 21.8% from 4.7% for the six months ended 30 June 2013 to 26.5% for the six months ended 30 June 2014.

While continuing to work very closely with our Internet and mobile carrier channel partners, we continue to strengthen our online/offline model of promotion. We added WPT Dragon Series to our line-up of branded integrated online/offline tournaments, with the first tournament held in April 2014 and the second in June 2014. We will be holding more WPT Dragon Series Tournaments in the second half of 2014. In the first half of 2014, we have also conducted qualifying tournaments for WPT National China and 2014 World Bridge Championship which both have final events scheduled in October this year. Our online/offline model approach continued to enable us to acquire large number of users economically while providing existing users an enriched user experience.

On the technology side, we have continued to invest and innovate in our platform, analytical engines and game development engines. We have made significant enhancements and optimization to our mobile games payment platform and tracking and analytics engine which provided strong support to our expanding mobile games business. We also continued to refine our game development engine thus providing continuous improvement on development efficiency and added capability.

FUTURE PROSPECTS

In the second half of 2014, we will continue to strengthen and expand our game portfolio across our platform with a particular focus on mobile games. We released five new card and board game titles and versions in the first half of 2014 and would accelerate the pace of development and plan to release thirteen new card and board game titles and versions in the second half. We would aim to provide enhanced user experience and mobile specific value-added features to continue attracting new users while appeal to a broader range of paying users. We plan to create and secure more innovative channel partnerships with partners such as Internet Café operators, IPTV operators, Internet lottery services providers and others, to extend and replicate our online/offline model and tap into new and high quality groups of users. We will start to explore expanding into oversea markets with our leading games supported by our online/offline model. Last but not least, we will continue to invest and optimize our technology infrastructure to support our further business growth and diversified user requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. *Overview*

For the six months ended 30 June 2014, profit attributable to equity holders of the Company increased significantly and amounted to RMB33.2 million, representing an increase of RMB32.9 million from the corresponding period of 2013. Adjusted net profit attributable to equity holders of the Company amounted to RMB62.6 million, representing a significant increase of RMB61.9 million as compared with RMB0.7 million for the corresponding period of 2013.

2. *Revenue*

For the six months ended 30 June 2014, revenue of the Group amounted to RMB207.3 million, representing an increase of RMB119.8 million or 136.9% as compared with RMB87.5 million for the corresponding period of 2013. The increase was due to significant increase in revenue from self-developed PC games and mobile games.

For the six months ended 30 June 2014, the revenue from self-developed PC games amounted to RMB132.7 million, representing an increase of RMB68.2 million or 105.8% as compared with RMB64.5 million for the corresponding period of 2013. Revenue from mobile games amounted to RMB55.0 million for the six months ended 30 June 2014 representing an increase of RMB50.9 million or 1248.1% as compared with RMB4.1 million for the corresponding period of 2013. The increases in self-developed PC games and mobile games were primary driven by strong growth in their corresponding MPUs and ARPPU. For the six months ended 30 June 2014, MPUs for self-developed PC games and mobile games were 312 thousand and 415 thousand respectively, as compared with 218 thousand and 62 thousand for the corresponding period of 2013. For the six months ended 30 June 2014, ARPPU for self-developed PC games and mobile games were RMB70.7 and RMB18.5 respectively, as compared with RMB49.3 and RMB9.9 for the corresponding period of 2013.

3. *Cost of Revenue and Gross Profit Margin*

For the six months ended 30 June 2014, cost of revenue of the Group amounted to RMB77.1 million, representing an increase of RMB48.2 million or 166.8% as compared with RMB28.9 million for the corresponding period of 2013. The resulting gross profit ratios were 62.8% and 67.0% for the six months ended 30 June 2014 and 2013 respectively. The decrease in gross profit margin was mainly due to a significant increase in revenue from mobile games during the six months ended 30 June 2014 as compared with the corresponding period of 2013, whereas mobile games' cost of revenue is higher than the Group's average cost of revenue due to higher channel and distribution costs.

4. *Other Income*

For the six months ended 30 June 2014, other income of the Group amounted to RMB2.8 million, representing an increase of RMB2.0 million or 273.8% as compared with RMB0.7 million for the corresponding period of 2013. This was primarily due to an increase of RMB1.4 million in subsidy income from government.

5. *Selling and Marketing Expenses*

For the six months ended 30 June 2014, selling and marketing expenses of the Group amounted to RMB23.4 million, representing a small increase of RMB1.6 million or 7.3% from RMB21.8 million over the corresponding period of 2013. No material changes to selling and marketing activities during the period.

6. *Administrative Expenses*

For the six months ended 30 June 2014, administrative expenses of the Group amounted to RMB39.7 million, representing an increase of RMB23.3 million or 141.6% as compared with RMB16.4 million for the corresponding period of 2013. The increase was primarily due to a one-time listing-related expenses amounting to RMB17.7 million for the six months ended 30 June 2014.

7. *Research and Development Expenses*

For the six months ended 30 June 2014, research and development expenses of the Group amounted to RMB17.6 million, representing a decrease of RMB2.5 million or 12.6% as compared with RMB20.1 million for the corresponding period of 2013. As we became more efficient in developing PC and mobile games, helped by our cross platform game development engine, we were able to reduce research and development expenses for the period.

8. *Profit Attributable to Equity Holders of the Company*

For the six months ended 30 June 2014, profit attributable to equity holders of the Company amounted to RMB33.2 million as compared with RMB0.3 million for the corresponding period of 2013. The increase was primarily due to the significant increase in revenue and relatively stable level of operating expenses.

9. *Non-IFRS Measure — Adjusted Net Profit*

To supplement our condensed consolidated financial statements which are presented in accordance with the International Financial Reporting Standards (“**IFRS**”), we also use unaudited non-IFRS adjusted net profit attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business.

For the six months ended 30 June 2014, unaudited non-IFRS adjusted net profit attributable to equity holders of the Company amounted to RMB62.6 million as compared with RMB0.7 million for the corresponding period of 2013. The increase was primarily due to the significant increase in revenue and relatively stable level of operating expenses. Our unaudited non-IFRS adjusted net profit attributable to equity holders of the Company for the six months ended 30 June 2014 and 2013 were derived from profit attributable to equity holders of the Company for the period excluding their share of (i) share-based compensation expense of RMB11.7 million (Six months ended 30 June 2013: RMB0.4 million); and (ii) expenses relating to the listing of the Company on the HKEx of RMB17.7 million (Six months ended 30 June 2013: nil).

10. *Income Tax Expense*

For the six months ended 30 June 2014, income tax expense of the Group amounted to RMB7.2 million as compared with RMB0.2 million for the corresponding period of 2013. The increase was mainly due to the increase in profit before income tax.

11. *Liquidity and Source of Funding and Borrowing*

As of 30 June 2014, the Group's total bank balances and cash increased by 1157.4% from RMB58.7 million as of 31 December 2013 to RMB738.3 million. The increase of total bank balances and cash for the period primarily resulted from the increase in profit from operation, the repayment from loans of RMB25.0 million by the shareholders and the net proceeds raised by the initial public offering of approximately RMB600.3 million.

As of 30 June 2014, the current assets of the Group amounted to RMB818.3 million, including RMB743.3 million in bank balances and cash and available-for-sale financial assets and other current assets of RMB75.0 million. Current liabilities of the Group amounted to RMB67.9 million, of which RMB37.6 million were trade payables and deferred revenue and other current liabilities of RMB30.3 million. As of 30 June 2014, the current ratio (the current assets to current liabilities ratio) of the Group was 12.1 as compared with 2.5 as of 31 December 2013.

The Group does not have any bank borrowings and other debt financing obligations as of 30 June 2014 or the date of this interim results announcement and does not have any breaches of finance covenants. The Group intends to finance the expansion, investments and business operations with internal resources.

12. *Material Investments*

The Group did not make any material investments during the six months ended 30 June 2014.

13. *Material Acquisitions and Disposals*

The Group did not have any material acquisitions and disposals of subsidiaries or associated companies during the six months ended 30 June 2014.

14. *Pledge of Assets*

As of 30 June 2014, none of the Group's assets was pledged.

15. *Contingent Liabilities*

The Group had no material contingent liabilities as of 30 June 2014.

16. *Foreign Exchange Exposure*

During the six months ended 30 June 2014, the Group mainly operated in China and majority of the transactions were settled in RMB, the Company's primary subsidiaries' functional currency. As of 30 June 2014, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

17. *Employee's Remuneration and Policy*

As of 30 June 2014, the Group has 520 employees, 294 of which are responsible for game development, 147 for game operation and 79 for general administration. The total remuneration expenses, excluding share-based compensation expense, for the first half of 2014 was RMB40.7 million, representing an increase of 4.4% as compared with that of the corresponding period in the previous year.

We provide external and internal training programs to our employees. As required by PRC law, we participate in various employee benefit plans, including housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. Pursuant to the Pre-IPO Employee and Management Share Option Scheme, there were 25,009,600 share options granted to employees and 50,042,553 share options granted to senior management during the six months ended 30 June 2014.

Accordingly, the Group's share-based compensation expense for the six months ended 30 June 2014 amounted to RMB11.7 million, representing an increase of RMB11.3 million as compared with RMB0.5 million for the corresponding period of 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders.

1. Compliance with the Code on Corporate Governance Practices

Since the Listing Date up to the date of this announcement, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

2. Directors' Interest in a Competing Business

During the period under review, the Directors were not aware of any business or interest of the Directors or any substantial Shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

3. Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules to govern securities transactions by its directors. Having made specific enquiry of all directors of the Company, all directors have confirmed that they strictly complied with the required standard set out in the Model Code since the Listing Date up to the date of this announcement.

4. Audit Committee

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to review and supervise the Company's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors. The audit committee comprises three members, namely, Mr. CHEUNG Chung Yan David (independent non-executive director), Mr. FAN Tai (non-executive director) and Mr. GE Xuan (independent non-executive director). Mr. CHEUNG Chung Yan David is the chairman of the audit committee.

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2014. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

5. Other Board Committees

In addition to the audit committee, the Company has also established a nomination and corporate governance committee, a remuneration committee and a risk management committee. On 22 August 2014, the Board has ratified paragraph 2.1 of the terms of the reference of the risk management committee to read: “The Committee shall comprise a majority of independent Non-executive Directors. Independence shall be determined by the Board with reference to relevant legislation, regulation and guidance.” and paragraph 2.2 of the terms of reference (which originally reads: “The Chairman of the Audit Committee shall be a member of the Committee”) has been removed. The Board resolved that the change in the terms of reference of the risk management committee shall be deemed to have come into effect on the Listing Date.

6. Purchase, Sale or Redemption of the Company’s Listed Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

7. Material Litigation

As of 30 June 2014, the Company was not involved in any material litigation or arbitration. Nor were the directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

8. Interim Dividend

The Board does not recommend the payment of any interim dividend to the shareholders of the Company for the six months ended 30 June 2014 (Six months ended 30 June 2013: nil).

9. Use of Proceeds from Global Offering

On 30 June 2014, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. The net proceeds from the above global offering were approximately RMB600.3 million. The Company will use the net proceeds in proportion as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus issued by the Company on 18 June 2014.

INTERIM RESULTS

The board of directors (the “**Board**”) of Ourgame International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014. These interim results have been reviewed by the Company’s Audit Committee and the Company’s auditors, Grant Thornton Hong Kong Limited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	2	207,285	87,500
Cost of revenue		<u>(77,120)</u>	<u>(28,905)</u>
Gross profit		130,165	58,595
Other income	3	2,759	738
Selling and marketing expenses		(23,402)	(21,801)
Administrative expenses		(39,719)	(16,437)
Share-based compensation expense	12	(11,744)	(487)
Research and development expenses		<u>(17,614)</u>	<u>(20,148)</u>
Profit before income tax		40,445	460
Income tax expense	5	<u>(7,240)</u>	<u>(230)</u>
Profit for the period	4	<u>33,205</u>	<u>230</u>
Other comprehensive loss for the period			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u>(27)</u>	<u>—</u>
Total comprehensive income for the period		<u>33,178</u>	<u>230</u>

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit/(Loss) for the period attributable to:			
Equity holders of the Company		33,203	266
Non-controlling interests		<u>2</u>	<u>(36)</u>
		<u>33,205</u>	<u>230</u>
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the Company		33,176	266
Non-controlling interests		<u>2</u>	<u>(36)</u>
		<u>33,178</u>	<u>230</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB cents per share)			
Basic	7	<u>8.03</u>	<u>0.06</u>
Diluted	7	<u>5.47</u>	<u>0.06</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		11,480	9,168
Intangible assets		44,256	43,318
Interest in an associate		7,000	7,000
Deferred tax assets		<u>158</u>	<u>158</u>
		<u>62,894</u>	<u>59,644</u>
Current assets			
Inventories		937	1,169
Trade and other receivables	8	74,096	58,467
Loans to shareholders	9	—	25,000
Available-for-sale financial assets		5,000	5,000
Bank balances and cash		<u>738,287</u>	<u>58,716</u>
		<u>818,320</u>	<u>148,352</u>
Current liabilities			
Trade and other payables	10	39,505	27,829
Deferred revenue		25,006	29,467
Income tax liabilities		<u>3,354</u>	<u>1,484</u>
		<u>67,865</u>	<u>58,780</u>
Net current assets		<u>750,455</u>	<u>89,572</u>
Total assets less current liabilities		<u>813,349</u>	<u>149,216</u>
EQUITY			
Share/paid-in capital	11	238	72,061
Reserves		<u>813,021</u>	<u>77,067</u>
Equity attributable to equity holders of the Company		813,259	149,128
Non-controlling interests		<u>90</u>	<u>88</u>
Total equity		<u>813,349</u>	<u>149,216</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit before income tax		40,445	460
Adjustments for non-cash items		<u>19,982</u>	<u>6,355</u>
Operating profit before working capital changes		60,427	6,815
Net changes in working capital		<u>(14,444)</u>	<u>(21,431)</u>
Cash generated from/(used in) operations		45,983	(14,616)
Interest received		727	429
Income tax paid		<u>(5,370)</u>	<u>(3,072)</u>
Net cash from/(used in) operating activities		<u>41,340</u>	<u>(17,259)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,389)	(4,348)
Purchase of intangible assets		(83)	(10,038)
Addition in development costs through internal development		(6,763)	(5,867)
Purchase of available-for-sale financial assets		(4,000)	(2,000)
Proceeds from disposal of available-for-sale financial assets		4,000	—
Repayment in loans to shareholders		25,000	—
Proceeds from disposal of property, plant and equipment		—	139
Increase in time deposits with maturity exceeding three months		<u>(30,000)</u>	<u>—</u>
Net cash used in investing activities		<u>(17,235)</u>	<u>(22,114)</u>

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cash flows from financing activities			
Dividends paid		(299,998)	—
Proceeds from issuance of Series A Preferred Shares	11	300,000	—
Proceeds from issuance of new shares in connection with the listing of the Company's shares	11	661,207	—
Payment of share issuance expenses		<u>(35,743)</u>	<u>—</u>
<i>Net cash from financing activities</i>		<u>625,466</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents		649,571	(39,373)
Cash and cash equivalents at beginning of period		<u>58,716</u>	<u>95,587</u>
Cash and cash equivalents at end of period		<u><u>708,287</u></u>	<u><u>56,214</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		738,287	56,214
Less: time deposits with maturity exceeding three months		<u>(30,000)</u>	<u>—</u>
		<u><u>708,287</u></u>	<u><u>56,214</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

Ourgame International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2014 (the “Listing”).

Pursuant to a group reorganization (the “Reorganization”) in preparation for the Listing, including the entering of Contractual Arrangements, the Company became the holding company of the subsidiaries now comprising the Group on 28 January 2014, the details of which are set out in the prospectus issued by the Company dated 18 June 2014 (the “Prospectus”).

The unaudited condensed consolidated interim financial report (the “Interim Financial Report”) is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”).

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2013, which has applied all the new standards, amendments to standards and interpretations that are mandatory for the financial year beginning 1 January 2014.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2013 as set out in the Accountant’s Report of the Company, the text of which is set out in Appendix I to the Prospectus.

2. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the development and operation of online card and board games in the People's Republic of China (the "PRC"). This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "CODM"), being the executive directors of the Group. The CODM mainly reviews revenue derived from PC games and mobile games, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented. An analysis of the Group's revenue is as follows:

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PC games	149,251	81,127
Mobile games	54,961	4,077
Others	3,073	2,296
	<u>207,285</u>	<u>87,500</u>

3. OTHER INCOME

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Other revenue		
Interest income	<u>727</u>	<u>429</u>
Other net income		
Subsidy income from government (note)	1,588	170
Sundry income	<u>444</u>	<u>139</u>
	<u>2,032</u>	<u>309</u>
	<u>2,759</u>	<u>738</u>

Note: Subsidy income mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

4. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefit expenses		
Salaries, bonus and allowances	34,146	30,050
Retirement benefit scheme contributions	6,256	7,952
Severance payments	328	997
Share-based compensation expense	11,744	487
	<u>52,474</u>	<u>39,486</u>
Other items		
Listing-related expenses	17,686	—
Depreciation of property, plant and equipment	3,077	2,336
Amortisation of intangible assets	5,908	4,100
	<u>5,908</u>	<u>4,100</u>

5. TAXATION

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax —PRC enterprise income tax	7,240	91
Deferred tax	—	139
	<u>7,240</u>	<u>230</u>
Income tax expense	<u>7,240</u>	<u>230</u>

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. Hong Kong profits tax has not been provided as the companies within the Group had no estimated assessable profits in Hong Kong.

(c) **PRC enterprise income tax**

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25%.

Pursuant to the relevant laws and regulations in the PRC, Beijing Lianzhong Co., Ltd. (“Lianzhong”), a subsidiary of the Company, was accredited as a “Key Software Enterprise within National Planning Layout” (國家規劃佈局內重點軟件企業) in December 2013. Pursuant to the above entitlement, Lianzhong enjoys a preferential income tax rate of 10% for the years 2013 and 2014.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). Lianzhong has made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the six months ended 30 June 2013 and 2014.

(d) **PRC withholding tax**

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group’s foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

6. DIVIDENDS

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Dividend declared by the Company	(a)	296,498	—
Dividend declared by Lianzhong	(b)	3,500	—
		299,998	—

Notes:

- (a) A special dividend amounting to RMB296,498,000 (equivalent to US\$48,566,000) has been proposed, approved and paid to the ordinary shareholders of the Company during the six months ended 30 June 2014. The preferred shareholders of the Company and Blink Milestones Limited (“Blink Milestones”) have waived their entitlement to the special dividend. Blink Milestones is a company wholly owned and controlled by Mr. Liu Jiang, a controlling shareholder of the Company.
- (b) Dividends disclosed during the period represented dividends declared before the Contractual Arrangements (as defined in the Prospectus) were entered and paid by Lianzhong to its then shareholders.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful.

7. EARNINGS PER SHARE

Earnings per share attributable to ordinary equity holders of the Company

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allotted on 1 January 2013 as if the Company has been established by then. In addition, the number of ordinary shares during the respective period have also been adjusted retrospectively for the proportional change in the number of shares outstanding as a result of the share sub-division and the capitalisation issue as detailed in Note 11, in the computation of both basic and diluted earnings per share for the six months ended 30 June 2013 and 2014.

(a) Basic earnings per share

Basic earnings per share for the period is calculated by dividing the profit attributable to equity holders of the Company of RMB33,203,000 (Six months ended 30 June 2013: RMB266,000) by the weighted average number of ordinary shares of 413,657,459 shares (2013: 411,600,000 shares) in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the six months ended 30 June 2013. For the six months ended 30 June 2014, the Company has two categories of dilutive ordinary shares, the Series A Preferred Shares and the Management Pre-IPO Share Option Scheme.

Diluted earnings per share for the period is calculated by dividing the profit attributable to equity holders of the Company of RMB33,203,000 (Six months ended 30 June 2013: RMB266,000) by the weighted average number of ordinary shares of 607,187,026 shares (2013: 411,600,000 shares) in issue during the period, calculated as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	413,657,459	411,600,000
Adjustment for Series A Preferred Shares	136,441,989	—
Adjustment for Management Pre-IPO Share Option Scheme	57,087,578	—
	<u>607,187,026</u>	<u>411,600,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>607,187,026</u>	<u>411,600,000</u>

Earnings per share attributable to Series A Preferred Shares holders of the Company

As detailed in Note 11 of the Interim Financial Report, the Company has completed the issue of 85,714,284 Series A Preferred Shares to the investors on 10 February 2014. On 30 June 2014, upon the Listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, all the Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis. As the Series A Preferred Shares were issued and fully converted into ordinary shares during the six months ended 30 June 2014, earnings per share (basic and diluted) attributable to Series A Preferred Shares holders of the Company are not presented as such information is not considered meaningful.

8. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
Trade receivables			
From third parties	(a)	52,919	36,325
Less: provision for impairment of trade receivables		<u>(583)</u>	<u>(583)</u>
		<u>52,336</u>	<u>35,742</u>
Other receivables			
Deposits, prepayments and other receivables		21,101	21,094
Advances to employees		1,659	1,755
Amounts due from shareholders		—	61
Deferred IPO costs		<u>—</u>	<u>815</u>
		22,760	23,725
Less: provision for impairment of other receivables		<u>(1,000)</u>	<u>(1,000)</u>
		<u>21,760</u>	<u>22,725</u>
		<u>74,096</u>	<u>58,467</u>

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade receivables

Trade receivables were arising from the operation of online card and board games. The credit terms of trade receivables granted to distribution channels and payment vendors are usually 30 to 90 days. Ageing analysis based on recognition date of the gross trade receivables at the respective reporting dates is as follows:

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
0 – 30 days	15,394	10,589
31 – 60 days	10,946	9,308
61 – 90 days	3,761	8,772
91 – 180 days	18,901	6,832
181 – 365 days	3,252	164
Over 1 year	<u>665</u>	<u>660</u>
	<u>52,919</u>	<u>36,325</u>

9. LOANS TO SHAREHOLDERS

Loans to shareholders were unsecured, interest-free and have been fully repaid during the six months ended 30 June 2014.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2014 <i>RMB'000</i> (Unaudited)	As at 31 December 2013 <i>RMB'000</i> (Audited)
Trade payables		
To third parties	12,539	12,419
To an associate	<u>28</u>	<u>79</u>
	<i>(a)</i> <u>12,567</u>	<u>12,498</u>
Other payables		
Receipts in advance	1,162	82
Other payables and accrued charges	17,219	7,213
Other taxes payables	1,273	1,670
Staff costs and welfare accruals	6,701	5,700
Deferred income related to government grants	<u>583</u>	<u>666</u>
	<u>26,938</u>	<u>15,331</u>
	<u>39,505</u>	<u>27,829</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2013 and 30 June 2014 were considered to be a reasonable approximation of its fair value.

(a) **Trade payables**

Trade payables primarily related to the purchase of services for server custody, outsourcing game development and the revenue sharing of licensed and third-party operated PC games and which is payable to cooperated game developers according to respective cooperation agreements.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
0 – 30 days	7,531	5,395
31 – 60 days	1,754	2,673
61 – 90 days	857	611
91 – 180 days	2,176	912
181 – 365 days	163	888
Over 1 year	86	2,019
	<u>12,567</u>	<u>12,498</u>

11. SHARE/PAID-IN CAPITAL

The capital as at 31 December 2013 represented the Group's share of nominal value of the paid-in capital of the companies comprising the Group after elimination of investments in subsidiaries.

With the completion of the Reorganization on 28 January 2014, the capital as at 30 June 2014 represents the issued share capital of the Company. The difference between the nominal value of the Company's shares and the then consolidated net assets of the subsidiaries being acquired at the time of the Reorganization was treated as capital contributions from the controlling shareholders and included in other reserve.

Details of the movements in the share capital of the Company since its date of incorporation to 30 June 2014 are detailed below.

	<i>Notes</i>	Number of shares	Nominal value of shares US\$'000
Authorised:			
<i>Ordinary shares of the Company:</i>			
Ordinary shares upon incorporation	<i>(i)</i>	<u>50,000</u>	<u>50</u>
As at 31 December 2013		50,000	50
Share sub-division	<i>(ii)</i>	999,950,000	—
Re-designation and reclassification on 30 January 2014	<i>(ii)</i>	(85,714,284)	(4)
Re-designation and reclassification on 30 June 2014	<i>(vii)</i>	176,400,000	9
Increase in authorised share capital	<i>(vii)</i>	<u>8,909,314,284</u>	<u>445</u>
As at 30 June 2014 (Unaudited)		<u>10,000,000,000</u>	<u>500</u>
<i>Non-redeemable convertible Series A Preferred Shares of the Company:</i>			
Upon incorporation and as at 31 December 2013		—	—
Re-designation and reclassification on 30 January 2014	<i>(ii)</i>	85,714,284	4
Increase in authorised share capital	<i>(iv)</i>	90,685,716	5
Re-designation and reclassification on 30 June 2014	<i>(vii)</i>	<u>(176,400,000)</u>	<u>(9)</u>
As at 30 June 2014 (Unaudited)		<u>—</u>	<u>—</u>

	<i>Notes</i>	Number of shares	Nominal value of shares <i>US\$'000</i>	Equivalent nominal value of shares <i>RMB'000</i>
Issued and fully paid:				
<i>Ordinary shares:</i>				
Issued upon incorporation and as at 31 December 2013	<i>(i)</i>	10,000	10	61
Share sub-division	<i>(ii)</i>	199,990,000	—	—
Issuance of shares upon capitalisation issue	<i>(iv)</i>	211,600,000	10	65
Issuance of new shares in connection with the listing of the Company's shares	<i>(v)</i>	196,000,000	10	60
Conversion of Series A Preferred Shares	<i>(vi)</i>	<u>176,400,000</u>	<u>9</u>	<u>52</u>
As at 30 June 2014 (Unaudited)		<u>784,000,000</u>	<u>39</u>	<u>238</u>
<i>Non-redeemable convertible Series A Preferred Shares:</i>				
Upon incorporation and as at 31 December 2013		—	—	—
Issuance of shares on 31 January 2014	<i>(iii)</i>	85,714,284	4	24
Issuance of shares upon capitalisation issue	<i>(iv)</i>	90,685,716	5	28
Conversion of Series A Preferred Shares	<i>(vi)</i>	<u>(176,400,000)</u>	<u>(9)</u>	<u>(52)</u>
As at 30 June 2014 (Unaudited)		<u>—</u>	<u>—</u>	<u>—</u>
As at 30 June 2014 (Unaudited)		<u>784,000,000</u>	<u>39</u>	<u>238</u>
As at 31 December 2013		<u><u>10,000</u></u>	<u><u>10</u></u>	<u><u>61</u></u>

(i) Incorporation of the Company

The Company was incorporated with limited liability on 4 December 2013 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On incorporation, 10,000 ordinary shares of US\$1 each were issued at par, equivalent to approximately RMB61,000.

(ii) Share sub-division, reclassification and re-designation of the share capital of the Company

On 27 January 2014, the board of directors and shareholders of the Company approved a share sub-division of the Company's share capital at a ratio of 1:20,000. As a result, the authorised share capital became US\$50,000 which was divided into 1,000,000,000 ordinary shares of par value of US\$0.00005 each, while the issued share capital became US\$10,000 which was divided into 200,000,000 ordinary shares of par value of US\$0.00005 each.

On 30 January 2014, the board of directors of the Company approved a re-designation and re-classification of authorised share capital into 914,285,716 ordinary shares of par value of US\$0.00005 each and 85,714,284 Series A non-redeemable convertible preferred shares of par value of US\$0.00005 each (“Series A Preferred Shares”). The key terms of the Series A Preferred Shares are summarised in the Prospectus.

(iii) Issue of Series A Preferred Shares

On 31 January 2014, the Company entered into an agreement (“Subscription Agreement”) pursuant to which CMC Ace Holdings Limited (“Investor 1”) and KongZhong Corporation (“Investor 2”, collectively with Investor 1, the “Investors”) have agreed to subscribe for 57,142,856 Series A Preferred Shares and 28,571,428 Series A Preferred Shares, respectively, of par value of US\$0.00005 each at a price of US\$0.57330058 per share at an aggregate consideration of approximately US\$49,140,000 (equivalent to RMB300,000,000), of which approximately US\$4,000 (equivalent to RMB24,000) was credited to share capital of the Company and the balance of US\$49,136,000 (equivalent to RMB299,976,000) was credited to the share premium account of the Company. The issuance of Series A Preferred Shares was completed on 10 February 2014.

Share issuance expenses directly attributable to the issue of Series A Preferred Shares amounting to RMB607,000 was treated as a deduction against the share premium account arising from the issuance.

(iv) Increase in authorised share capital of Series A Preferred Shares and Capitalisation Issue

Pursuant to the written resolutions of the shareholders passed on 12 June 2014, the total authorised share capital of the Company (immediately prior to the Capitalisation Issue as described below) was increased from US\$50,000 to approximately US\$55,000 by the creation of an additional 90,685,716 Series A Preferred Shares of a par value of US\$0.00005 each.

On the same date, the shareholders have approved and the Directors were authorised to capitalise an amount of approximately US\$15,000 (equivalent to RMB93,000) standing to the credit of the share premium account to be applied in paying up in full 211,600,000 ordinary shares of US\$0.00005 each and 90,685,716 non-redeemable convertible Series A Preferred Shares of US\$0.00005 each to be allotted and distributed as fully paid to shareholders whose names appeared on the register of members of the Company immediately before Listing, in the proportion to their then existing shareholdings in the Company. The Capitalisation Issue was completed on 30 June 2014.

(v) Issuance of new shares in connection with the listing of the Company’s shares

On 30 June 2014, upon its Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 196,000,000 new ordinary shares at par value of US\$0.00005 per share for cash consideration of HK\$4.25 each, and raised gross proceeds of approximately HK\$833,000,000 (equivalent to RMB661,207,000), of which RMB60,000 was credited to share capital and the balance of RMB661,147,000 was credited to the share premium account of the Company.

Share issuance expenses mainly include share underwriting commission, lawyers’ fees, reporting accountant’s fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting to RMB41,391,000 was treated as a deduction against the share premium account arising from the issuance.

(vi) Conversion of Series A Preferred Shares

On 30 June 2014, upon the Listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, all the 176,400,000 Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis (the “Conversion”).

(vii) Change of authorised share capital of the Company immediately after the completion of the Conversion

Pursuant to the written resolutions of the directors and shareholders passed on 12 June 2014, on 30 June 2014, immediately after the completion of the Conversion, 176,400,000 Series A Preferred Shares of a par value of US\$0.00005 each in the authorised share capital of the Company was reclassified and re-designated into ordinary shares of a par value of US\$0.00005 and that the authorised share capital of the Company was increased from US\$55,000 to US\$500,000 by the creation of an additional 8,909,314,284 ordinary shares of a par value of US\$0.00005 each.

12. SHARE-BASED COMPENSATION TRANSACTIONS

(a) Shares awarded to employees by shareholders of Lianzhong in 2012 and the 2014 Replacement Share Options issued by Blink Milestones

In 2012, Mr. Zhang Rongming and Mr. Li Jianhua have awarded their 99.99% equity interest in Beijing Tongshengcheng Investment Management Center (LLP) (the “2012 Awarded Shares”) to certain employees of the Group (the “Participants”). Beijing Tongshengcheng Investment Management Center (LLP) (“Tongshengcheng”) is a limited partnership in the PRC which owned 10% equity interest in Lianzhong at the date of transfer. On 20 February 2014, as part of the Reorganization, Tongshengcheng ceased to hold shares of Lianzhong and an agreement was entered between Blink Milestones, Tongshengcheng, the existing Participants, Lianzhong and the controlling shareholders that the 2012 Awarded Shares will be cancelled and replaced by the 12,152,381 options granted by Blink Milestones to the remaining Participants on the same date with the same vesting conditions (the “2014 Blink Milestones Share Options”). The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024 with an exercise price of RMB0.2625 per share (subject to adjustment) and are subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of listing of the Company’s shares on any internationally recognised stock exchange, starting from the first anniversary date until the fourth, and for the Participants remaining an employee of the Group until and on the relevant vesting dates. Blink Milestones is an investment holding company and owned 12.43% equity interest in the Company at the date of grant. The incremental fair value of the 2014 Blink Milestones Share Options of approximately RMB9,706,000 will be included in the measurement of share-based compensation expense from February 2014 to the end of the vesting period, in addition to the amount based on the grant date fair value of the 2012 Awarded Shares. Details of the terms of the 2012 Awarded Shares and the 2014 Blink Milestones Share Options have been set out in the Accountant’s Report of the Prospectus.

The number of share options and exercise price of the 2014 Blink Milestones Share Options are subject to adjustment upon certain events. Upon the completion of the Capitalisation Issue as detailed in Note 11, the number of share options and exercise price per share has been adjusted to 25,009,600 options in total, at an exercise price of RMB0.1276 per share, respectively.

The Group has no legal or constructive obligation to repurchase or settle the 2014 Blink Milestones Share Options in cash. The 2014 Blink Milestones Share Options entitle participants to obtain existing issued shares in the Company held by Blink Milestones and will not involve the Company issuing any new shares, the 2014

Blink Milestones Share Options were accounted for as a share-based compensation transaction by way of capital contribution from the shareholders. Movements in the 2012 Awarded Shares and the 2014 Blink Milestones Share Options during the six months ended 30 June 2013 and 2014 are stated below.

Movements in the 2012 Awarded Shares are as follows:

	Nominal value of 2012 Awarded Shares RMB'000 (Unaudited)
As at 1 January 2013	6,952
Forfeited during the period	<u>(1,471)</u>
As at 30 June 2013	<u><u>5,481</u></u>
As at 1 January 2014	3,757
Forfeited during the period	(92)
Cancelled and replaced during the period	<u>(3,665)</u>
As at 30 June 2014	<u><u>—</u></u>

Movements in the number of 2014 Blink Milestones Share Options are as follows:

	Average exercise price per share option RMB	Number of share options
As at 1 January 2014		—
Granted during the period*	0.1276	<u>25,009,600</u>
As at 30 June 2014		<u><u>25,009,600</u></u>

* *Adjusted for Capitalisation Issue*

For the 2014 Blink Milestones Share Options, the directors have used the discounted cash flow method and market approach to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the underlying share value of the Company and the key assumption on valuation at the grant date includes the discount rate of 20% and projections of future performance and have used the Binomial option-pricing model to determine the total fair value of the options granted. The inputs into the model are as follows:

	20 February 2014
Exercise price	RMB0.2625
Expected volatility	50%
Expected life	10 years
Risk-free rate	4.6792%
Expected dividend yield	—

(b) Management Pre-IPO Share Option Scheme of the Company in 2014

Pursuant to an unanimous written resolution of the Board of Directors of the Company (the “Board”) on 7 March 2014, a share option scheme (“Management Pre-IPO Share Option Scheme”) and respective share options granted by the Company on 20 February 2014 was adopted and ratified by the Board. The Management Pre-IPO Share Option Scheme was adopted for the purpose of providing participants an opportunity to acquire proprietary interests in the Company and help motivate such participants to optimize their performance and efficiency, and also to help retain the participants for the continual growth and development of the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Management Pre-IPO Share Option Scheme must not in aggregate exceed 6% of the issued share capital of the Company after an IPO, as defined. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the six months ended 30 June 2014, share options (in aggregate to purchase 6% of the issued share capital of the Company after an IPO) were granted by the Company on 20 February 2014 to senior management of the Group with estimated total fair value of approximately RMB52,870,000. The exercise price of the share options granted is US\$0.34398035 per share (subject to adjustment). The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024. Twenty five percent (25%) of options granted shall vest on the first anniversary of the grant date, and the remaining options granted shall vest on 36 equal monthly instalments with the first instalment vesting upon the 13th monthly anniversary of the grant date and each of the remaining instalments vesting on each monthly anniversary of the 13th monthly anniversary of the grant date, and for the participant continuing to be an employee of the Group or director of the Company until and on the relevant vesting dates. In addition, the share options are only exercisable after the completion of an IPO.

On 30 June 2014, upon the completion of the Capitalisation Issue and the Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the total number of share options granted equate to 50,042,553 share options at an adjusted exercise price of US\$0.16714303 per share. Movements in the number of share options during the period are as follows:

	Exercisable period	Exercise price per share US\$	Outstanding as at 1 January 2014	Granted during the period	Outstanding as at 30 June 2014
Directors	20 February 2014 to 19 February 2024	0.16714303	—	41,702,128	41,702,128
Employee	20 February 2014 to 19 February 2024	0.16714303	—	8,340,425	8,340,425
			—	50,042,553	50,042,553
			—	50,042,553	50,042,553

None of the share options granted were lapsed or exercised during the six months ended 30 June 2014.

The directors have used the discounted cash flow method and market approach to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying share value of the Company and the key assumption on valuation at the grant date includes the discount rate of 20% and projections of future performance. Based on the fair value of the underlying share value of the Company, the directors have used the Binomial option-pricing model to determine the fair value of the options granted. The inputs into the model were as follows:

	20 February 2014
Exercise price	US\$0.34398035
Expected volatility	50%
Expected life	10 years
Risk-free rate	4.6792%
Expected dividend yield	—

- (c) The Group recognised a total expense of RMB11,744,000 for the six months ended 30 June 2014 (Six months ended 30 June 2013: RMB487,000) in relation to the above share awards or share options granted by the shareholders or the Company, and the share-based compensation expense were shown as a separate item on the face of the condensed consolidated statement of comprehensive income.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the HKEx at *www.hkexnews.hk* and the website of the Company at *www.ourgame.com*. The interim report of the Group for the six months ended 30 June 2014 will be published on the aforesaid websites of the HKEx and the Company and will be dispatched to the Company's shareholders in due course.

By Order of the Board
Ourgame International Holdings Limited
YANG Eric Qing
Chairman and Executive Director

Hong Kong, 22 August 2014

As at the date of this announcement, the Executive Directors are Mr. YANG Eric Qing, Mr. NG Kwok Leung Frank, Mr. LIU Jiang and Mr. ZHANG Rongming; the Non-executive Directors are Mr. FAN Tai and Mr. CHEN Xian; the Independent Non-executive Directors are Mr. GE Xuan, Mr. LU Zhong and Mr. CHEUNG Chung Yan David.

* *For identification purpose only*