Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00484

2018 Annual Report

Forgame

Forgame

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Dongfeng
(Chairman and Chief Executive Officer)
Ms. LIANG Na *(Chief Financial Officer)*
Mr. ZHANG Yang *(Co-Chief Operations Officer)*
Ms. LI Luyi *(Co-Chief Operations Officer)*

Non-executive Director

Mr. ZHANG Qiang

Independent Non-executive Directors

Mr. HOW Sze Ming
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason

AUDIT AND COMPLIANCE COMMITTEE

Mr. HOW Sze Ming *(Chairman)*
Mr. ZHANG Qiang
Mr. WAN Joseph Jason

REMUNERATION COMMITTEE

Mr. ZHAO Cong Richard *(Chairman)*
Mr. ZHANG Qiang
Mr. HOW Sze Ming

NOMINATION COMMITTEE

Mr. WANG Dongfeng *(Chairman)*
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Ms. LEE Ka Man

COMPANY SECRETARY

Ms. LEE Ka Man

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Sidley Austin
39/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Woo, Kwan, Lee & Lo
26/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to Cayman Islands law:
(in alphabetical order)

Appleby
2206-19, Jardine House
1 Connaught Place
Central
Hong Kong

Walkers
Suite 1501-1507, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing
PRC

CORPORATE INFORMATION

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

The offices of Osiris International Cayman Limited
Suite #4–210, Governors Square
23 Lime Tree Bay Avenue
P.O. Box 32311
Grand Cayman KY1-1209
Cayman Islands

CORPORATE HEADQUARTERS

Room 01–02, 60/F
International Metropolitan Plaza
68 Huacheng Avenue
Guangzhou
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Man Yee Building
60-68 Des Voeux Road Central
Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

(in alphabetical order)

China Citic Bank, Guangzhou branch

China Citic Bank, Jiujiang branch

China Everbright Bank, Jiujiang branch

China Merchants Bank, Guangzhou branch

China Merchants Bank, Hong Kong branch

Shanghai Pudong Development Bank, Hong Kong branch

INVESTOR RELATIONS

Christensen
16/F, Methodist House
36 Hennessy Road
Wan Chai
Hong Kong

COMPANY'S WEBSITE

www.forgame.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

00484

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Year Ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**324,243**	346,466	361,564	511,539	643,470
Gross profit	**238,330**	222,281	72,549	171,414	425,191
(Loss)/profit for the year	**(320,022)**	68,648	(396,492)	(129,621)	(38,807)
Non-IFRSs Measures					
— EBITDA[1] for the year	**(337,646)**	105,319	(364,158)	(115,487)	(24,061)
— Adjusted EBITDA[2] for the year	**55,488**	58,561	(207,813)	(38,675)	(6,004)

Notes:

(1) EBITDA means earnings before interests, taxes, depreciation and amortisation.

(2) The Group defines adjusted EBITDA as EBITDA excluding share-based compensation, impairment of intangible assets arising from business combination, impairment of other receivables on disposal of investment in an associate, changes in the value of financial assets at fair value through profit or loss, gain on disposal of investment in an associate, gain on disposal of available-for-sale financial assets, loss on disposal of a subsidiary, impairment of investment in associates and impairment of available-for-sale financial assets. For details of EBITDA and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis — Non-IFRSs Measures — EBITDA and Adjusted EBITDA" in this annual report.

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**102,929**	416,930	393,435	281,706	352,460
Current assets	**886,711**	1,106,452	768,382	1,243,405	1,206,760
Total assets	**989,640**	1,523,382	1,161,817	1,525,111	1,559,220
Equity and liabilities					
Total equity	**847,687**	1,181,417	1,058,110	1,444,726	1,401,046
Non-current liabilities	**581**	32,447	474	2,202	7,553
Current liabilities	**141,372**	309,518	103,233	78,183	150,621
Total liabilities	**141,953**	341,965	103,707	80,385	158,174
Total equity and liabilities	**989,640**	1,523,382	1,161,817	1,525,111	1,559,220

CHAIRMAN'S STATEMENT

Dear Forgame Shareholders,

On behalf of the Board, I am pleased to present our financial performance for the year ended 31 December 2018.

OVERVIEW

In 2018, the Group's overall operating conditions remained steady. The Group's adjusted EBITDA, which mainly excluded the one-off impairment of intangible assets arising from business combination amounting to RMB349.1 million, was approximately RMB55.5 million in 2018. For further details, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – EBITDA and Adjusted EBITDA" in this annual report.

As described in the Group's 2018 Interim Report, 2018 was a difficult year for the Group's fintech business as well as the entire domestic fintech industry. Regulators issued a number of guidelines during the year for the domestic fintech industry which increased regulatory requirements for fintech companies. Faced with an increasingly difficult market environment, the Group's management and employees acted in unison, rapidly made adjustments to the business and eventually navigated through this critical time.

Turning to our game business, almost three years have passed since the Group's flagship game "Liberators" was launched in overseas markets in March 2016. As at the end of 2018, the game continues to generate steady monthly gross billings of more than RMB3.0 million without any large-scale promotional campaign since the first quarter of 2017. Since we started the promotional campaign, "Liberators" has generated a net income of over RMB41.0 million after deducting content cost, distribution cost and promotional expenses. This success reflects our deep understanding of overseas gamers and our ability to launch overseas advertising campaigns.

In conclusion, despite the various difficulties that we have encountered, our team has kept our morale high. Our management is confident about the future and will quickly respond if we identify any opportunities in the market.

OUTLOOK

The year of 2018 brought with it a series of tremendous and rapid changes. The Group maintained its stability and enhanced its business in order to navigate these difficult times and pave the way for future growth.

Forgame's mission has always been to "bring joy to our users". With this mission in mind, Forgame launched a number of popular games since its establishment in 2009. With the help of China's internet development and the socialization in the game industry, the industry is evolving and entering an approach of gaming and sports, or e-sports. E-sports, which is sporting competition using electronic equipment, has developed rapidly since it was acknowledged as No.78 formal sports program by the General Administration of Sport of China in 2008. According to an independent third-party research report, the size of the e-sports market reached RMB77 billion in 2017 and is expected to exceed RMB88 billion in 2018. The annual growth rate for e-sports users has been more than 20% for the past three years and the total number of e-sports users is expected to reach 430 million in 2018. Looking forward, e-sports will be a new growth momentum for the sports industry with the new generation turning into the main consumer group. A new style of entertainment is forming in the society. The new form of entertainment characterised by e-sports and virtual reality ("VR") is becoming more dominant commercially.

In order to prepare for the challenges ahead, the Group acquired approximately 19.99% equity interest in LMDJ, one of China's most well-known e-sports venue brands, at the beginning of 2019. The acquisition signifies the commencement of the Group's strategy to upgrade its game business. In the future, the Group will continue to closely monitor new technologies for game and fintech including VR and blockchain. In order to stay one step ahead of the industry, the Group will invest in the future at the right time to actively upgrade its business to adapt to the increasingly fierce competition in the internet market.

CHAIRMAN'S STATEMENT

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, the management team, employees, business partners and customers of the Group for their continued support and contribution to the Group.

WANG Dongfeng
Chairman

Hong Kong, 27 March 2019

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Group is principally engaged in developing and publishing domestic and overseas webgames and mobile games as well as providing internet micro-credit service and financial information service in the PRC.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 12a to the Financial Statements.

RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive (loss)/income on pages 82 to 83 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" on page 4, pages 5 to 6 and pages 41 to 54 of this annual report, respectively.

Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors — Contractual Arrangements — F. Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" and "Management Discussion and Analysis — Risks and Hurdles" on pages 24 to 27 and page 53 of this annual report, respectively. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 41 to 54 of this annual report. In addition, the Group's environmental, social and corporate government report (the "Environmental, Social and Governance Report") can be found in the appendix to this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

SHARE CAPITAL

During the year ended 31 December 2018, the Company had issued 111,494 Shares as a result of the exercise of the options granted under the Pre-IPO Share Options Scheme.

Details of the movement in the share capital of the Company during the year ended 31 December 2018 are set out in note 25 to the Financial Statements.

REPORT OF DIRECTORS

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 87 of this annual report and in note 26 to the Financial Statements.

USE OF PROCEEDS FROM IPO

The Company's Shares were listed on the Stock Exchange in October 2013 and the Company raised net proceeds of approximately HK$982.8 million from the IPO. It was disclosed in the Company's announcement dated 3 August 2016 (the "August Announcement") that the Board had resolved to change the use of approximately HK$289,840,000 out of the remaining unutilised IPO proceeds as at the date of the August Announcement for investments in the internet, media and technology industry, and such investments may include equity, bonds, hybrid products such as convertible bonds in the primary or secondary market. The balance of the IPO proceeds of approximately HK$115,200,000 as at the date of the August Announcement would be used for working capital and other general corporate purposes. For further details, please refer to the August Announcement.

As at 31 December 2018, the Group had utilised all of the net proceeds from the IPO, of which (i) approximately HK$386.3 million was used in the purchase of webgame and mobile game licences, the acquisition of IP rights authorisation and equity investments, (ii) approximately HK$92.5 million was used in funding the expansion of the Group's international operation, (iii) approximately HK$289.8 million was used in investments in the internet, media and technology industry, and (iv) approximately HK$214.2 million was used for working capital and other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the section headed "Future plans and use of proceeds" in the Prospectus and as subsequently amended and disclosed in the August Announcement.

USE OF PROCEEDS FROM PLACING

Reference is made to the Company's announcements dated 23 May 2015 and 5 June 2015. The Group successfully raised over HK$314 million through the Placing of 19,041,900 Placing Shares to not less than six professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 in order to strengthen its capital base and working capital position. Upon the completion of the Placing, the Company received gross proceeds of HK$314,191,350 and net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$310,160,000, representing a net issue price of approximately HK$16.29 per Placing Share. As disclosed in the August Announcement, the Board had resolved to change the use of the remaining approximately HK$310,160,000 out of the unutilised net proceeds from the Placing as at the date of the August Announcement for investments in the internet, media, and technology industry, and such investments may include equity, bonds, hybrid products such as convertible bonds in the primary or secondary market. It was further disclosed in the Company's announcement dated 28 December 2016 (the "December Announcement") that the Board had resolved to expand the use of approximately HK$248,579,000, being the remaining unutilised net proceeds from the Placing as at the date of the December Announcement, for operations and investments in the internet, media and technology industry, and for working capital and other general corporate purposes. For further details in respect of the changes in the use of proceeds from the Placing, please refer to the August Announcement and the December Announcement.

As at 31 December 2018, the Group had utilised all of the net proceeds from the Placing in operations and investments in the internet, media and technology industry.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had distributable reserves of approximately RMB1,113.7 million (as at 31 December 2017: RMB1,132.2 million), none of which had been proposed as final dividend for the year ended 31 December 2018.

FINANCIAL HIGHLIGHTS

A summary of the condensed consolidated results and financial position of the Group is set out on page 4 of this annual report.

CHARITABLE DONATIONS

Save for those disclosed in the section headed "Returning to Our Community" in the Environmental, Social and Governance Report, the Group made charitable donations of approximately RMB0.1 million during the year ended 31 December 2018.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the Financial Statements.

BORROWINGS

During the year ended 31 December 2018, the Group did not have any short-term or long-term bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant unrecorded contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2018 and as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, or the laws of the Cayman Islands, and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the Latest Practicable Date were:

Executive Directors

Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*
Ms. LIANG Na *(Chief Financial Officer)*
Mr. ZHANG Yang *(Co-Chief Operations Officer)*
Ms. LI Luyi *(Co-Chief Operations Officer) (appointed with effect from 14 April 2019)*

Non-executive Director

Mr. ZHANG Qiang

Independent Non-executive Directors

Mr. HOW Sze Ming
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*

In accordance with article 104 of the Articles, Ms. POON Philana Wai Yin retired from office as an Independent Non-executive Director by rotation at the annual general meeting of the Company held on 25 May 2018 and did not offer herself for re-election as Director at such annual general meeting in order to devote more time to focus on her other work commitments.

Mr. WAN Joseph Jason was elected and appointed as an Independent Non-executive Director at the annual general meeting of the Company held on 25 May 2018. The biographical information of Mr. WAN Joseph Jason has been disclosed on page 75 of this annual report.

After the date of the Report of Directors, Ms. LI Luyi was appointed as an addition to the Board with effect from 14 April 2019. In accordance with article 99(3) of the Articles, Ms. LI Luyi shall hold office as Director only until the forthcoming Annual General Meeting and being eligible, has offered herself for re-election as executive Director at the forthcoming Annual General Meeting.

In accordance with article 104 of the Articles, Mr. ZHANG Yang, an Executive Director, shall retire from office by rotation at the forthcoming Annual General Meeting and has indicated that he will not offer himself for re-election as Director and will retire after the conclusion of the forthcoming Annual General Meeting. Mr. ZHANG Qiang, a Non-executive Director and Mr. HOW Sze Ming, an Independent Non-executive Director shall retire from office by rotation at the forthcoming Annual General Meeting being eligible, have offered themselves for re-election as Directors at the forthcoming Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 71 to 75 of this annual report.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Mr. WANG Dongfeng (Executive Director) has entered into a service contract with the Company for an initial term of three years with effect from 1 September 2013 (which was subsequently renewed for a further term of three years) unless terminated by not less than three months' notice in writing served by either the Director or the Company. Each of Ms. LIANG Na (Executive Director) and Mr. ZHANG Qiang (Non-executive Director) has entered into a service contract and an appointment letter with the Company respectively for an initial term of three years with effect from 24 May 2016 unless terminated by not less than 30 days' notice in writing served by either the Director or the Company. Mr. ZHANG Yang (Executive Director) has entered into a service agreement with the Company for an initial term of three years with effect from 31 August 2017 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Ms. LI Luyi (Executive Director) has entered into a service agreement with the Company for an initial term of three years with effect from 14 April 2019 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Mr. ZHAO Cong Richard (Independent Non-executive Director) has signed appointment letters with the Company for an initial term of two years with effect from 1 September 2013 (which was subsequently renewed for two further terms with a term of two years each) unless terminated by not less than 30 days' notice in writing served by either the Independent Non-executive Director or the Company. Mr. HOW Sze Ming (Independent Non-executive Director) has signed an appointment letter with the Company for an initial term of two years with effect from 1 January 2016 (which was subsequently renewed for a further term of two years) unless terminated by not less than 30 days' notice in writing served by either the Independent Non-executive Director or the Company. Mr. WAN Joseph Jason (Independent Non-executive Director) has signed an appointment letter with the Company for an initial term of two years with effect from 25 May 2018 unless terminated by not less than 30 days' notice in writing served by either the Independent Non-executive Director or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract or appointment letter with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors, namely Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of these Directors and considers all the Independent Non-executive Directors to be independent.

REPORT OF DIRECTORS

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors and chief executives at the relevant time being in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Relevant Class of Shares/ Underlying Shares held	Approximate Percentage of Shareholding
WANG Dongfeng (汪東風)	Founder of the Discretionary Trust Interest of Controlled Corporation(1)	The Company	21,673,338 Ordinary Shares (long position)	15.82%
	Beneficial Owner (2)	The Company	1,650,800 Ordinary Shares (long position)	1.20%
ZHAO Cong Richard (趙聰) (3)	Beneficial Owner	The Company	174,400 Ordinary Shares (long position)	0.13%
HOW Sze Ming (侯思明) (4)	Beneficial Owner	The Company	150,000 Ordinary Shares (long position)	0.11%
ZHANG Qiang (張強) (5)	Beneficial Owner	The Company	150,000 Ordinary Shares (long position)	0.11%
LIANG Na (梁娜) (6)	Beneficial Owner	The Company	1,157,889 Ordinary Shares (long position)	0.84%
ZHANG Yang (張陽)	Beneficial Owner (7)	The Company	280,000 Ordinary Shares (long position)	0.20%
	Beneficial Owner	JLC (Cayman)	1,211,562 Ordinary Shares (long position)	1.21%
WAN Joseph Jason (尹宸賢) (8)	Beneficial Owner	The Company	50,000 Ordinary Shares (long position)	0.04%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of Wang Trust. Wang Trust is a discretionary trust set up by Mr. WANG Dongfeng, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of Wang Trust include Mr. WANG Dongfeng and certain of his family members. Mr. WANG Dongfeng and Managecorp Limited are taken to be interested in the 21,673,338 Shares held by Foga Group.

(2) Mr. WANG Dongfeng was granted 500,000 RSUs under the Restricted Share Unit Scheme in 2016, 125,000 of which vested on 1 December 2016, 125,000 vested on 1 June 2017, 125,000 vested on 1 December 2017 and 125,000 vested on 1 June 2018. Mr. WANG Dongfeng bought an aggregate of 850,800 Shares during the period from 26 June to 13 July 2017. He was further granted 300,000 RSUs under the Restricted Share Unit Scheme in 2018, 50,000 of which vested on 1 December 2018.

(3) Mr. ZHAO Cong Richard was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares as at 31 December 2018. He was also granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, 25,000 of which vested on 1 December 2016, 25,000 vested on 1 June 2017, 25,000 vested on 1 December 2017 and 25,000 vested on 1 June 2018. Mr. ZHAO Cong Richard sold 25,000 Shares vested under the RSU Scheme on 29 June 2017. Mr. ZHAO Cong Richard was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018.

(4) Mr. HOW Sze Ming was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, 25,000 of which vested on 1 December 2016, 25,000 vested on 1 June 2017, 25,000 vested on 1 December 2017 and 25,000 vested on 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018.

(5) Mr. ZHANG Qiang was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, 25,000 of which vested on 1 December 2016, 25,000 vested on 1 June 2017, 25,000 vested on 1 December 2017 and 25,000 vested on 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018. Mr. ZHANG Qiang sold 75,000 Shares vested under the RSU Scheme on 17 January 2019.

(6) Ms. LIANG Na was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 25,089 Shares, and the Post-IPO Share Option Scheme to subscribe for 329,000 Shares as at 31 December 2018. 329,000 Post-IPO Share Options in which she was interested lapsed on 2 January 2019. Ms. LIANG Na was granted 820,000 RSUs under the Restricted Share Unit Scheme in 2016, 205,000 of which vested on 1 December 2016, 205,000 vested on 1 June 2017, 205,000 vested on 1 December 2017 and 205,000 vested on 1 June 2018. Ms. LIANG Na sold 216,200 Shares vested under the RSU Scheme during the period from 18 July 2017 to 4 September 2018. She was further granted 200,000 RSUs under the Restricted Share Unit Scheme in 2018, 33,333 of which vested on 1 December 2018.

(7) Mr. ZHANG Yang was granted 280,000 RSUs under the Restricted Share Unit Scheme in 2018, 46,667 of which vested on 1 December 2018.

(8) Mr. WAN Joseph Jason was granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018.

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2018.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited [1][2]	Trustee	29,437,335 Ordinary Shares (long position)	21.48%
Foga Group [1]	Beneficial Owner	21,673,338 Ordinary Shares (long position)	15.82%
GU Wei	Beneficial Owner	11,790,830 Ordinary Shares (long position)	8.60%
LIAO Dong [2]	Founder of Discretionary Trust Interest of Controlled Corporation	7,763,997 Ordinary Shares (long position)	5.67%
Foga Holdings [2]	Beneficial Owner	7,763,997 Ordinary Shares (long position)	5.67%
KongZhong Corporation	Beneficial Owner	9,581,900 Ordinary Shares (long position)	6.99%
Foga Internet Development [3]	Beneficial Owner	7,785,700 Ordinary Shares (long position)	5.68%
YANG Tao	Interest of Controlled Corporation [3]	7,785,700 Ordinary Shares (long position)	5.68%
	Beneficial Owner [4]	1,340,000 Ordinary Shares (long position)	0.98%
China Create Capital Limited	Beneficial Owner	9,584,000 Ordinary Shares (long position)	6.99%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of Wang Trust. Wang Trust is a discretionary trust set up by Mr. WANG Dongfeng, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of Wang Trust include Mr. WANG Dongfeng and certain of his family members. Mr. WANG Dongfeng and Managecorp Limited are taken to be interested in 21,673,338 Shares held by Foga Group.

(2) Foga Holdings is wholly owned by Managecorp Limited as the trustee of Hao Dong Trust. Hao Dong Trust is a discretionary trust set up by Mr. LIAO Dong, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary object of Hao Dong Trust is Mr. LIAO Dong himself. Mr. LIAO Dong and Managecorp Limited are taken to be interested in 7,763,997 Shares held by Foga Holdings.

(3) Foga Internet Development is wholly owned by Mr. YANG Tao. Mr. YANG Tao is taken to be interested in the 7,785,700 Shares held by Foga Internet Development.

(4) Mr. YANG Tao was granted 1,340,000 RSUs under the Restricted Share Unit Scheme in 2016, 335,000 of which vested on 1 December 2016, 335,000 vested on 1 June 2017, 335,000 vested on 1 December 2017 and 335,000 vested on 1 June 2018.

Save as disclosed above, as at 31 December 2018, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and chief executives' interests and short positions in shares, underlying shares and debentures" above, at no time during the year ended 31 December 2018 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group (including the PRC Operational Entities), none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2018, the Group did not perform any material acquisition or disposal of subsidiaries, associated companies or joint ventures.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, no related parties transactions disclosed in note 34 to the Financial Statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Investment activities in the PRC by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment, which was most recently jointly amended by the Ministry of Commerce and the National Development and Reform Commission on 28 June 2017 and became effective on 28 July 2017 (the "Catalogue") and the Special Administrative Measures (Negative List) for the Access of Foreign Investment, which was jointly issued by the Ministry of Commerce and the National Development and Reform Commission on 28 June 2018 and became effective on 28 July 2018 (the "Negative List", together with the Catalogue, the "Guidelines"). The Guidelines contain specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign invested industries and prohibited foreign investment industries. According to the Guidelines, (i) the webgame and mobile game businesses currently operated by the Feidong PRC Operational Entities, namely Feiyin, Weidong and Jieyou, and (ii) the fintech business under the "Jianlicai" brand currently operated by the JLC PRC Operational Entities, principally Jinweilai, are regarded as value-added telecommunications services (except for e-commerce) and internet cultural business (except for music), and fall within the restricted industry category and the prohibited industry category, respectively.

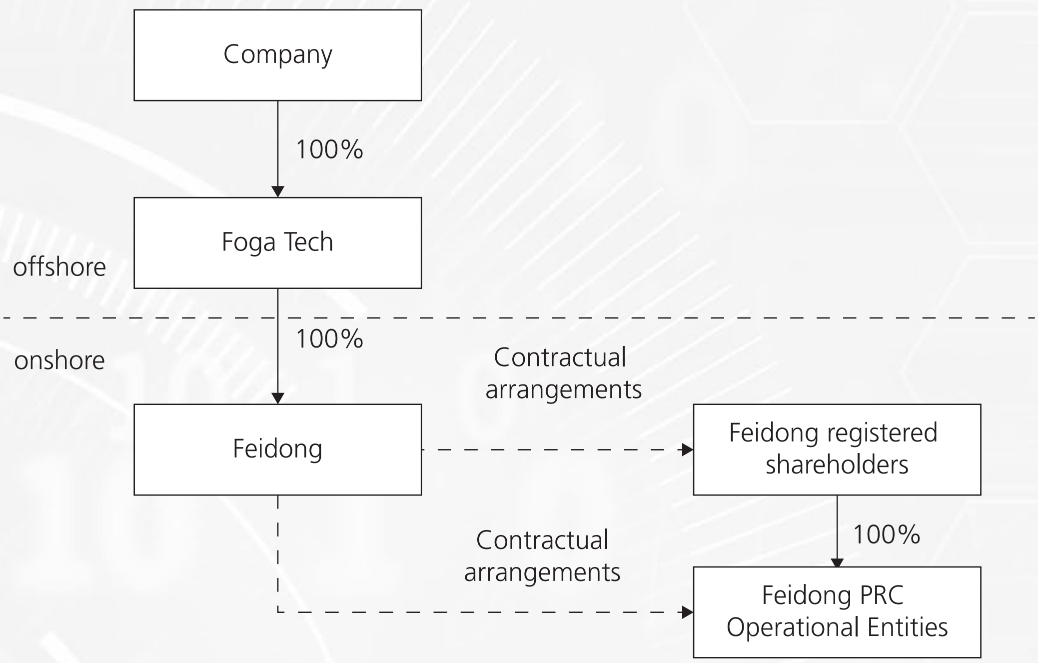
Furthermore, according to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and amended on 10 September 2008, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provision services. Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP Licence from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. A foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirement").

As advised by the Company's PRC legal advisers, as at 31 December 2018, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement. Further, the amendments made on the Catalogue in June 2017 and the Negative List did not lessen the requirements in respect of foreign investments on value-added telecommunications services and internet cultural business.

A. Feidong Contractual Arrangements

In order for the Company to be able to carry on its businesses in China including webgame and mobile game businesses, operations and investments in the fintech business (including internet micro-credit in the PRC) and provision of information technology services, the Group has in place the Feidong Contractual Arrangements between Feidong, on one hand, the Feidong PRC Operational Entities and their respective shareholders on the other hand, which enable the Company to exercise control over the Feidong PRC Operational Entities, and to consolidate the financial results of Feidong PRC Operational Entities in the results of the Company under IFRSs as if they were wholly-owned subsidiaries of the Company.

The table below sets out a simplified structure of the Feidong Contractual Arrangements:



Summary of the major terms of the structured contracts under the Feidong Contractual Arrangements

The following sets out a summary of the major terms of the structured contracts under the Feidong Contractual Arrangements which were in place during the year ended 31 December 2018:

i. Exclusive options agreements dated June and July 2012, which were amended and restated on 12 September 2013, entered into between each of the Feidong PRC Operational Entities, their respective shareholders, and Feidong, under which Feidong was granted an exclusive irrevocable option to purchase from the respective shareholders some or all of their equity interests in the Feidong PRC Operational Entities at any time, at a nominal amount subject to applicable PRC laws.

ii. Exclusive business cooperation agreements dated 21 June 2012, which were amended and restated on 12 September 2013, entered into between each of the Feidong PRC Operational Entities and Feidong, under which each of the Feidong PRC Operational Entities agreed to engage Feidong as its exclusive provider of business support, technical and consulting services, including network support, business consultations, intellectual property development, equipment leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for a monthly service fee. The monthly fee is, subject to Feidong's adjustment, equal to 100% of the net income of the Feidong PRC Operational Entities and may also include accumulated earnings of the Feidong PRC Operational Entities from previous financial years. Pursuant to the exclusive business cooperation agreements, Feidong also has the exclusive and proprietary rights to all intellectual properties developed by the Feidong PRC Operational Entities.

iii. Share pledge agreements dated July 2012, which were amended and restated on 12 September 2013, entered into between each of the Feidong PRC Operational Entities, its respective shareholders, and Feidong, under which the shareholders of the Feidong PRC Operational Entities pledged all of their respective equity interests in the Feidong PRC Operational Entities to Feidong as collateral security for all of their payments due to Feidong and to secure performance of their obligations under the above-mentioned exclusive business cooperation agreements.

iv. Irrevocable powers of attorney executed in June and July 2012, which were amended and restated on 12 September 2013, executed by each of the shareholders of the Feidong PRC Operational Entities to appoint Feidong as the exclusive agent and attorney to act on their behalf on all matters concerning the Feidong PRC Operational Entities and to exercise all of their rights as registered shareholders of the Feidong PRC Operational Entities.

For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

During the year ended 31 December 2018, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the Feidong PRC Operational Entities, (ii) there were no material changes in the Feidong Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the Feidong Contractual Arrangement mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the Feidong Contractual Arrangements have been removed.

Particulars of the Feidong PRC Operational Entities as at 31 December 2018:

Name of the Feidong PRC Operational Entities	Type of legal entity/ place of establishment and operation	Registered owners	Business activities
Feiyin	Limited liability company/ the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development of webgames and mobile games; operations and investments in the fintech business (through Yunke, a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016)
Weidong	Limited liability company/ the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development and operation of webgames and mobile games
Jieyou	Limited liability company/ the PRC	48.61% by Mr. Zhuang 20.94% by Mr. Wang 17.13% by Mr. Liao 12.37% by Mr. Huang 0.95% by Mr. Yang	Development and operation of webgames and mobile games

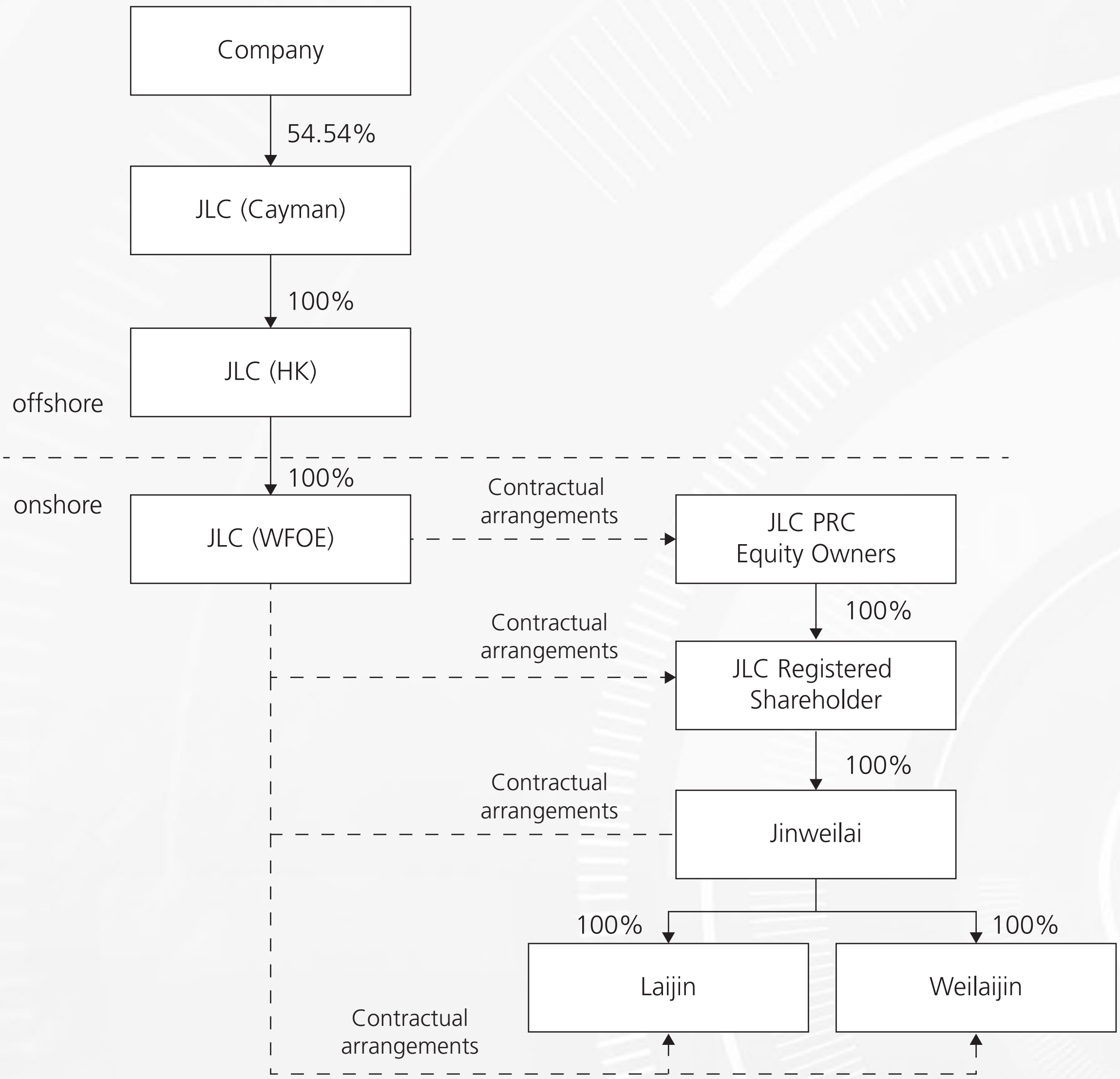
The Feidong PRC Operational Entities are significant to the Group as they hold certain licences and permits that are essential to the operations of the webgame and mobile game businesses and internet micro-credit in the PRC of the Group, such as the ICP Licence, the Network Cultural Business Permit, the Internet Publication Licence and the internet micro-credit business licence (《江西省小額貸款公司經營許可證》) in the PRC. In addition, most of the intellectual property rights relating to such businesses, including software copyrights, trademarks, patents and domain names, are held by the Feidong PRC Operational Entities.

The Feidong PRC Operational Entities have undertaken to the Company that, for so long as the Shares are listed on the Stock Exchange, the Feidong PRC Operational Entities will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions contemplated under the Feidong Contractual Arrangements.

B. JLC Contractual Arrangements

As set out above, pursuant to the applicable PRC laws, the value-added telecommunications business (Information Service via Internet and mobile network) of the JLC PRC Operational Entities is subject to restriction on foreign investment. As such, each of the JLC PRC Operational Entities, the JLC Registered Shareholder and their respective shareholders, and JLC (WFOE) have entered into the JLC Contractual Arrangements to enable the financial results, the entire economic benefits and risks of the businesses of the JLC PRC Operational Entities to flow into JLC (WFOE) and to enable JLC (WFOE) to gain the controlling right of the JLC PRC Operational Entities.

The table below sets out a simplified structure of the JLC Contractual Arrangements:



Summary of the major terms of the structured contracts under the JLC Contractual Arrangements

The following sets out a summary of the major terms of the structured contracts under the JLC Contractual Arrangements which were in place during the year ended 31 December 2018:

i. exclusive options agreements dated 31 July 2017 and entered into among (i) the registered shareholders of the respective JLC VIE Controlled Entity, (ii) JLC (WFOE), and (iii) the respective JLC VIE Controlled Entity, pursuant to which the registered shareholder(s) of respective JLC VIE Controlled Entity irrevocably agree(s), to the extent permitted under the laws of the PRC, to transfer to JLC (WFOE) or any persons(s) designated by JLC (WFOE), all or in tranches of its equity interest in the respective JLC VIE Controlled Entity, at a minimum purchase price permitted by the PRC laws and regulations (the "Agreed Price"). The registered shareholder(s) of the respective JLC VIE Controlled Entity will undertake to reimburse JLC (WFOE) (or the person as designated by JLC (WFOE)), any difference between the actual consideration JLC (WFOE) (or the person as designated by JLC (WFOE)) paid pursuant to the exercise of the option(s) and the Agreed Price. JLC (WFOE) may exercise such options at any time until it or the person(s) designated by it has acquired the entire interest of the JLC VIE Controlled Entities.

ii. exclusive business cooperation agreements dated 31 July 2017 and entered into between the respective JLC VIE Controlled Entity and JLC (WFOE), pursuant to which the respective JLC VIE Controlled Entity engages JLC (WFOE) on an exclusive basis to provide business and technical consultancy services in connection with the business of the respective JLC VIE Controlled Entity. In consideration of the provision of business and technical consultancy services, the respective JLC VIE Controlled Entity will pay JLC (WFOE) a service fee equivalent to 100% of the income and interests of the respective JLC VIE Controlled Entity every year after deduction of necessary costs, expenses, taxes and mandatory reserves.

iii. equity pledge agreements dated 31 July 2017 and entered into among (i) the registered shareholders of the respective JLC VIE Controlled Entity, (ii) JLC (WFOE), and (iii) the respective JLC VIE Controlled Entity, pursuant to which the registered shareholder(s) agree(s) to pledge all equity interest in the respective JLC VIE Controlled Entity held by the registered shareholders to JLC (WFOE).

iv. irrevocable power of attorney dated 31 July 2017 and entered into among the registered shareholder(s) of the respective JLC VIE Controlled Entity, pursuant to which the registered shareholder(s) irrevocably and unconditionally undertake(s) to authorise JLC (WFOE) or any person as designated by JLC (WFOE) to exercise on their behalf full shareholders' rights under the articles of association of the respective JLC VIE Controlled Entity and applicable PRC laws and regulations, including, but not limited to (i) the right to convene, attend the shareholders' meetings and vote and sign minutes of shareholders' meetings and shareholders' resolutions, (ii) exercising all shareholder's rights under PRC laws and the articles of association of the respective JLC VIE Controlled Entity, including but not limited to selling, transferring or disposing of entire or any part of the equity interests thereof, (iii) appointing the legal representatives, director, supervisor, chief executive or other senior management thereof, and (iv) the right to file documents with the relevant companies registry. The registered shareholder(s) also undertake(s) that in the event of its bankruptcy, liquidation, or loss of legal capacity it will do all actions to ensure its successor(s) will join in and be bound by the terms of the irrevocable power of attorney and the rights and obligations thereunder.

v. a spousal consent letter dated 31 July 2017 and issued by the spouse of Mr. Guo Yong, pursuant to which the spouse of Mr. Guo Yong unconditionally and irrevocably, (i) acknowledges that all the equity interests of the JLC Registered Shareholder registered under the name of Mr. Guo Yong does not form part of her matrimonial property, (ii) undertakes that she will not claim any remedy in respect of the equity interests in the JLC Registered Shareholder, and (iii) confirms that the performance or amendments of the JLC Structured Contracts do not require her consent or approval.

For details of the JLC Contractual Arrangements, please refer to the announcement of the Company dated 25 June 2017.

Between the completion of the acquisition of 55% equity interest in JLC (Cayman) on 16 August 2017 and the end of 2018, (i) there were no new contractual arrangements entered into, renewed or reproduced between the Group and the JLC PRC Operational Entities, (ii) there were no material changes in the JLC Contractual Arrangements or the circumstances under which they were adopted, and (iii) none of the structured contracts under the JLC Contractual Arrangement mentioned above has been unwound as none of the restrictions that led to the adoption of structured contracts under the JLC Contractual Arrangements have been removed.

Particulars of the JLC PRC Operational Entities as at 31 December 2018:

Name of the JLC PRC Operational Entities	Type of legal entity/ place of establishment and operation	Registered owners	Business scope
Jinweilai	Limited liability company/the PRC	100% by JLC Registered Shareholder	Provision of finance information technology services
Weilaijin	Limited liability company/the PRC	100% by Jinweilai	Provision of finance consulting services and technology services
Laijin	Limited liability company/the PRC	100% by Jinweilai	Provision of investment consulting services

The JLC PRC Operational Entities are significant to the Group as they hold certain licences and permits that are essential to the operations of the fintech business under the "Jianlicai" brand of the Group, such as the ICP Licence. In addition, most of the IP rights relevant to such operations, including software copyrights, trademarks, patents and domain names, are held by the JLC PRC Operational Entities.

The JLC PRC Operational Entities have undertaken to the Company that, for so long as the Shares are listed on the Stock Exchange, the JLC PRC Operational Entities will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions contemplated under the JLC Contractual Arrangements.

C. Requirements related to the Contractual Arrangements (other than relevant foreign ownership restrictions)

As advised by the Company's PRC legal advisers, requirements related to the Contractual Arrangements (other than relevant foreign ownership restrictions) include:

i. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the state, (ii) malicious collusion is conducted to damage the interest of the state, a collective unit or a third party, (iii) the contract damages the public interest, (iv) an illegitimate purpose is concealed under the guise of legitimate acts or (v) the contract violates the mandatory provisions of the laws or administrative regulations. As advised by the Company's PRC legal advisers, the relevant terms of the Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and future PRC laws and regulations, and there can be no assurance that any PRC government agency will not take a view that is contrary to or otherwise different from the above.

ii. According to the Contractual Arrangements, when a dispute arises, any party to the agreements may submit such dispute to the China International Economic and Trade Arbitration Commission for settlement pursuant to the effective arbitration rules at that time, and the arbitration award shall be final and binding on the parties. Arbitration tribunal may decide compensation for the equity interests and property ownership of the on-shore subsidiaries, decide enforceable remedy or demand liquidation of relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect. The courts in Hong Kong and Cayman Islands also have the right to grant or execute awards of arbitration tribunal and make decision or execute temporary remedy on the equity interests and property ownership of the on-shore subsidiaries. However, pursuant to the laws of China, in the settlement of dispute, the arbitration tribunals shall not be entitled to grant an injunctive order to protect the property ownership or equity interests of the on-shore subsidiaries, and shall not issue a temporary or final liquidation order directly. Moreover, the interim remedies or orders granted by the off-shore courts, including Hong Kong and Cayman Islands, may not be recognised or enforced by the courts in China. Therefore, such terms in above agreements may not be enforceable under the laws of China.

D. Progress of overseas expansion plans

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations. Since 2016, the Group had expanded its game business to overseas markets by launching "Liberators" in the United States and other countries. Once PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China, the Group would seek qualification to acquire the entire equity interests of the PRC Operational Entities as early as possible.

The Group also maintains a Hong Kong office which mainly provides managerial support to the Group.

E. Revenue and assets subject to the structured contracts under the Contractual Arrangements

For the year ended 31 December 2018, (i) the services provided by Feidong to the Feidong PRC Operational Entities, including provision of business consultation services, sales of IP and provision of business support services, amounted to an aggregate of approximately RMB33.3 million, and (ii) the services provided by JLC (WFOE) to the JLC PRC Operational Entities was RMB1.0 million.

The revenue and the total asset value of the Feidong PRC Operational Entities subject to the Feidong Contractual Arrangements amounted to approximately RMB81.7 million for the year ended 31 December 2018 and approximately RMB830.8 million as at 31 December 2018, respectively.

The revenue and the total asset value of the JLC VIE Controlled Entities subject to the JLC Contractual Arrangements amounted to approximately RMB194.8 million for the year ended 31 December 2018 and approximately RMB140.9 million as at 31 December 2018, respectively.

F. Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
i.	If the PRC government finds that the underlying agreements of the Contractual Arrangements that establish the structure for operating the business of the Company in the PRC do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe penalties or be forced to relinquish the interests in those operations.	Pursuant to the relevant exclusive business cooperation agreements under the Contractual Arrangements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change of such laws, regulations or rules, the following agreements shall be applicable: If the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying with such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to the relevant agreement, upon the receipt by the other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to preserve the economic interests of the affected party under the agreement.

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
ii.	The Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operational Entities or their shareholders may fail to perform their obligations under the Contractual Arrangements.	According to the relevant powers of attorney, share pledge agreements and exclusive business cooperation agreements under the Contractual Arrangements, the arbitration tribunal may decide (i) compensation for the equity interests or property ownership of the PRC Operational Entities or their shareholders, or (ii) enforceable remedy or to demand bankruptcy of the PRC Operational Entities or their shareholders for relevant business or enforceable asset transfer. Any party is entitled to request a competent court to execute the arbitration award when it comes into effect.
iii.	The Company may lose the ability to use and enjoy assets held by the PRC Operational Entities that are important to the operation of the business of the Group if the PRC Operational Entities declare bankruptcy or become subject to dissolution or liquidation proceedings.	Pursuant to the relevant exclusive option agreements under the Contractual Arrangements, in the event of a mandatory liquidation required by the laws of the PRC, (i) the relevant Feidong PRC Operational Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of the PRC to Feidong or another qualifying entity designated by Feidong, at the lowest selling price permitted by applicable laws of the PRC, and (ii) the relevant JLC PRC Operational Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of the PRC to JLC (WFOE) or another qualifying entity designated by JLC (WFOE), at the lowest selling price permitted by applicable laws of the PRC.
iv.	The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Group owes additional taxes could substantially reduce the consolidated net income of the Group and the value of the investment of the Shareholders.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis, provided that (i) Feidong and the Feidong PRC Operational Entities implement the Feidong Contractual Arrangements in accordance with the terms of the structured contracts, and (ii) JLC (WFOE) and the JLC PRC Operational Entities implement the JLC Contractual Arrangements in accordance with the terms of the structured contracts.

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
v.	The Group may be subject to higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase the overall tax expenses and decrease the overall profit margin of the Group.	Pursuant to the PRC Enterprise Income Tax Law, Feidong qualified as "high and new technology enterprise" and was entitled to preferential income tax rates during preferential periods as disclosed in note 14 to the Financial Statements. Feidong will use reasonable endeavours to take all necessary actions to maintain their qualification status in order to continue to enjoy the preferential tax treatment. Please also refer to paragraph iv above.
vi.	Shareholders of the PRC Operational Entities may potentially have a conflict of interest with the Group, and such shareholders may breach their contracts with the Group, or cause such contracts to be amended in a manner contrary to the interests of the Group.	The shareholders of the PRC Operational Entities have undertaken to Feidong and JLC (WFOE), respectively, that during the period when the Contractual Arrangements remain effective, (i) unless otherwise agreed by Feidong or JLC (WFOE) in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, be interested in, engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Operational Entities or any of its affiliates and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Feidong and JLC (WFOE) (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interest where Feidong or JLC (WFOE) has the sole absolute discretion to determine whether such conflict arises, he agrees to take any appropriate actions as instructed by Feidong or JLC (WFOE).

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
vii.	The Group depends on the PRC Operational Entities to provide certain services that are critical to its business. The breach or termination of any of these service agreements or any failure of or significant quality deterioration in these services could have a material adverse effect on the business, financial condition and results of operations of the Group.	To ensure sound and effective operation of the Group after the adoption of the Contractual Arrangements, the relevant business units and operation divisions of the Group will report regularly, no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters. In addition, the PRC Operational Entities are not permitted to terminate the relevant exclusive business cooperation agreements under the Contractual Arrangements unless Feidong or JLC (WFOE) commits gross negligence or a fraudulent act against them.
viii.	The Group conducts its business operation in the PRC through the PRC Operational Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws.	As advised by the Company's PRC legal advisers, save as disclosed in the paragraph headed "G. Deviation from the guidance letter in respect of the Contractual Arrangements" below, the Contractual Arrangements were narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.
ix.	If Feidong or JLC (WFOE) (or their designee within the Group) exercises the option to acquire equity ownership of the PRC Operational Entities, the ownership transfer may subject the Group to substantial costs.	According to the relevant exclusive option agreements under the Contractual Arrangements, unless valuation is required under the laws of China before exercising such option, the purchase price of the equity interests shall be the nominal price, and if the relevant governmental authorities specify a particular price as the purchase price of equity interests, the purchaser shall return the surplus or make up the difference to the vendor, provided that the vendor and purchaser need to assume such tax incurred by such party or levied on such party, respectively.

For details of the risks associated with the Feidong Contractual Arrangements, please refer to the section headed "Risk Factors — Risks relating to our Feidong Contractual Arrangements" in the Prospectus.

For details of the risks associated with the JLC Contractual Arrangements, please refer to the section headed "Risk Factors" of the announcement of the Company dated 25 June 2017.

G. Deviation from the Guidance Letter in respect of the Contractual Arrangements

Paragraph 16(a) (i) of the Guidance Letter GL77-14 published by the Stock Exchange in May 2014 (as updated in August 2015 and April 2018) in relation to listed issuers using contractual arrangements for their businesses (the "Guidance Letter") requires that structured contracts shall be narrowly tailored to achieve the issuer 's business purpose and minimise the potential for conflict with relevant PRC laws and regulations. As advised by the PRC legal advisers, according to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services (except for e-commerce). Furthermore, to the best knowledge of the Company and the PRC legal advisers, if a Sino-Foreign equity joint-venture enterprise applies for an ICP licence, it will be subject to more stringent requirements or additional requirements imposed by the MIIT or its local counterparts (the "Relevant Authority") as compared to domestic enterprises in the PRC. As compared to domestic enterprises in the PRC, the Relevant Authority will require more information, documents and other proof from an applicant which is a Sino-Foreign equity enterprise in various aspects, such as the identity and nationality of its ultimate individual shareholders, the prior experience of the foreign investor(s) in operating value-added telecommunications businesses and a proven track record of its overseas business operations (collectively, the "Additional Information"). No criteria, standard, guidance or interpretation documents have been published by the Relevant Authority on how the Additional Information will be assessed, whether in qualitative or quantitative aspect, and on the extent or form of requirements of the Additional Information.

H. Chapter 14A implications

Feidong Contractual Arrangements

Waiver from the Stock Exchange and Annual Review

For the purposes of Chapter 14A of the Listing Rules, certain transactions under the Feidong PRC Contractual Agreements constitute continuing connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement under Chapter 14A of the Listing Rules in respect of the Feidong Contractual Arrangements. For details, please refer to the section headed "Connected Transactions" in the Prospectus.

The Directors are of the opinion that the transactions under the Feidong Contractual Arrangements were conducted in the ordinary course of business of the Group.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions under the Feidong Contractual Arrangements and confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Independent Non-executive Directors have also confirmed that (i) the transactions carried out during the year ended 31 December 2018 have been entered into in accordance with the relevant provisions of the Feidong Contractual Arrangements, (ii) no dividends or other distributions have been made by the Feidong PRC Operational Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, and (iii) there were no new contracts entered into, renewed or reproduced between the Group and the Feidong PRC Operational Entities during the year ended 31 December 2018. Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that:

1. nothing has come to their attention that causes the auditors of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes the auditors of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Feidong Contractual Arrangements governing such transactions; and

4. nothing has come to their attention that causes the auditors of the Company to believe that dividends or other distributions have been made by the Feidong PRC Operational Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group.

After the Listing Date and up to the Latest Practical Date, among the Founders, (i) Mr. Huang retired as Director on 27 May 2014 and resigned from all positions held within the Group with effect from 1 April 2015, but remains as a 41.10% registered shareholder of Feiyin and Weidong and a 12.37% registered shareholder of Jieyou, (ii) Mr. Liao retired as Director on 27 May 2014 and resigned from all positions held within the Group with effect from 1 April 2015, but remains as a 24.70% registered shareholder of Feiyin and Weidong and a 17.13% registered shareholder of Jieyou, and (iii) Mr. Zhuang resigned as Director and from all positions held within the Group with effect from 1 April 2015, but remains as a 9.50% registered shareholder of Feiyin and Weidong and a 48.61% registered shareholder of Jieyou.

JLC Contractual Arrangements

Pursuant to Chapter 14A of the Listing Rules, the JLC PRC Operational Entities do not fall within the definition of "Connected Person". Accordingly, the JLC Contractual Arrangements and the transactions between the JLC PRC Operational Entities and JLC (WFOE) do not constitute continuing connected transactions of the Company under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or his connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its parent company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2018 and up to the Latest Practicable Date.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2018 and up to the Latest Practicable Date.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2018, the Group had 419 full-time employees. The remuneration to the employees of the Group includes salaries, bonus and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group also provides intensive customised trainings to its staff to enhance their technical and product knowledge as they will be designated to mentors who are experienced employees in relevant teams or departments. The mentors will provide regular on-the-job trainings to the staff. The Group offers competitive remuneration packages to the Directors, and the Shareholders have authorised the Board to fix the remuneration of the Directors (including but not limited to Directors' fees) at the Company's annual general meeting held on 25 May 2018. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

The Group has also adopted Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and Restricted Share Unit Scheme as long-term incentive schemes of the Group.

Details of the Directors' remuneration during the year ended 31 December 2018 are set out in note 38 to the Financial Statements.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme by a resolution of its Shareholders on 31 October 2012, which was amended on 1 September 2013. The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve the grant of options by the Company to subscribe for Shares once the Company is a listed issuer. No further options will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted options to subscribe for 6,440,911 Shares to the Directors and employees of the Group.

Set out below are details of the outstanding options granted to Directors and employees of the Group under the Pre- IPO Option Scheme:

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2018	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018
Directors										
LIANG Na	157,589 Ordinary Shares	1 January 2013	3 October 2013 to 1 May 2016	10 years from the date of grant	37,089 Ordinary Shares	Par value of the ordinary shares	12,000 Ordinary Shares	–	–	25,089 Ordinary Shares
ZHAO Cong Richard	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	–	–	–	49,400 Ordinary Shares
Sub-Total	**206,989 Ordinary Shares**	**–**	**–**	**–**	**86,489 Ordinary Shares**	**–**	**12,000 Ordinary Shares**	**–**	**–**	**74,489 Ordinary Shares**
Two former Director and 361 employees	6,233,922 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	491,500 Ordinary Shares	Par value of the ordinary shares	99,494 Ordinary Shares	–	–	392,006 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**–**	**–**	**–**	**577,989 Ordinary Shares**	**–**	**111,494 Ordinary Shares** *(Note)*	**–**	**–**	**466,495 Ordinary Shares**

Note: The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK$9.39 (equivalent to approximately RMB7.94) per share.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2018, the Company has issued 111,494 Shares to the grantees for an aggregate consideration of US$11.1494. Such Shares are of the same class and are identical in all respect with other Shares in issue.

For further details of the Pre-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 27(a) to the Financial Statements.

REPORT OF DIRECTORS

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted the Post-IPO Share Option Scheme by a resolution of its Shareholders on 1 September 2013 and a resolution of the Board on 1 September 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

The Company has granted options to subscribe for (i) 1,908,000 Shares to employees of the Group on 2 January 2015 and (ii) 3,845,000 Shares to Directors and employees of the Group on 10 June 2015.

Set out below are details of the outstanding options granted to the Directors and employees of the Group under the Post-IPO Share Option Scheme:

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2018	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018
LIANG Na [(1)]	329,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	329,000 Ordinary Shares	HK$14.61	–	–	–	329,000 Ordinary Shares
14 employees [(2)]	1,579,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	1,079,000 Ordinary Shares	HK$14.61	–	–	–	1,079,000 Ordinary Shares
LIANG Na	350,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	87,500 Ordinary Shares	HK$24.29	–	–	87,500 Ordinary Shares	–
ZHAO Cong Richard	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	17,500 Ordinary Shares	HK$24.29	–	–	17,500 Ordinary Shares	–
Three former Directors and 20 employees	3,425,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	50,000 Ordinary Shares	HK$24.29	–	–	50,000 Ordinary Shares	–
Total	**5,753,000 Ordinary Shares**	**–**	**–**	**–**	**1,563,000 Ordinary Shares**	**–**	**–**	**–**	**155,000 Ordinary Shares**	**1,408,000 Ordinary Shares**

Notes:

(1) 329,000 Post-IPO Share Options in which Ms. LIANG Na was interested lapsed on 2 January 2019.

(2) 1,079,000 Post-IPO Share Options in which the 14 employees were interested lapsed on 2 January 2019.

Note: The closing prices of the shares immediately before the dates on which the options were granted on 2 January 2015 and 10 June 2015 were HK$14.70 and HK$23.05 respectively.

During the year ended 31 December 2018, no options granted under the Post-IPO Share Option Scheme was exercised or cancelled.

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 27(b) to the Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) Any Director of any member of the Group from time to time, (ii) any employee or officer of any member of the Group and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company, (ii) the full-time employees of any of the subsidiaries and/or PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3.	Maximum number of Shares	As at 31 December 2018 and the Latest Practicable Date, options to subscribe for an aggregate of 466,495 Shares and 461,495 Shares were outstanding respectively, representing approximately 0.34% and 0.34% of the issued share capital of the Company as at 31 December 2018 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2018 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted or have been granted but have not been exercised under the Post-IPO Share Option Scheme was 15,102,591 Shares and 13,694,590 Shares respectively, representing approximately 11.02% and 9.99% of the issued share capital of the Company as at 31 December 2018 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time
4.	Maximum entitlement of each participant	The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 6% of the aggregate of the Shares in issue on 31 October 2012, the date of adoption of the Pre-IPO Share Option Scheme	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
5.	Option year	Except as provided otherwise and subject to the terms and conditions upon which such option was granted, any option granted will vest over a total vesting year of four years commencing from the date of offer in equal proportions of 25% each on the expiry of the first, second, third and fourth anniversary of the Offer Date, respectively; provided that the year within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option year is determined by the Board provided that it is no later than the tenth anniversary of the date of grant. There is no minimum year for which an option must be held before it can be exercised The Board may in its absolute discretion specify such conditions as to performance criteria to be satisfied by the participant and/or the Company and/or the Group which must be satisfied before an option can be exercised
6.	Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1.0 per grant	Options granted must be accepted within the date as stated in the notice of grant, upon payment of HK$1.0 per grant
7.	Exercise price	Exercise price shall be the par value of the Shares as amended as a result of any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time. As at the date of the grant, the par value of the Shares was US$0.0001	Exercise price shall be not less than the highest of (i) the nominal value of an ordinary share on the date of grant, (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8.	Remaining life of the scheme	It shall be valid and effective for ten years commencing on 31 October 2012	It shall be valid and effective for ten years commencing on 3 October 2013

THE RESTRICTED SHARE UNIT SCHEME

The Company has approved and adopted the RSU Scheme by a resolution of its Shareholders on 1 September 2013 and a resolution of the Board on 1 September 2013. The Company has appointed Computershare Hong Kong Trustees Limited as professional trustee to assist the administration and vesting of the RSUs. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

The RSUs do not carry any right to vote at general meetings of the Company. No RSU grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an award of RSUs ("Award") pursuant to the RSU Scheme. Notwithstanding the foregoing, if so specified by the Board in its entire discretion, the RSU may include rights to cash or non-cash income, scrip dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying the Award.

As at 31 December 2018, the Company has offered to grant RSUs to subscribe for 4,260,000 Shares and 2,500,000 Shares to Directors and employees of the Group on 13 September 2016 and 4 June 2018 respectively.

Set out below are details of the outstanding RSUs granted to the Directors and employees of the Group under the RSU Scheme as at 31 December 2018:

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2018	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018
WANG Dongfeng	500,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	125,000 Ordinary Shares	125,000 Ordinary Shares	–	–	–
LIANG Na	820,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	205,000 Ordinary Shares	205,000 Ordinary Shares	–	–	–
ZHANG Qiang	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
ZHAO Cong Richard	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
HOW Sze Ming	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
One former Director and 17 employees	2,640,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	495,000 Ordinary Shares	470,000 Ordinary Shares	25,000 Ordinary Shares	–	–

REPORT OF DIRECTORS

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2018	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2018
WANG Dongfeng	300,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	50,000 Ordinary Shares	–	–	250,000 Ordinary Shares
LIANG Na	200,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	33,333 Ordinary Shares	–	–	166,667 Ordinary Shares
ZHANG Yang	280,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	46,667 Ordinary Shares	–	–	233,333 Ordinary Shares
ZHANG Qiang	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	8,333 Ordinary Shares	–	–	41,667 Ordinary Shares
ZHAO Cong Richard	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	8,333 Ordinary Shares	–	–	41,667 Ordinary Shares
HOW Sze Ming	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	8,333 Ordinary Shares	–	–	41,667 Ordinary Shares
WAN Joseph Jason	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	8,333 Ordinary Shares	–	–	41,667 Ordinary Shares
29 employees	1,520,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	211,667 Ordinary Shares	266,667 Ordinary Shares	–	1,041,666 Ordinary Shares
Total	**6,760,000 Ordinary Shares**	**–**	**–**	**900,000 Ordinary Shares**	**1,249,999 Ordinary Shares**	**291,667 Ordinary Shares**	**–**	**1,858,334 Ordinary Shares**

SUMMARY OF THE RSU SCHEME

1.	Purpose	To reward the participants of the RSU Scheme for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) full-time employees or officers (including Executive, Non-executive and Independent Non-executive Directors), (ii) full-time employees of any of the subsidiaries and the PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities, and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities
3.	Maximum number of Shares	As at 31 December 2018 and the Latest Practicable Date, the maximum number of Shares underlying the RSUs available for grant was 4,815,494 Shares and 2,315,494 Shares respectively, representing approximately 3.51% and 1.69% of the issued share capital of the Company as at 31 December 2018 and the Latest Practicable Date, respectively The maximum number of Shares underlying the RSUs which may be granted must not in aggregate exceed 11,290,494 Shares, representing 9% of the number of Shares in issue on the Listing Date (the "RSU Scheme Limit"). The RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but must not exceed 9% of the number of Shares in issue as at the new approval date
4.	Acceptance of Award	A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Company by the grantee in accordance with the instructions from the Company pursuant to the RSU management agreement, being an agreement entered into between the Company and the relevant service provider or any other service agreement to facilitate the acceptance and vesting of RSUs to the grantees from time to time
5.	Vesting	Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion
6.	Trustee	The Board has appointed Computershare Hong Kong Trustee Limited on 2 July 2014 as professional trustee to assist with the administration and vesting of RSUs pursuant to the RSU Scheme
7.	Remaining life of the scheme	It shall be valid and effective till 31 August 2023

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 27(c) to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the percentage of the aggregate revenue attributable to the Group's largest game and five largest games accounted for approximately 13% and 18% of the Group's total revenue, and accounted for approximately 46% and 66% of the Group's Game Business segment revenue, respectively.

During the year ended 31 December 2018, the percentage of the aggregate revenue attributable to the Group's largest publishing partner and five largest publishing partners accounted for approximately 6% and 14% of the Group's total revenue, and accounted for approximately 22% and 51% of the Group's Game Business segment revenue, respectively.

During the year ended 31 December 2018, the percentage of the aggregate revenue attributable to the Group's largest customer and five largest customers of Fintech Business accounted for approximately 49% and 59% of the Group's total revenue, and accounted for approximately 68% and 82% of the Group's Fintech Business segment revenue, respectively.

During the year ended 31 December 2018, the percentage of the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 18% and 53% of the Group's cost of revenue, respectively.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest game licensors, publishing partners and suppliers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

At the Company's annual general meeting held on 25 May 2018, the Shareholders granted a share buy-back mandate to the Board to buy-back Shares (which should not exceed 10% of the issued share capital of the Company as at 25 May 2018) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held, or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting. Pursuant to such mandate, during the year ended 31 December 2018, the Company bought back a total of 1,263,500 Shares at a consideration of HK$8,809,488 on the Stock Exchange, all of which were cancelled as at 31 December 2018. The buy-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the buy-backs are as follows:

Month of buy-backs	Total number of shares bought back (on the Stock Exchange)	Price per Share		Aggregate consideration
		Highest (HK$)	Lowest (HK$)	(HK$)
August 2018	756,900	7.35	6.82	5,310,180
September 2018	248,900	7.5	6.22	1,765,296
October 2018	257,700	7.0	6.22	1,734,012
	1,263,500			8,809,488

Save as disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2018

On 16 January 2019, the Group entered into an investment agreement and a shareholders' agreement, pursuant to which the Group agreed to acquire approximately 19.99% of the equity interest in LMDJ which is principally engaged in hosting and organising e-sports competitions. The consideration has been settled through (i) subscription in cash of RMB13,000,000 by the Group, and (ii) the Company allotting and issuing 1,851,568 new ordinary shares to a shareholder of the investee company.

At the Company's annual general meeting held on 25 May 2018, the Shareholders approved a share buy-back mandate to grant to the Directors a general mandate to buy back shares of the Company. From 1 January 2019 to the approval date of the consolidated financial statements by the Board of Directors, the Company had bought back an aggregate of 1,790,300 shares of the Company at a weighted average price of HK$3.22 for an aggregate consideration of approximately HK$5,769,000 (equivalent to approximately RMB4,986,000) under this share buy-back mandate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to the long-term sustainability of its business and the communities in which it conducts business. It has adopted a proactive approach to environmental, social and governance responsibility. The Environmental, Social and Governance Report is set out on pages 174 to 200 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have significant impact on the Group, such as (i) The Interim Measures for the Administration of Online Games (Amended in 2017), (ii) the Copyright Law of the PRC (2010 Amendment), (iii) Provisions on the Administration of Online Publishing Services, (iv) Guidelines for the Supervision and Administration of Network Microcredit Companies of Jiangxi Province (for Trial Implementation), (v) Notice of the Office of the Leading Group for the Special Campaign against Internet Financial Risks on Intensifying the Corrective Action on Asset Management Business through the Internet and Conducting Acceptance Work, and (vi) Guiding Opinions on Promoting the Healthy Development of Internet Finance. The Audit and Compliance Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant employees and the relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company during the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code. Save as disclosed in the Corporate Governance Report under this annual report in relation to the deviations from code provision A.2.1 of the CG Code, the Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director shall be indemnified out of the assets and profits of the Company against all liability and loss suffered by him as such Director in any action, suit or proceeding, whether civil or criminal, administrative or investigative, in which judgment is given in his favour, or in which he is acquitted.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of any company of the Group.

EQUITY-LINKED AGREEMENTS

Save for the share option schemes and the Restricted Share Unit Scheme as disclosed in this annual report, no equity-linked agreement was entered into during the year ended 31 December 2018 or subsisted at the end of the year of 2018.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, certified public accountants.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 28 May 2019. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 22 May 2019.

By order of the Board
WANG Dongfeng
Chairman

Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the year of 2018, the Group recorded an adjusted EBITDA of approximately RMB55.5 million. The Group managed to strive and overcome the challenges in the China economy and achieved a stable operation through the year of 2018.

The Group has made progress in the fintech business during 2018. Our internet micro-credit business is primarily dedicated to providing individuals in the PRC with practical and flexible short-term financing solutions. We served 1,644,205 cumulative borrowers as at 31 December 2018, and originated RMB2.3 billion of loans during the year 2018.

As mentioned in our 2018 Interim Report, the year of 2018 is considered to be a dark hour for the fintech industry in China. Regulators promulgated a series of regulatory requirements in the fintech industry and placed higher standards for fintech companies in China. With such a challenging and complicated market environment, the management had made adjustments to the Group's business promptly in order to comply with regulatory requirements and led the Group through the storm and eventually maintained a stable operation.

The Group's game business continues to focus on the execution of the overseas market strategy. In the year of 2018, "Liberators" has generated a total revenue of over RMB42.1 million with an average monthly gross billing of over RMB3.0 million. "Liberators" has recognised a remarkable cumulated net income of RMB41.0 million netting off the content cost, distribution cost and promotion expenses since launch.

On 10 January 2019, the Group issued a profit warning announcement expecting a net loss ranging from RMB276.7 million to RMB296.7 million (excluding the Receivables as described below) for the year ended 31 December 2018. After the Group performed a detailed assessment, the recoverability of the receivables on the disposal of investment in an associate of approximately RMB43.8 million (the "Receivables") was highly uncertain and the sum of approximately RMB39.4 million was impaired (the "Receivables Impairment"). If the Receivables Impairment is not taken into account, the Group's net loss for the year ended 31 December 2018 reached RMB280.6 million which was within the expected range. For details of the Receivables Impairment, please see section headed "Management Discussion and Analysis – Material Impairment" in this annual report. The total net loss for the year ended 31 December 2018 was RMB320.0 million.

Game Business

The following table sets forth certain operating statistics relating to the game business of the Group in the periods indicated:

	Year Ended 31 December	
	2018	2017
Game		
Average MPUs (in thousand)(1) (2)	**27**	75
Monthly ARPPU (RMB)	**281**	203

Notes:

(1) The MPUs numbers eliminate the duplication in paying users of self-developed games published on the Group's own platforms.

(2) The numbers do not include the MPUs of negligible console mobile games.

— **MPUs.** The average MPUs for the game business decreased to approximately 27 thousand in 2018 from approximately 75 thousand in 2017. This decrease was primarily due to the fact that several key games, such as "Liberators", have entered into the mature stages of their lifecycles resulting in fewer paying users in these games.

— **ARPPU.** Monthly ARPPU level of game business increased to approximately RMB281 for the year 2018 as compared with RMB203 for the year 2017. This increase was primarily attributable to the mix effect of the Group's game product portfolio, (i) "Liberators", which enjoyed a higher ARPPU level, had increased its weight in terms of revenue and MPUs in the Group's game product portfolio as a whole, while (ii) "Boonie Bears (熊出沒)" series, which enjoyed a lower ARPPU level, had decreased its weight in terms of revenue and MPUs in the Group's game product portfolio.

Fintech Business

The fintech business of the Group consists of internet micro-credit business and financial information service business.

The following tables set forth certain operating statistics relating to the Group's internet micro-credit business for the periods indicated or as at the dates indicated:

	Year Ended 31 December	
	2018	2017
Average balance of outstanding performing loans (RMB in million)[1]	**276**	256
Average size of our loans (RMB)[2]	**3,601**	1,641

	As at 31 December	
	2018	2017
Cumulative number of borrowers[3]	**1,644,205**	1,428,941

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period.

(2) Calculated as the total amount of loans divided by the total number of loans originated for the period.

(3) Number of cumulative borrowers of our internet micro-credit business since inception.

The Group provides two types of loans through the internet micro-credit service, namely, guaranteed loans and collateralised loans, to its customers in the PRC. The Group considers a number of factors in determining the applicable interest rate of a loan, including (i) the relevant customer's background and credit history, (ii) whether the loan is secured or guaranteed, (iii) the value of the collaterals, if any, and (iv) the use and term of the loan.

The following tables set forth the key operating matrix for the periods indicated or as at the date indicated relating to the Group's financial information service business:

	Year Ended 31 December	
	2018	2017
Average investing users acquisition cost (RMB)[(1)]	**245**	164
Average size of investments (RMB)[(2)]	**12,330**	12,705

	As at 31 December	
	2018	2017
Cumulative amount of investments (RMB in million)[(3)]	**112,960**	80,419
Registered users	**8,883,726**	8,049,755

Notes:

(1) Calculated as the average acquisition cost per investing user of financial information service business for the period.

(2) Calculated as the total investment amount from investing users of financial information service business divided by the total number of investments for the period.

(3) Cumulative amount of investments from investing users of "Jianlicai" brand in financial information service business since its inception in May 2015.

The Group provides financial information service through the operations of website and mobile phone application. By providing online financial assets information to the investing users, the Group charges service fees from its business partners.

Investing user profile of our financial information service – The individuals investing through our financial information service are mainly adults aged from 26 to 35, and the numbers of male investing users and female investing users are generally even. A majority of our investing users are from tier one or tier two cities in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's income statement for the year ended 31 December 2018 as compared to the year ended 31 December 2017:

	Year Ended 31 December		
	2018	2017	Change
	RMB'000	RMB'000	%
Revenue	**324,243**	346,466	-6.4%
Cost of revenue	**(85,913)**	(124,185)	-30.8%
Gross profit	**238,330**	222,281	7.2%
Selling and marketing expenses	**(80,658)**	(77,274)	4.4%
Administrative expenses	**(92,077)**	(94,712)	-2.8%
Research and development expenses	**(66,578)**	(49,425)	34.7%
Other income	**16,119**	7,701	109.3%
Other gains/(losses)-net	**319**	(9,394)	NM
Finance income-net	**1,292**	5,384	-76.0%
Gain on dilution of investments accounted for using the equity method	**11,089**	–	NM
Gain on disposal of investment in an associate	**–**	62,576	NM
Gain on disposal of available-for-sale financial assets	**–**	11,500	NM
Share of income of investments accounted for using the equity method	**13,857**	10,850	27.7%
Impairment of financial assets measured at amortised cost	**(40,224)**	(4,727)	750.9%
Impairment of available-for-sale financial assets	**–**	(6,540)	NM
Impairment of intangible assets	**(349,126)**	(5,077)	6,776.6%
(Loss)/profit before income tax	**(347,657)**	73,143	-575.3%
Income tax benefit/(expense)	**27,635**	(4,495)	NM
(Loss)/profit for the year	**(320,022)**	68,648	-566.2%

Note: NM — Not meaningful.

Revenue. Revenue decreased by approximately 6.4% to RMB324.2 million for the year ended 31 December 2018 from RMB346.5 million for the year ended 31 December 2017. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2018 and 2017:

	Year Ended 31 December			
	2018		2017	
	(RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
Revenue by Segment				
– Game business	**90,886**	**28.0**	183,447	53.0
– Fintech business	**233,357**	**72.0**	163,019	47.0
Total Revenue	**324,243**	**100.0**	346,466	100.0

– Revenue generated from the Group's game business decreased by approximately 50.5% to RMB90.9 million for the year ended 31 December 2018 from RMB183.4 million for the year ended 31 December 2017. This decrease was primarily due to the fact that some of the Group's key games, including "Liberators", have entered into the mature stage of their lifecycles and generated less revenue than the previous year.

– Revenue generated from the Group's fintech business increased by approximately 43.1% to RMB233.4 million for the year ended 31 December 2018 from RMB163.0 million for the year ended 31 December 2017. This increase was primarily due to the revenue contribution from financial information service business which was acquired by the Group in August 2017.

Adjusted EBITDA. Adjusted EBITDA decreased to RMB55.5 million for the year ended 31 December 2018 from adjusted EBITDA of RMB58.6 million for the year ended 31 December 2017. The following table sets forth the adjusted EBITDA of the Group by segment for the years ended 31 December 2018 and 2017:

	Year Ended 31 December		
	2018 RMB'000	2017 RMB'000	Change %
Adjusted EBITDA by Segment			
Game business	**(12,062)**	15,840	-176.1%
Fintech business	**42,604**	31,871	33.7%

Note: The difference between the sum of adjusted EBITDA of the game and fintech businesses above and the total adjusted EBITDA of the Group is from the gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method.

– Adjusted EBITDA in respect of the Group's game business decreased to negative RMB12.1 million for the year ended 31 December 2018 from adjusted EBITDA of RMB15.8 million for the year ended 31 December 2017. This decrease was mainly due to the decrease in game revenue and gross profit since the Group's key games have entered into the mature stage of their lifecycles.

– Adjusted EBITDA in respect of the Group's fintech business increased to RMB42.6 million for the year ended 31 December 2018 from adjusted EBITDA of RMB31.9 million for the year ended 31 December 2017. This increase was mainly due to the revenue and operating profit contributed by the Group's financial information service business which was acquired in August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of revenue. Cost of revenue decreased by approximately 30.8% to RMB85.9 million for the year ended 31 December 2018 from RMB124.2 million for the year ended 31 December 2017. This decrease was mainly attributable to lower revenue sharing costs of the Group's self-developed games in line with the revenue decrease of such games. For the year ended 31 December 2018, the percentage of cost of revenue to total revenue decreased to 26.5% (2017: 35.8%).

Selling and marketing expenses. Selling and marketing expenses increased by approximately 4.4% to RMB80.7 million for the year ended 31 December 2018 from RMB77.3 million for the year ended 31 December 2017. This increase was mainly attributable to the incremental selling and marketing expenses of the marketing department of Jianlicai business.

Administrative expenses. Administrative expenses decreased by approximately 2.8% to RMB92.1 million for the year ended 31 December 2018 from RMB94.7 million for year ended 31 December 2017. The decrease in administrative expenses was mainly attributable to lower professional service fees and share-based compensation expenses in connection with the restricted share units granted to our employees, partially offset by the incremental administrative expenses of the administration department of Jianlicai business.

Research and development expenses. R&D expenses increased by approximately 34.7% to RMB66.6 million for the year ended 31 December 2018 from RMB49.4 million for the year ended 31 December 2017. This increase was primarily due to the incremental employee benefit expenses for the R&D department of Jianlicai business.

Other income. Other income increased to RMB16.1 million for the year ended 31 December 2018 from RMB7.7 million for the year ended 31 December 2017. Such increase mainly resulted from higher interest income of cash and cash equivalents which was in line with the increase in average balance of cash and cash equivalents.

Other gains/(losses)-net. Other gains-net was RMB0.3 million for the year ended 31 December 2018, as compared to other losses-net of RMB9.4 million for the year ended 31 December 2017. The other losses-net for the year ended 31 December 2017 were primarily due to the fair value loss of one of the investees and higher foreign exchange losses.

Finance income-net. Finance income-net for the year ended 31 December 2018 was RMB1.3 million, as compared to finance income-net of RMB5.4 million for the year ended 31 December 2017. The finance income-net represents the interest income from short-term deposits and restricted cash. The finance income-net amount varies with the changes in short-term deposits balance during the reporting period.

Gain on dilution of investments accounted for using the equity method. Gain on dilution of investments accounted for using the equity method for the year ended 31 December 2018 was RMB11.1 million (2017: Nil). The gain was attributable to the increase in valuation of investments as a result of the fund raising activities carried out by one of the Group's investees.

Share of income of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB13.9 million for the year ended 31 December 2018 (2017: RMB10.9 million). This income is related to the share of profits of our invested associated companies in the reporting period.

Impairment of financial assets measured at amortised cost. Impairment of financial assets measured at amortised cost for the year ended 31 December 2018 was RMB40.2 million (2017: RMB4.7 million). The increase in impairment of financial assets measured at amortised cost was mainly attributable to the impairment of other receivables on disposal of investment in an associate. For details, please refer to the section headed "Management Discussion and Analysis-Material Impairment" in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment of intangible assets. Impairment of intangible assets for the year ended 31 December 2018 was RMB349.1 million (2017: RMB5.1 million). The impairment loss in 2018 was attributable to the impairment of intangible assets arising from business combination. For details, please refer to the section headed "Management Discussion and Analysis-Material Impairment" in this annual report.

Income tax benefit/(expense). The Group recognised income tax benefit of RMB27.6 million for the year ended 31 December 2018 while the income tax expense was RMB4.5 million for the year ended 31 December 2017. The income tax benefit for the year ended 31 December 2018 was mainly attributable to subsequent changes in the deferred tax liabilities with the amortisation and impairment of identifiable intangible assets from the acquisition of the 55% equity interest in the Jianlicai Group, which was partially offset by the income tax expense generated from the Group's fintech business.

(Loss)/profit for the year. The loss for the year ended 31 December 2018 was RMB320.0 million, as compared to a profit of RMB68.6 million for the year end 31 December 2017. The loss for the year ended 31 December 2018 was mainly due to the impairment of intangible assets arising from business combination.

NON-IFRSs MEASURES-EBITDA AND ADJUSTED EBITDA

To supplement the consolidated results of the Group which are prepared in accordance with IFRSs, certain non-IFRSs measures, including EBITDA and adjusted EBITDA, have been presented. These unaudited non-IFRSs financial measures should be considered in addition to, and not as a substitute for, the measures of the Group's financial performance which have been prepared in accordance with IFRSs. The Group's management believes that these non-IFRSs financial measures provide investors with useful supplementary information to assess the performance of its core operations by excluding certain non-cash and non-recurring items. The EBITDA and adjusted EBITDA are unaudited figures.

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the years ended 31 December 2018 and 2017, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2018 (RMB'000)	2017 (RMB'000)
(Loss)/Profit for the year	**(320,022)**	68,648
Add:		
Depreciation and amortisation	**23,505**	40,473
Net interest income	**(13,494)**	(8,297)
Income tax (benefit)/expense	**(27,635)**	4,495
EBITDA (unaudited)	**(337,646)**	105,319
Add:		
Share-based compensation	**4,633**	14,889
Impairment of intangible assets arising from business combination	**349,126**	–
Impairment of other receivables on disposal of investment in an associate	**39,375**	–
Changes in the value of financial assets at fair value through profit or loss	**–**	5,889
Gain on disposal of investment in an associate	**–**	(62,576)
Gain on disposal of available-for-sale financial assets	**–**	(11,500)
Impairment of available-for-sale financial assets	**–**	6,540
Adjusted EBITDA (unaudited)	**55,488**	58,561

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

As at 31 December 2018, the total equity of the Group amounted to RMB847.7 million, compared to RMB1,181.4 million as at 31 December 2017. This decrease was mainly due to the impairment of goodwill and identifiable intangible assets arising from the Group's acquisition of the Jianlicai Group as discussed in the section headed "Management Discussion and Analysis – Material Impairment" in this annual report.

The Group's net current assets amounted to RMB745.3 million as at 31 December 2018, compared to RMB796.9 million as at 31 December 2017. This net current assets is proximately at the same level as that as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank and on hand	**751,356**	588,299
Cash at other financial institutions	**5,662**	66,616
Short-term deposits	**41,534**	34,650
Total	**798,552**	689,565

The Group's total cash, cash equivalent and short-term deposits amounted to RMB798.6 million as at 31 December 2018, as compared to RMB689.6 million as at 31 December 2017. The increase was primarily due to the Group's strategic adjustment of internet micro-credit business, which as a result lowered the balance of loan receivables and increased the cash balance.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, followed by USD.

As at 31 December 2018, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0% (as at 31 December 2017: 0%), which means that the Group did not have any bank borrowing balance as at 31 December 2018. The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2018, the Group did not perform any material acquisition or disposal of subsidiaries and associated companies.

MATERIAL IMPAIRMENT

(1) Impairment on intangible assets

The Group recognised impairment of goodwill and identifiable intangible assets arising from the Group's acquisition of the Jianlicai Group amounting to RMB349.1 million for the year ended 31 December 2018.

Reasons for the impairment

Since June 2018, many online lending platforms have encountered liquidity issues. The Group paid close attention to market developments, such as the recent performance of the leading online lending platforms, and closely monitored the recently promulgated regulatory requirements.

We observed that majority of online lending platforms' failures since June 2018 were due to liquidity issues. According to a research report issued by a third party analyst, this is likely driven by: (i) macro credit tightening which triggered rising defaults, especially for corporate or property related loans, (ii) voluntary exit of some online lending platforms in light of rising compliance costs, and (iii) retail investors' panic and a rush of withdrawals, causing a liquidity crunch for platforms with significant duration mismatches and weak capital bases.

On 19 July 2018, the Beijing Internet Finance Industry Association (北京市互聯網金融行業協會) (the "Association") issued a document (the "19 July Document") to clarify that peer-to-peer online lending platforms are prohibited from offering investors non-compliant "Wealth Management Plan" products because there may be mismatch of durations and sizes with such products as well as other non-compliances. According to the 19 July Document, after preliminary inspection, the Association found that some platforms were still offering those non-compliant products. Under the 19 July Document, the Association requested all member platforms to stop providing "Wealth Management Plan" products. "Jianlicai", as a financial information service agency, decided to adjust its business model to embrace the spirit of regulations (for details, please refer to the Company's announcement dated 29 July 2018). Specifically, the adjustments included (i) it stopped offering "Wealth Management Plan" products and gradually reduced the balance of those kind of products (i.e., non-standard assets), (ii) it developed and launched standard asset products to replace existing "Wealth Management Plan" products and other products that may be deemed as non-compliant by the regulators, (iii) it set a certain limit on the amount of withdrawal to relieve the pressure of liquidity and ensure users orderly transfer of funds, (iv) it signed the "Beijing Online Lending Industry Self-discipline Commitment" as one of the first batch of enterprises to do so, along with other leading fintech enterprises, promising to comply with the regulations, achieve self-discipline, embrace regulations and be responsible, and (v) it continued to communicate with the regulators to adjust its business according to the newest regulations, guidelines and advice to be issued from time to time.

"Wealth Management Plan" was a business model that the Jianlicai Group previously developed to offer users products which were mainly non-standard assets, and its continuous operation was the very basis for evaluating the value of goodwill and identifiable intangible assets arising from the acquisition of the 55% equity interest of the Jianlicai Group. "Wealth Management Plan" will not be re-launched in the foreseeable future.

Detailed assessment of the impairment

With respect to the above significant change in the regulatory environment of the PRC fintech industry in July 2018, the Group performed detailed assessment on the relevant goodwill and identifiable intangible assets of the Jianlicai Group in accordance with the IFRSs. According to "International Accounting Standard 36 – Impairment of Assets" ("IAS 36"), while identifying the above-mentioned impairment indicators, the Group is required to perform impairment test for the goodwill and identifiable intangible assets arising from the acquisition of the Jianlicai Group. The test for goodwill and identifiable intangible assets impairment involves comparing the recoverable amount of the assets with their respective carrying amounts. If the recoverable amount exceeds the carrying amount, the asset under assessment shall be regarded as not impaired. If the recoverable amount of the asset is less than its carrying amount, an impairment loss shall be recognised. Recoverable amount of an asset is defined as the higher of (i) its fair value less costs of disposal, and (ii) its value in use. 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. Value in use is the present value of the future cash flows expected to be derived from an asset.

In accordance with the relevant requirements under IAS 36, and based on the principle of investor protection, while identifying the above-mentioned impairment indicators, the Group performed impairment test for the goodwill and identifiable intangible assets arising from the acquisition of the Jianlicai Group. The Group adopted a discounted cash flow ("DCF") method to determine the recoverable amount of the goodwill and identifiable intangible assets arising from the acquisition of the Jianlicai Group.

As mentioned in the interim results announcement for the six months ended 30 June 2018 and 2018 Interim Report, in light of the actual operating performance after the above-mentioned business adjustments and continuous communications with regulators, the Group adjusted the financial projection of the existing "Wealth Management Plan" business model. Besides, the new asset products are in the early stages of their life cycles, and cannot provide sufficient information to support their future operating performance in such a short period. Therefore, the Group didn't include the financial projection of the new asset products in the DCF.

After conducting careful deliberations with its external consultants, the Group recorded an impairment on the goodwill and identifiable intangible assets arising from the equity acquisition of the Jianlicai Group amounting to RMB349.1 million (after tax amounting to RMB320.5 million).

The actual operating performance of Jianlicai Group in the second half of 2018 showed that (i) the revenue generated from the existing "Wealth Management Plan" business model decreased significantly, and (ii) the Group did not record any income from the new asset products as they were in the early stages. Such operating performance result was consistent with the Group's expectation when making the impairment allowance to the above-mentioned goodwill and identifiable intangible assets as at 30 June 2018.

Key assumptions

The key assumptions adopted in the assessments by the Group included, but not limited to, the following:

(a) the financial projections of the Jianlicai Group, such as long term revenue growth rate and long-term pre-tax operating margin, have been prepared based on business adjustments, reflecting estimates which have been scrutinised and modified, after due and careful consideration by management of the Group; and

(b) the adopted discounted rate is with reference to the public and statistical information (e.g. weighted average capital cost in the market) obtained from sources which are deemed to be reputable, accurate and reliable.

For details, please also refer to the Company's announcements dated 29 July 2018 and 17 August 2018 and 2018 Interim Report published on 20 September 2018.

(2) Material Receivables Impairment

On 24 May 2017, the equity interests in an associate held by the Group was disposed to a PRC listed company (the "Counterparty") in the consideration of RMB87.5 million, of which approximately RMB43.8 million was negotiated to be paid no later than 5 January 2019. As at 5 January 2019, the Group had not received such payment from the Counterparty after rounds of communications. Instead, the Counterparty has committed itself to a payment plan to pay off approximately RMB43.8 million within one year by four instalments. On 15 March 2019, the Counterparty group made the first installment payment amounting to approximately RMB4.4 million.

The Group has made a detailed assessment of the recoverability of the uncollected portion of the Receivables and considered that recoverability risk of the uncollected portion is high, because (i) the Counterparty announced on 27 February 2019 that its fund raising bank account had been frozen since its controlling shareholder(s) illegally made guarantee to external parties without complying with the Counterparty's internal approval process and procedures, and the Counterparty was involved in a number of lawsuits of total amount which was larger than the period ended current assets disclosed in the 2018 third quarter report of the Counterparty, and (ii) the Counterparty announced on 27 February 2019 that its operating result for the year ended 31 December 2018 was below expectations such as the profit before tax of the year decreased significantly.

Based on the above detailed assessment of the Receivables, the Group recorded an impairment on the uncollected portion of the Receivables amounting to approximately RMB39.4 million. For details, please also refer to the Company's announcement dated 10 January 2019.

The Group will regularly assess the payment ability of the Counterparty subsequently and take certain measures including but not limited to through legal proceedings to recover such amount as and when appropriate.

FOREIGN EXCHANGE RISK

As at 31 December 2018, RMB39.1 million of the financial resources of the Group (as at 31 December 2017: RMB59.4 million) were held as deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the utilisation of the Group's bank deposits denominated in USD to make on-market purchase of shares for the Group's restricted share unit scheme. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

	Year Ended 31 December	
	2018	2017
	(RMB'000)	(RMB'000)
Capital expenditures		
– Purchase of property and equipment	**4,309**	5,807
– Purchase of intangible asset	**–**	189
Total	**4,309**	5,996

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as computers and leasehold improvement, and the purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers.

PLEDGE OF ASSET

As at 31 December 2018, the Group had a pledge of assets of RMB0.9 million (as at 31 December 2017: RMB0.8 million) as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 31 December 2018, the Group had 419 full-time employees (as at 31 December 2017: 422), the vast majority of whom are based in Guangzhou and Beijing. The following table sets forth the number of the Group's employees by function as at 31 December 2018:

	Number of Employees	% of Total
Research and Development	168	40%
Operation	32	8%
Sales and Marketing	99	24%
General and Administration	120	28%
Total	419	100%

Details of the Group's remuneration policies and training schemes are set out in "Report of Directors — Remuneration Policy and Directors' Remuneration" on page 30 of this annual report.

Details of share options schemes and restricted share unit scheme are set out in the sections headed "Report of Directors — Pre-IPO Share Option Scheme", "Report of Directors — Post-IPO Share Option Scheme", "Report of Directors — Summary of the Share Option Schemes", "Report of Directors — The Restricted Share Units Scheme" and "Report of Directors — Summary of the RSU Scheme" on pages 30 to 31, page 32, pages 33 to 34, pages 35 to 36 and page 37 of this annual report.

POST BALANCE SHEET EVENT

On 16 January 2019, the Group entered into an investment agreement and a shareholders' agreement, pursuant to which the Group agreed to acquire approximately 19.99% of the equity interest in LMDJ which is principally engaged in hosting and organising e-sports competitions. The consideration has been settled through (i) subscription in cash of RMB13,000,000 by the Group, and (ii) the Company allotting and issuing 1,851,568 new ordinary shares to a shareholder of the investee company.

At the Company's annual general meeting held on 25 May 2018, the Shareholders approved a share buy-back mandate to grant to the Directors a general mandate to buy back shares of the Company. From 1 January 2019 to the approval date of the consolidated financial statements by the Board of Directors, the Company had bought back an aggregate of 1,790,300 shares of the Company at a weighted average price of HK$3.22 for an aggregate consideration of approximately HK$5,769,000 (equivalent to approximately RMB4,986,000) under this share buy-back mandate.

RISKS AND HURDLES

Although the Group has successfully established its fintech business, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the fintech market in China. The major hurdles include (i) new policies or any amendment to current policies in relation to fintech regulation, (ii) the liquidity imbalance between the fintech investing users funding and the financial assets, (iii) main strategic business partners not able to provide sustainable services, (iv) collapse of real estate market or other markets causing our collaterals not to be able to cover our loan exposures, (v) new fintech products not recognised by market, (vi) departure of key employees, and (vii) the financial risks which may be caused by the wrong judgement of key decision makers of the Group's business segment.

Meanwhile, in our established game business, the major hurdles include (i) delays of game launches, (ii) games developed being unable to meet market expectations at their launch, (iii) departure of key employees, and (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, all of which will negatively affect the Group's performance.

In addition, the Group is exposed to risks such as fluctuation of foreign exchange, impairment loss due to invested companies' underperformance or contract party becoming insolvent, and other unexpected one-off restructuring costs, all of which will negatively impact the Group's performance.

Since 2014, the Group has made investments in the internet, media and technology industry in China with a remaining value of approximately RMB83.9 million post investment impairment and losses as at 31 December 2018, out of which approximately RMB47.6 million was classified as "investments in associates".

In the year of 2018, some of the Group's investments achieved higher profits compared to last year. Along with the better performance of the investments, the Group can focus more on exploring potential opportunities in relevant industries to support the development of the Group's business, such as the emerging technologies on the internet. However, it is difficult to judge whether these investments could survive in the market with increasing competition or the technologies developed by these investments would be suitable to the application scenarios. Therefore, potential impairments or write-offs may occur.

FUTURE PLANS

The strengthening regulation in fintech business in the PRC is expected to eliminate illegal or insufficiently-funded fintech companies, which will create greater opportunity for the Group's licensed and technology-supported fintech business. The Group will continue to adjust its current business models to maintain itself fully compliant with the time to time updated regulatory requirements and develop core technologies in preparation for the new regulated fintech industry.

On the other hand, the Group will continue to explore an overseas expansion for the game business. The business model of the game "Liberators" has proven successful, and the Group has developed a sustainable overseas game publishing capability based on the considerable player data accumulated. Such capability is expected to be replicable in future games.

The Group plans to evaluate investment opportunities across various sectors of the internet, media, and technology industry with the aim of upgrading the Group's current business models. Along with technology development and social network development, the game and fintech businesses have presented their new forms in industry. For example, the emergence of e-sports has brought social and sport elements to game. Although new forms/technologies are far from maturity, investing in the future is necessary in order to adapt to the needs of tomorrow. The Group will pay close attention to new game/fintech technologies including but not limited to VR and blockchain to ensure the group's leading position in future internet industry.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the code provisions as set out in the CG Code.

Save as disclosed in this Corporate Governance Report in relation to the deviations from code provision A.2.1 of the CG Code, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2018.

A. The Board

1. Roles and Responsibilities of the Board

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

While specific functions are delegated to Board committees, matters which have a critical bearing on the Group are reserved for decision or consideration by the Board, including:

— approval and monitoring of all major policies of the Group;

— overall strategies and budgets;

— internal control and risk management systems;

— notifiable and connected transactions;

— nomination of directors and company secretary; and

— other significant financial and operational matters.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. Upon reasonable request, all Directors can seek independent professional advice in appropriate circumstances, at the Company's expense.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times.

2. *Delegation of Management Function*

The day-to-day management, administration and operation of the Group are delegated to the senior management of the Group. The responsibilities delegated by the Board to the senior management include:

— execution of overall strategies adopted by the Board;

— monitoring of budgets adopted by the Board;

— implementation of internal control and risk management systems; and

— preparation of the annual and interim reports and the results announcements for Board approval.

The delegated functions are periodically reviewed. Authorisation has to be obtained from the Board prior to any significant transactions entered into by the senior management.

3. *Board Composition*

As at the Latest Practicable Date, the Board consisted of eight Directors, four of whom were Executive Directors, one of whom was a Non-executive Director and three of whom were Independent Non-executive Directors.

During the year ended 31 December 2018 and up to the Latest Practicable Date, the Board comprised the following Directors:

Executive Directors	Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)* Ms. LIANG Na *(Chief Financial Officer)* Mr. ZHANG Yang *(Co-Chief Operations Officer)* Ms. LI Luyi *(Co-Chief Operations Officer)* *(appointed with effect from 14 April 2019)*
Non-executive Director	Mr. ZHANG Qiang
Independent Non-executive Directors	Mr. HOW Sze Ming Mr. ZHAO Cong Richard Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)* Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*

Biographies of the Directors are set out on pages 71 to 75 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The Company maintains on its website and on the Stock Exchange's website an updated list of all Directors identifying their role and function and whether they are Independent Non-executive Directors.

Save as disclosed in the Prospectus and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

During the year ended 31 December 2018, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

4. Appointment and re-election of directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

For details of the service contracts of the Directors, please refer to the section headed "Report of Directors — Directors' service contracts" in this annual report.

In accordance with the Articles, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

5. Induction and Continuing Development for Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Ms. LI Luyi who was appointed as Director on 14 April 2019 has received her induction and training upon her appointment.

The Directors are continually provided with information related to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefing and professional development for Directors were arranged by the Group and its legal advisers.

For the year ended 31 December 2018, each of Directors (namely, Mr. WANG Dongfeng, Ms. LIANG Na, Mr. ZHANG Yang, Mr. ZHANG Qiang, Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason) has attended training sessions arranged by the Group's legal advisors relating to corporate governance and continuing obligations of listed companies and its directors.

On top of the above-mentioned trainings, members of the senior management have also attended several presentations relating to new regulations and compliance of listed companies.

6. *Directors liability insurance*

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 31 December 2018, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company estimates that in the reasonably foreseeable future, there is little risk that there would be any material event for which any Director shall take significant responsibility. Notwithstanding the above, the Company has arranged for appropriate directors' and officers' liability insurance in respect of legal action against the Directors.

7. *Board Meetings and General Meetings*

Number of Meetings and Directors' Attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through electronic means of communication.

The Board held four regular Board meetings during the year ended 31 December 2018 for discussing the Group's affairs, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. In total, the Board held nine Board meetings during the year ended 31 December 2018.

The attendance records of each Director at the Board meetings and the annual general meeting (whether in person or by means of electronic communication) held during the year ended 31 December 2018 are set out below:

Name of Director	Board meetings	Annual general meeting
Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*	9/9	1/1
Ms. LIANG Na *(Chief Financial Officer)*	9/9	1/1
Mr. ZHANG Yang *(Co-Chief Operations Officer)*	9/9	1/1
Mr. ZHANG Qiang	9/9	1/1
Mr. HOW Sze Ming	9/9	1/1
Mr. ZHAO Cong Richard	8/9	1/1
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*	6/6	1/1
Ms. LI Luyi *(Co-Chief Operations Officer)* *(appointed with effect from 14 April 2019)*	0/0	0/0
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*	3/3	0/1

Practices and Conduct of Meetings

The annual meeting schedule and draft agendas of each meeting are made available to Directors in advance. Arrangements are also in place to ensure Directors are given an opportunity to include matters in the agenda.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

Members of the senior management attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings, which record sufficient details of the matters considered by the Directors and decisions made, including any proposal raised by the Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. WANG Dongfeng serves as the chairman of the Board and the chief executive officer of the Company. In view of the ever-changing business environment in which the Group operates, the chairman and chief executive officer of the Company must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Further, the Board considers that a separation of the roles of the chairman and chief executive officer may create unnecessary costs for the daily operations of the Group. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to monitor and review the Company's current structure and to make necessary changes at an appropriate time.

C. Board Committees

The Board has established three Board committees, namely, the Remuneration Committee, the Audit and Compliance Committee and the Nomination Committee, for overseeing particular aspects of the Group's affairs. All of these three Board committees of the Company are established with defined written terms of reference.

The majority of the members of the Remuneration Committee, the Audit and Compliance Committee and the Nomination Committee are Independent Non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. During the year ended 31 December 2018, the Remuneration Committee comprised three members, of whom two were Independent Non-executive Directors and one was Non-executive Director:

Mr. ZHAO Cong Richard *(Chairman)*
Mr. HOW Sze Ming
Mr. ZHANG Qiang

The primary roles and functions of the Remuneration Committee include, but not limited to: (i) making recommendations to the Directors on the remuneration policy of the Group and structure of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, (ii) reviewing and approving the senior management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate, and (iii) determining the terms of the remuneration package of the Directors and senior management with reference to their time commitment and responsibilities, employment condition in the Group, and comparable companies.

The Remuneration Committee held two meetings and passed committee's written resolutions during the year ended 31 December 2018 to, inter alia, (i) review the remuneration policy and structure, (ii) assess performance of the Executive Directors and approve their terms of the service contracts, (iii) make recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management, (iv) consider the remuneration and the terms of the service contract of the new Independent Non-executive Director, (v) make recommendations to the Board on the grant of RSUs pursuant to the Restricted Share Unit Scheme, and (vi) deal with other matters related to the foregoing.

The attendance records of the Remuneration Committee meetings held during the year ended 31 December 2018 are set out below:

Committee members	Meeting attended/Total
Mr. ZHAO Cong Richard *(Chairman)*	2/2
Mr. ZHANG Qiang	2/2
Mr. HOW Sze Ming	2/2

Please refer to note 38 to the Financial Statements for the remuneration of the senior management by band.

2. Audit and Compliance Committee

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. During the year ended 31 December 2018, the Audit and Compliance Committee comprised three non-executive members, of whom two were Independent Non-executive Directors and one was Non-executive Director:

Mr. HOW Sze Ming *(Chairman)*
Mr. ZHANG Qiang
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*

The chairman of the Audit and Compliance Committee, Mr. HOW Sze Ming, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary roles and functions of the Audit and Compliance Committee include, but not limited to:

(i) reviewing and monitoring the relationship of the external auditors and the Group, particularly the independence, objectivity and effectiveness of the external auditor, (ii) providing an independent view of the effectiveness of the financial reporting process and risk management and internal control systems of the Group, (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board, (iv) developing, reviewing and monitoring the policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, in particular, the functions set out in the code provision D.3.1 of the CG Code, (v) reviewing the financial information of the Group and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit, and (vi) developing, reviewing and monitoring the code of conduct applicable to the employees of the Group and the Directors.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management and internal control systems and financial reporting function with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended 31 December 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held three meetings during the year ended 31 December 2018 to, inter alia, (i) review the interim and annual financial results and reports, financial reporting and compliance procedures, the report from the internal auditor on the Group's internal control, (ii) review the Company's corporate governance policies and practices (including but not limited to training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code), (iii) review the risk management and internal control systems of the Group, (iv) review the effectiveness of the internal audit function systems of the Group, (v) consider the re-appointment of the external auditors, and (vi) deal with other matters related to the foregoing.

The attendance records of the Audit and Compliance Committee meetings held during the year ended 31 December 2018 are set out below:

Committee members	Meeting attended/Total
Mr. HOW Sze Ming *(Chairman)*	3/3
Mr. ZHANG Qiang	3/3
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*	2/2
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*	1/1

The Group's annual results for the year ended 31 December 2018 and this Corporate Governance Report have been reviewed by the Audit and Compliance Committee on 27 March 2019.

3. Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the CG Code. During the year ended 31 December 2018, the Nomination Committee comprised three members, of whom two were Independent Non-executive Directors and one was Executive Director:

Mr. WANG Dongfeng *(Chairman)*
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*

The primary roles and functions of the Nomination Committee include, but not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and chief executive officer of the Company, (ii) identifying candidates for succession planning, (iii) overseeing the process for evaluating the performance of the Board, (iv) developing, recommending to the Board and monitoring nomination policy for the Group, and (v) assessing the independence of Independent Non-executive Directors.

The Nomination Committee held two meetings during the year ended 31 December 2018 to, inter alia, (i) review the structure, size and composition of the Board or identify any new Board member, (ii) review and assess the nomination of Directors and board composition with reference to the board diversity policy of the Company, a summary of which is set out in the paragraph headed "Summary of the Board Diversity Policy" in this Corporate Governance Report, (iii) assess the independence of the Independent Non-executive Directors, (iv) consider the appointment of the new Independent Non-executive Director, and (v) discuss other matters related to the foregoing.

The attendance records of the Nomination Committee meetings held during the year ended 31 December 2018 are set out below:

Committee members	Meeting attended/Total
Mr. WANG Dongfeng *(Chairman)*	2/2
Mr. ZHAO Cong Richard	2/2
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*	0/0
Ms. POON Philana Wai Yin *(retired with effect from 25 May 2018)*	2/2

The composition and diversity of the Board were considered by taking into account the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. The Chairman of the Board and the Executive Directors possess extensive IT, game and fintech industry experience. One of the Executive Directors, the Non-executive Director and the three Independent Non-executive Directors possess professional knowledge in management, investment, finance and regulatory areas, respectively with broad and extensive experience in business advisory services and management.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Company's policy for the nomination of Directors (the "Nomination Policy") and the Board diversity policy of the Company (the "Board Diversity Policy") by making reference to a range of diversity perspectives.

Summary of the Board Diversity Policy

The Board Diversity Policy was adopted by the Company pursuant to Board resolutions. The Board Diversity Policy aims to set out the approach to diversity on the Board of the Company. The Board Diversity Policy applies to the Board but not to diversity in relation to the employees of the Company, nor the board or the employees of any subsidiary of the Company. In reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Company aims to maintain an appropriate balance of diversity perspectives of the Board in supporting the attainment of its strategic objectives and its sustainable development. The Board has not set any measureable objectives for implementing the Board Diversity Policy.

The Nomination Policy

The Nomination Policy was adopted by the Company pursuant to Board resolutions. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Policy is set out as below:

1. Objective

   This policy sets out the criteria and procedures to be adopted when considering candidates to be appointed or re-elected as directors of the Company.

2. Selection Criteria

   The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

   - Reputation for integrity;

   - Accomplishment and experience in the financial services industry, in particular, in the securities, commodities and futures markets;

   - Commitment in respect of available time and relevant interest;

   - Diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

   - Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; and

   - These factors are for reference only, and not meant to be exhaustive and decisive.

3. Nomination Process

   3.1. Nomination by the Nomination Committee

   3.1.1 The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board;

   3.1.2 When it is necessary to fill a causal vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company, pursuant to the criteria set out in section 2 above;

3.1.3 If the process yields two or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

3.1.4 The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment;

3.1.5 The Board deliberates and decides on the appointment of directors based upon the recommendation of the Nomination Committee; and

3.1.6 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information of the proposed candidates as required pursuant to the Listing Rules and other applicable laws, rules and regulations will be included in the circular.

3.2. Re-election of Director at Annual General Meeting

3.2.1 In accordance with the Articles, every director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election at each annual general meeting;

3.2.2 The Nomination Committee shall review the overall contribution and service to the Company of the retiring director. The Nomination Committee shall also review the expertise and professional qualifications of the retiring director, who offered himself/herself for re-election at the annual general meeting, to determine whether such director continues to meet the criteria as set out in section 2 above; and

3.2.3 Based on the review made by Nomination Committee, the Board shall make recommendations to shareholders on candidates standing for re-election at the annual general meeting of the Company, and provide the available biographical information of the retiring director in accordance with the Listing Rules to enable shareholders to make the informed decision on the re-election of such candidates at annual general meeting of the Company.

3.3 Nomination by Shareholders

The shareholders of the Company may propose a person for election as a director in accordance with the Articles and applicable law, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company (please refer to the website of the Company).

D. Model Code for Securities Transactions

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2018.

E. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group and the Company for the year ended 31 December 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Group.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Financial Statements is set out in the "Independent Auditor's Report" from pages 76 to 81 of this annual report.

The external auditor of the Company will be invited to attend the Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and the auditor's independence.

For the year ended 31 December 2018, the fees paid/payable to PricewaterhouseCoopers for the audit service were RMB5.0 million.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year were RMB0.2 million. The non-audit services mainly included professional service on tax issues of the Group.

G. Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness.

The Group's risk management and internal control systems include a well-established organisational structure with clearly defined lines of responsibility and authority. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the senior management informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

Systems and procedures are also in place in the Group to identify, control and report on the major types of risks the Group encounters. Each department is responsible for the assessment of individual types of risks arising under their areas of responsibilities. Relevant risks identified are reported to the Board for overseeing and monitoring of the respective types of risks. The Group's risk management and internal control systems are monitored and reviewed regularly (at least three times a year) by the Board which covers the full financial year.

During the year ended 31 December 2018, the Board has reviewed of the effectiveness of the risk management and internal control systems of the Group. The review has covered the financial, operational and compliance and risk management aspects of the Group's risk management and internal control systems implemented in the year ended 31 December 2018. The review included discussions with the management of the Company, its external and internal auditors and the review was performed by the Audit and Compliance Committee. The review results have been reported to the Board. The Board is satisfied that such systems are effective and adequate. In addition, the Board has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions. The Board has also received a confirmation from the management that the Company's risk management and internal control systems are adequate and effective.

H. Framework for Disclosure of Inside Information

The Group has put in place a robust framework for the disclosure of inside information in compliance with the Securities and Futures Ordinance. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. Under the procedures, any employee (especially the Directors, the senior management and unit heads, etc.) who is aware of any potential inside information event shall initiate the reporting procedures as soon as practicable. The Board determines the nature of the events and makes disclosure if required. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

I. Internal Audit

The Group has in place an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the internal control systems of the Group.

Results of audit work together with an assessment of the overall internal control framework are reported to the Audit and Compliance Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issues.

J. Communications with Shareholders and Investors

The Company considers that effective communication with Shareholders is essential to enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the Shareholders. The Chairman of the Board, the chairman of each of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee, or, in their absence, other members of the respective committees are available to answer questions at the general meetings.

At the annual general meeting of the Company held on 25 May 2018, a resolution was proposed by the chairman in respect of each separate issue itemised on the agenda, including re-election of retiring directors. Procedures for conducting a poll were explained by the chairman at the meeting. The Chairman of the Board and the chairman of each of the board committees were present to answer questions from Shareholders. Representatives from external auditors also attended the annual general meeting of the Company held on 25 May 2018. All resolutions were voted by way of poll. The Company appointed the branch share registrar of the Company to act as scrutineers and to ensure votes cast were properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the Articles and the Listing Rules. No other general meeting was held by the Company during the year under review.

To promote effective communication, the Company maintains a website at www.forgame.com, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Company has established a shareholders' communication policy since 3 October 2013 and will review it on a regular basis to ensure its effectiveness.

The policy on payment of dividends

The Company's policy on payment of dividends (the "Dividend Policy") was adopted by the Company pursuant to Board resolutions. The Company will review the Dividend Policy, as appropriate, to ensure the effectiveness of the Dividend Policy. The Dividend Policy is set out as below:

Subject to the Cayman Islands Company Law and the Articles, the Company may declare dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by the Board. The Articles provide that dividends may be declared and paid out of the profit, realized or unrealized, 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 a share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Islands Company Law.

Except as provided under the terms of a particular issue, or with respect to the rights attached to any Shares, (i) all dividends will be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls may for this purpose be treated as paid up on the Share; and (ii) all dividends will 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 of the Shareholders or in respect of any Shares all sums of money (if any) presently payable by such Shareholder to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of the Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

The future dividend payments to the Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

The Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare.

The Company will continue to re-evaluate the Dividend Policy in light of the financial condition and the prevailing economic climate. However, the determination to pay dividends will be made at the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that the Company may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

K. Shareholder Rights

To safeguard Shareholder interests and rights, separate resolutions are proposed at Shareholders' meetings on each substantial issue, including the election of individual Directors. Meanwhile, the procedures for Shareholder to (i) convene an extraordinary general meeting, (ii) direct their enquiries to the Board and (iii) put forward proposals at Shareholders' meetings are available.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the company secretary of the Company who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

General meetings shall be convened on the written requisition of any two or more Shareholders of the Company deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The same procedures also apply to any proposal to be put forward at the general meetings. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules. In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the Shareholders' meeting.

During the year ended 31 December 2018, there was no change in the constitutional documents of the Company. The latest version of the Company's Articles is available on the websites of the Company and the Stock Exchange.

L. Company Secretary

Ms. LEE Ka Man ("Ms. Lee") was appointed by the Board as the company secretary of the Company with effect from 20 April 2018 while Ms. LU Feinan resigned as the company secretary of the Company with effect from 20 April 2018.

Ms. Lee of Fair Wind Secretarial Services Limited is an external service provider and her main contact person at the Company is Ms. LIANG Na (Executive Director and Chief Financial Officer). All Directors have access to the advice and services of the company secretary of the Company to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

Ms. Lee is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She has over 15 years of experience in the fields of company secretarial and compliance.

For the financial year ended 31 December 2018, Ms. Lee had confirmed that she had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company as at 31 December 2018 and up to the Latest Practicable Date were:

DIRECTORS

Executive Directors

Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*
Ms. LIANG Na *(Chief Financial Officer)*
Mr. ZHANG Yang *(Co-Chief Operations Officer)*
Ms. LI Luyi *(Co-Chief Operations Officer) (appointed with effect from 14 April 2019)*

Non-executive Director

Mr. ZHANG Qiang

Independent Non-executive Directors

Mr. HOW Sze Ming
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason *(appointed with effect from 25 May 2018)*

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers them independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Dongfeng, aged 42, co-founded the Group in September 2009 and was appointed as the Chairman of the Board and Executive Director on 26 July 2011. Since Mr. Wang acquired interests in Feiyin and Weidong, he has been involved in the Group's management in the capacity as a shareholder by making important management decisions. Mr. Wang has also been Chief Executive Officer of the Company since July 2011 and was appointed as the Company's authorised representative on 4 February 2013. He is responsible for the overall corporate development and strategic management of the Group's business and participates in making the Group's key strategic and operational decisions. In addition, Mr. Wang also sits on the boards of various companies within the Group, including acting as chairman of Foga Tech since August 2011. He also has been serving as executive director of the Feidong PRC Operational Entities, namely Feiyin and Weidong since May 2011 and Jieyou since June 2012 where he is mainly responsible for overseeing the overall development of the companies and formulating corporate and business strategies.

Mr. Wang has more than 18 years of experience in technology-oriented companies. From January 2005 to October 2008, he was the chief executive officer of ZCOM（北京智通無限科技有限公司）where he was responsible for carrying out the strategies and policies established by ZCOM. Prior to that, he was also the business director of Beijing Feixing Network Music Software Development Co., Ltd from April 2000 to August 2004 where he was involved in the operations of the business.

Mr. Wang graduated from Beijing Construction University, the PRC, in July 1998 where he obtained a college diploma in international trade and global economics. Mr. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. WANG is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

LIANG Na, aged 38, was appointed as an Executive Director on 24 May 2016. Ms. Liang was appointed as the chief financial officer of the Group with effect from 1 November 2014. She has held various key roles within the Group (including vice president and director of finance of the Group) and has over 15 years of financial management experience in both traditional and technology sectors. Prior to joining the Group in June 2011 as director of finance, she was employed by Digital China Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 00861) from January 2005 to June 2011 and took up the role of director of finance within the supply chain business unit.

Ms. Liang is responsible for overseeing the Group's financial management, corporate finance, budget implementation, investor relations, as well as managing the Group's support functions.

Ms. Liang graduated from Xi'an University of Technology with a bachelor degree in accounting in July 2002, followed by the degree of executive master of business administration at South China University of Technology. Ms. Liang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ZHANG Yang, aged 37, was appointed as an Executive Director and also as the chief operations officer of the Company on 31 August 2017 and re-designated as the co-chief operations officer on 14 April 2019.

Mr. Zhang has over 10 years of experience at Alibaba group and held various managerial positions in business units such as cn. Yahoo.com (雅虎中國), Taobao.com (淘寶網), Koubei.com (口碑網), Alipay (支付寶) and Alibaba Cloud (阿里雲), where he had accumulated extensive experience in corporate management. Mr. Zhang founded Jianlicai in 2015, which is principally engaged in the internet finance business in the PRC through the operations of websites and mobile phone applications under the Jianlicai brands. Mr. Zhang serves as the chief executive officer of Jianlicai where he is fully responsible for overall strategic planning and operation management, and also serves as director or legal representatives of a couple of subsidiaries of the Company.

Mr. Zhang transforms the traditional wealth management model by introducing artificial intelligence in a creative approach, thus enabling users to access secure and high quality assets instantly through automatic asset matching by using big data and artificial intelligence. As a result, this model combined with the exceptionally user-friendly design of Jianlicai was highly sought after by many investors upon its launch. Mr. Zhang was accredited as "China's Annual New Talent in New Finance Industry in 2017" by Hurun Report for his outstanding achievements in finance innovation. Since the merger of Jianlicai into the Group, Mr. Zhang has continued to be responsible for the daily operation of Jianlicai. Mr. Zhang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhang is currently studying for the degree of master of business administration at Tsinghua University.

LI Luyi, aged 39, was appointed as an Executive Director on 14 April 2019.

Ms. Li has over 17 years of experience in the internet industry. She worked for companies under KongZhong Corporation (a company listed on NASDAQ in the United States in July 2004 and subsequently privatised in April 2017) from January 2002 to September 2006 and from April 2009 to December 2009. Her last position was the vice president, where she was mainly responsible for the wireless entertainment business, marketing of mobile game business and business development work. She acted as the deputy general manager of the mobile business department of Tom Online Inc. from October 2006 to March 2009 and was mainly responsible for the development of wireless value-added business. She also held various positions in Prosten Technology Holdings Limited (now known as China Brilliant Global Limited, a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08026), principally engaged in the provision of solution integration services and wireless mobile value-added services), including chief executive officer from February 2010 to February 2015, executive director from November 2010 to February 2015 and non-executive director from February 2015 to July 2015. Ms. Li worked for 北京冠城瑞富信息技術有限公司 (Beijing Guancheng Ruifu Information Technology Company Limited*) (a company engaged in the provision of inclusive financial information intermediary services) as a chief executive officer from April 2015 to February 2019.

Ms. Li graduated from Tongji University and obtained a bachelor degree in management engineering (investment economics) in July 2000. She obtained a postgraduate diploma in financial markets and portfolio management from the University of Hong Kong in November 2015 and a master degree in business administration from China Europe International Business School in August 2018. Save as disclosed above, Ms. Li has not held any directorship in any other listed companies in Hong Kong or overseas in the past three years.

ZHANG Qiang, aged 43, was appointed as a Non-executive Director on 24 May 2016. Mr. Zhang is currently a vice president and the Deputy CFO of TPV Technology Limited, a company whose shares are listed on the Main Board (Stock Code: 00903).

Mr. Zhang was a vice president of Unisplendour Technology (Holdings) Limited, a company whose shares are listed on the Main Board (Stock Code: 00365). He was a vice president (Corporate Finance) of TPV Technology Limited and was responsible for corporate finance activities, investors relations and public relations. Mr. Zhang was the managing director of China Great Wall Computer (Hong Kong) Holding Limited from March 2004 to January 2015, a vice president of investment and overseas business of China Great Wall Computer Shenzhen Company Limited (a company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 000066.sz)) from July 2007 to January 2015, the chairman secretary of Great Wall Technology Company Limited from April 2002 to February 2004, the CEO assistant and company secretary of HiChina Web Solution Company Limited from June 2001 to January 2002 and a project manager of importation of Poly Technology Inc. Ltd. from July 1998 to May 2001.

Mr. Zhang graduated from the University of International Business and Economics with a bachelor degree in economics, followed by a master degree in business administration at China Europe International Business School. Save as disclosed above, Mr. Zhang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhang has been a member of the Audit and Compliance Committee and the Remuneration Committee since 24 May 2016.

HOW Sze Ming, aged 42, was appointed as an Independent Non-executive Director on 1 January 2016.

Mr. How has over 18 years of experience in investment banking and business assurance industries. From September 1999 to July 2002, Mr. How worked as a senior associate in the Assurance and Business Advisory Department of PricewaterhouseCoopers and was primarily responsible for assurance and business advisory work. From July 2002 to June 2003, he worked as a corporate finance executive of Tai Fook Securities Company Limited (now known as Haitong International Securities Company Limited), a company which was principally engaged in securities broking, securities dealing and leveraged foreign exchange trading, where he was responsible for corporate finance advisory work. From July 2003 to December 2004, Mr. How worked as an assistant manager at Tai Fook Capital Limited (now known as Haitong International Capital Limited), a company principally engaged in corporate finance advisory services, where he was responsible for corporate finance advisory work. From December 2004 to May 2006, he worked as an assistant vice president of CCB International Capital Limited, a company principally engaged in securities advisory, securities dealing and corporate finance advisory, where he was responsible for corporate finance advisory work. From June 2006 to March 2009, Mr. How worked as an assistant vice president in the Investment Banking Division of ICEA Capital Limited, a company principally engaged in dealing in securities and corporate finance advisory services, where he was responsible for corporate finance advisory work. From April 2009 to February 2010, he worked as an assistant vice president in the Investment Banking Division of ICBC International Holding Limited, a company principally engaged in investment banking, where he was responsible for corporate finance advisory work. From February 2010 to June 2015, Mr. How was a managing director of the Investment Banking Department of CMB International Capital Corporation Limited, a company principally engaged in investment banking, securities brokerage and asset management, where he was responsible for corporate finance advisory work. From July 2015 to January 2016, Mr. How was a managing director of Zhaobangji International Capital Limited, a company principally engaged in investment banking and advisory services, where he is responsible for corporate finance advisory work.

Mr. How joined Southwest Securities (HK) Capital Limited, a company principally engaged in corporate finance and advisory services, in February 2016 and is currently a managing director and head of corporate finance where he is responsible for corporate finance advisory work. Southwest Securities is an indirect wholly-owned subsidiary of Southwest Securities International Securities Limited, a company whose shares are listed on the Main Board (Stock Code: 00812). Mr. How was an independent non-executive director of (i) QPL International Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 00243) from September 2013 to September 2016 and (ii) Million Stars Holdings Limited (previously named as Odella Leather Holdings Limited), a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08093) from January 2015 to March 2017. Mr. How has been an independent non-executive director of (i) World-Link Logistics (Asia) Holding Limited, a company whose shares were previously listed on the GEM of the Stock Exchange and are now on the Main Board (Stock Code: 06083), since December 2015; (ii) Shanghai Zendai Property Limited, a company whose shares are listed on the Main Board (Stock Code: 00755), since May 2017; (iii) 1957 & Co. (Hospitality) Limited, a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08495), since November 2017 and (iv) Watts International Maritime Engineering Limited, a company whose shares are listed on the Main Board (Stock Code: 02258), since October 2018.

Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honours, majoring in professional accountancy) in December 1999. By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Save as disclosed above, Mr. How is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. How has been the chairman of the Audit and Compliance Committee and a member of the Remuneration Committee since 1 January 2016.

ZHAO Cong Richard, aged 68, was appointed as an Independent Non-executive Director on 1 September 2013.

Mr. Zhao has been serving as the chairman of SingMeng Telemedia Group Ltd. since January 2016. Mr. Zhao has over 30 years of experience in managing and investing in businesses based in Hong Kong and China. From March 2002 to December 2015, he served as the managing director of Yangtze Ventures Management Limited. From March 2000 to February 2001, he served as a vice president of the venture capital arm of PCCW Limited, a company whose shares are listed on the Main Board (Stock Code: 00008), stationed in Beijing, PRC, where he assisted in completing a number of key investments. From October 1995 to March 2000, Mr. Zhao served as the chief adviser to the president and chief executive officer of China Investment Group Ltd., where he was responsible for providing analysis on political and economic issues and investment opportunities in China. From April 1992 to January 1995, he served as the general manager of the China Division of China Strategic Holdings Limited, a company whose shares are listed on the Main Board (Stock Code: 00235), where he assisted in the completion of numerous joint ventures in China. Prior to that, Mr. Zhao also served as a deputy general manager and a director at Power View Development Ltd. between 1988 to 1991, a trading manager and a director at Reliance Agency Ltd. between 1986 to 1988, and a trading manager and a director at High & Mighty Co. Ltd. between July 1983 to July 1986.

Mr. Zhao currently serves as a director in three management service companies, namely Viscon Limited since July 1994, the Yangtze Ventures Management (HK) Limited since March 2002 and Yangtze Capital Advisory Limited since June 2007, and an investment holding company, namely Ecoplast Technologies Inc since November 2009. Mr. Zhao also served as a non-executive director of CIG Yangtze Ports PLC, a company whose shares are listed on the GEM of the Stock Exchange (Stock Code: 08233) from November 2003 to January 2007. In addition, he was admitted as a fellow by the Hong Kong Institute of Directors in July 2006. Save as disclosed above, Mr. Zhao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhao is the chairman of the Remuneration Committee and a member of the Nomination Committee.

WAN Joseph Jason, aged 46, was appointed as an Independent Non-executive Director on 25 May 2018.

Mr. Wan holds a bachelor degree in economics from the University of Southern California. He has over 20 years of experience in investment banking, corporate finance and regulatory areas and has worked with various reputable international financial institutions and the Listing Division of the Hong Kong Exchanges and Clearing Limited. Mr. Wan is currently the deputy general manager and the head of Investment Banking Department of Dongxing Securities (Hong Kong) Financial Holdings Limited, an affiliated member of China Orient Asset Management Corporation and is a responsible officer licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Wan has been an independent non-executive director of China 21st Century Education Group Limited, a company whose shares are listed on the Main Board (Stock Code: 01598) since 6 March 2019. Save as disclosed above, Mr. Wan has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, nor does he hold any other position with the Company and other members of the Group or possess any other major appointments or professional qualifications.

Mr. Wan is a member of the Audit and Compliance Committee and the Nomination Committee.

SENIOR MANAGEMENT

The Group's senior management is responsible for the day-to-day management of the business of the Group. The table below shows certain information in respect of the senior management of the Group as at 31 December 2018:

Name	Age	Position/Title	Date of Appointment or Re-designation
YANG Tao	42	Chief Product Officer	15 June 2012
LIANG Na	38	Chief Financial Officer	1 November 2014
ZHANG Yang	37	Chief Operations Officer	31 August 2017
		Co-Chief Operations Officer	14 April 2019
LI Luyi	39	Co-Chief Operations Officer	14 April 2019

YANG Tao, aged 42, was appointed as the chief product officer of the Group on 15 June 2012. He joined the Group in June 2010 through Feiyin where he was the game producer until November 2011. On December 2011, he became the vice president where he was in charge of overseeing the development of webgames and products of the Group. Mr. Yang is primarily responsible for the research and development of webgame products at the Group and drives the planning and selection of the genres, features and design of webgames. Mr. Yang possesses management and development experience in the webgame industry, which is underpinned by his work in pioneering the Group's "凡人修真" (translated as "Soul Guardian") flagship webgame series.

Prior to joining the Group, he was the deputy general manager of Beijing Internet Vision Technology Co. Ltd from July 2007 to August 2008 where he was responsible for managing the research and development of the company.

Mr. Yang graduated from Capital University of Economics where he was awarded a college diploma in economics information management in July 1998. Mr. Yang is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

The biographies of Ms. LIANG Na, Mr. ZHANG Yang and Ms. LI Luyi have been disclosed under the paragraph headed "Biographical Details of Directors" above.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Forgame Holdings Limited
(Incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 82 to 166, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive (loss)/income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is:

- Revenue recognition — estimates of lifespan of in-game virtual items with reference to expected playing period of paying players ("Player Relationship Period") in the Group's game development and platform publishing service ("Game Business")

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — estimates of lifespan of in-game virtual items with reference to expected playing period of paying players ("Player Relationship Period") in the game development and platform publishing service ("Game Business")	
Refer to Notes 2.19, 5.1(a), 6 and 28 to the consolidated financial statements. During the year ended 31 December 2018, the Group's revenue from Game Business amounted to RMB90,886,000, representing 28% of the Group's total revenue. It was mainly derived from the sales of in-game virtual items. The amount of associated deferred revenue amounted to RMB6,544,000 as at 31 December 2018, representing 5% of the Group's total liabilities as at the same date. The Group's in-game virtual items are categorised as both durable items and consumable items. Revenue derived from consumable items in its Game Business (defined in Note 1) are recognised once they are consumed. Revenue derived from durable virtual items in Game Business are recognised ratably over the Player Relationship Period (defined in Note 2.19). The determination of the Player Relationship Period for relevant online virtual items requires significant judgement and estimates. These judgements and estimates included (i) the determination of key assumptions applied in the expected users' relationship periods, including but not limited to historical users' consumption pattern and games life-cycle; and (ii) the identification of events that may trigger changes in the expected users' relationship period. Thus, specific audit focus was placed in this area.	We understood and evaluated the design effectiveness of internal controls in relation to the recognition of revenue from in-game virtual items, including oversight exercised by management in assessing the Player Relationship Periods. We, on a sample basis, validated operating effectiveness of internal controls in respect of the recognition of revenue from sales of virtual items, including management's review and approval of (i) determination of the estimated lifespan of new virtual items prior to their launches; and (ii) changes in the estimated lifespan of existing virtual items based on periodic reassessment on any indications triggering such changes. We also assessed the data generated from the Group's information system supporting the management's review, including testing the information system logic for generation of reports, and checking, on a sample basis, the monthly computation of revenue recognised on selected virtual items generated directly from the Group's information system. We discussed with management and evaluated their judgements and estimations made in determining the Player Relationship Period. We also assessed the historical accuracy of the management's estimation process by comparing the actual Player Relationship Period for the preceding year against the original estimation, on a sample basis. We validated, on a sample basis, the classification of consumable and durable items by reviewing the prescribed usage of the items and the existence of any implied obligations of the Group to provide the services to game players after the specific in-game virtual items were consumed. We also recalculated the deferred revenue balance of different virtual items based on the respective Player Relationship Period on a sample basis. Based on the above, we found that the significant judgement and estimates involved in determining the Player Relationship Periods adopted by management in the revenue recognition of in-game virtual items of the Group were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit and Compliance Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit and Compliance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit and Compliance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Note	Year Ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**324,243**	346,466
Cost of revenue	7	**(85,913)**	(124,185)
Gross profit		**238,330**	222,281
Selling and marketing expenses	7	**(80,658)**	(77,274)
Administrative expenses	7	**(92,077)**	(94,712)
Research and development expenses	7	**(66,578)**	(49,425)
Other income	8	**16,119**	7,701
Other gains/(losses)-net	9	**319**	(9,394)
Finance income-net	11	**1,292**	5,384
Gain on dilution of investments accounted for using the equity method	12b	**11,089**	–
Gain on disposal of investment in an associate	12b	**–**	62,576
Gain on disposal of available-for-sale financial assets		**–**	11,500
Share of income of investments accounted for using the equity method	12b	**13,857**	10,850
Impairment of financial assets measured at amortised cost	13	**(40,224)**	(4,727)
Impairment of available-for-sale financial assets		**–**	(6,540)
Impairment of intangible assets	17	**(349,126)**	(5,077)
(Loss)/profit before income tax		**(347,657)**	73,143
Income tax benefit/(expense)	14	**27,635**	(4,495)
(Loss)/profit for the year		**(320,022)**	68,648
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss:			
— Change in value of available-for-sale financial assets		**–**	(298)
Items that will not be subsequently reclassified to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income	20	**16,392**	–
— Currency translation differences	26	**1,791**	(19,632)
Total other comprehensive income/(loss), before tax		**18,183**	(19,930)
Income tax relating to components of other comprehensive income/(loss)	31	**(440)**	45
Other comprehensive income/(loss) for the year, net of tax		**17,743**	(19,885)
Total comprehensive (loss)/income for the year		**(302,279)**	48,763

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Note	Year Ended 31 December 2018 RMB'000	2017 RMB'000
(Loss)/profit attributable to:			
— Owners of the Company		**(284,877)**	74,035
— Non-controlling interests		**(35,145)**	(5,387)
		(320,022)	68,648
Total comprehensive (loss)/income attributable to:			
— Owners of the Company		**(267,134)**	54,150
— Non-controlling interests		**(35,145)**	(5,387)
		(302,279)	48,763
(Loss)/earning per share (expressed in RMB per share)	*15*		
— Basic		**(2.09)**	0.54
— Diluted		**(2.09)**	0.53

The notes on pages 89 to 166 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	*16*	**8,155**	8,565
Intangible assets	*17*	**8,124**	376,596
Investments accounted for using the equity method	*12b*	**47,567**	12,057
Financial assets at fair value through profit or loss	*19*	**5,512**	–
Available-for-sale financial assets		**–**	15,312
Financial assets at fair value through other comprehensive income	*20*	**30,804**	–
Prepayments and other receivables	*23*	**2,767**	3,876
Deferred income tax assets	*31*	**–**	524
		102,929	416,930
Current assets			
Trade receivables	*21*	**23,100**	40,249
Loan receivables	*22*	**46,512**	231,742
Prepayments and other receivables	*23*	**17,618**	144,145
Restricted cash	*24*	**929**	751
Short-term deposits	*24*	**41,534**	34,650
Cash and cash equivalents	*24*	**757,018**	654,915
		886,711	1,106,452
Total assets		**989,640**	1,523,382
EQUITY			
Equity attributable to owners of the Company			
Share capital	*25*	**86**	87
Shares held for Restricted Share Units Scheme	*25*	**(28,900)**	(9,584)
Share premium	*25*	**2,066,360**	2,074,087
Reserves	*26*	**(55,028)**	(74,402)
Accumulated losses		**(1,173,277)**	(881,487)
		809,241	1,108,701
Non-controlling interests		**38,446**	72,716
Total equity		**847,687**	1,181,417

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2018	2017
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*31*	**459**	32,177
Deferred revenue	*28*	**122**	270
		581	32,447
Current liabilities			
Trade payables	*29*	**29,153**	34,169
Other payables and accruals	*30*	**97,550**	252,854
Income tax liabilities		**8,247**	15,469
Deferred revenue	*28*	**6,422**	7,026
		141,372	309,518
Total liabilities		**141,953**	341,965
Total equity and liabilities		**989,640**	1,523,382

The notes on pages 89 to 166 are integral parts of these consolidated financial statements.

The financial statements on pages 82 to 166 were approved by the Board of Directors on 27 March 2019 and were signed on its behalf.

WANG Dongfeng
Director

LIANG Na
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
		Attributable to Owners of the Company							
Balance at 1 January 2017		87	2,073,900	–	(65,296)	(949,535)	1,059,156	(1,046)	1,058,110
Comprehensive income									
Profit for the year		–	–	–	–	74,035	74,035	(5,387)	68,648
Other comprehensive loss:									
Revaluation of available-for-sale financial assets	*26*	–	–	–	(253)	–	(253)	–	(253)
Currency translation differences	*26*	–	–	–	(19,632)	–	(19,632)	–	(19,632)
Total comprehensive income		–	–	–	(19,885)	74,035	54,150	(5,387)	48,763
Transactions with owners in their capacity as owners									
Acquisition of a subsidiary		–	–	–	–	–	–	79,149	79,149
Employee share-based compensation scheme:									
— Shares purchased for Restricted Share Units Scheme	*25*	–	–	(19,681)	–	–	(19,681)	–	(19,681)
— Vesting and allotting of shares of Restricted Share Units Scheme	*25*	–	–	10,097	(7,719)	(2,378)	–	–	–
— Value of employee services	*27*	–	–	–	14,889	–	14,889	–	14,889
— Shares issued upon exercise of employee share options	*25*	–	187	–	–	–	187	–	187
Profit appropriations to statutory reserves	*26*	–	–	–	3,609	(3,609)	–	–	–
Total transactions with owners in their capacity as owners		–	187	(9,584)	10,779	(5,987)	(4,605)	79,149	74,544
Balance at 31 December 2017		87	2,074,087	(9,584)	(74,402)	(881,487)	1,108,701	72,716	1,181,417

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
		Attributable to Owners of the Company							
Balance at 1 January 2018		87	2,074,087	(9,584)	(74,402)	(881,487)	1,108,701	72,716	1,181,417
Comprehensive loss									
Loss for the year		–	–	–	–	(284,877)	(284,877)	(35,145)	(320,022)
Other comprehensive income:									
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	26	–	–	–	15,952	–	15,952	–	15,952
Currency translation differences	26	–	–	–	1,791	–	1,791	–	1,791
Total comprehensive loss		–	–	–	17,743	(284,877)	(267,134)	(35,145)	(302,279)
Transfer of gain on equity investments at fair value through other comprehensive income to retained earnings	26	–	–	–	(3,021)	3,021	–	–	–
Transactions with owners in their capacity as owners									
Repurchase and cancellation of shares	25	(1)	(7,727)	–	–	–	(7,728)	–	(7,728)
Employee share-based compensation scheme:									
— Shares purchased for Restricted Share Units Scheme	25	–	–	(30,839)	–	–	(30,839)	–	(30,839)
— Vesting and allotting of shares of Restricted Share Units Scheme	25	–	–	11,523	(7,642)	(3,881)	–	–	–
— Value of employee services	27	–	–	–	4,090	–	4,090	543	4,633
Profit appropriations to statutory reserves	26	–	–	–	6,053	(6,053)	–	–	–
Disposal of equity interests in a subsidiary without change of control		–	–	–	2,151	–	2,151	332	2,483
Total transactions with owners in their capacity as owners		(1)	(7,727)	(19,316)	4,652	(9,934)	(32,326)	875	(31,451)
Balance at 31 December 2018		86	2,066,360	(28,900)	(55,028)	(1,173,277)	809,241	38,446	847,687

The notes on pages 89 to 166 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	*32*	**152,856**	(77,210)
Income tax paid		**(11,221)**	(536)
Net cash generated from/(used in) operating activities		**141,635**	(77,746)
Cash flows from investing activities			
Purchases of property and equipment		**(5,026)**	(5,240)
Proceeds from disposals of property and equipment	*32*	**1,385**	1,492
Proceeds from disposal of equity interests in a subsidiary without change of control		**2,483**	–
Purchases of intangible assets		**(256)**	(465)
Proceeds from disposal of investments, net		**20,048**	43,750
Payments for financial assets at fair value through profit or loss		**(5,512)**	–
Payments for investments in associates		**(4,300)**	(700)
Payments for available-for-sale financial assets		**–**	(10,000)
Payments for financial assets at fair value through other comprehensive income		**(5,000)**	–
Cash acquired from business combination		**–**	46,241
Placement of short-term deposits		**(140,861)**	(368,074)
Proceeds received upon maturity of short-term deposits		**133,977**	773,331
Interest received from short-term deposits		**1,019**	6,403
Payment for restricted cash		**(178)**	–
Interest received from restricted cash		**2**	–
Net cash (used in)/generated from investing activities		**(2,219)**	486,738
Cash flows from financing activities			
Purchases of shares for Restricted Share Units Scheme	*25*	**(30,839)**	(19,681)
Payment for repurchase of shares	*25*	**(7,728)**	–
Net cash used in financing activities		**(38,567)**	(19,681)
Net increase in cash and cash equivalents		**100,849**	389,311
Cash and cash equivalents at beginning of year		**654,915**	267,986
Effects of exchange rate changes on cash and cash equivalents		**1,254**	(2,382)
Cash and cash equivalents at end of year	*24*	**757,018**	654,915

The notes on pages 89 to 166 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Forgame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 July 2011 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in developing and publishing domestic and overseas webgames and mobile games (the "Game Business") and providing internet micro-credit service and financial information service (the "Fintech Business") in the People's Republic of China (the "PRC").

On 3 October 2013, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO").

In December 2016, the Group obtained a license to carry out internet micro-credit business from the government and thereafter commenced the operation of the Group's Fintech Business in the PRC. The license was expired in August 2018 and has been subsequently renewed in February 2019, with a period of validity until June 2019.

On 16 August 2017, the Group completed the acquisition of 55% equity interest in Jlc Inc., which is principally engaged in providing financial information service to online investors.

The Group's Game Business is carried out through several domestic operating companies, incorporated in the PRC, namely Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin"), and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou"). Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders") are their respective legal shareholders. And the Group's Fintech Business is also carried out through several domestic operating companies, incorporated in the PRC, namely Jiujiang Yunke Internet Microfinance Co., Ltd. (九江市雲客網絡小額貸款有限公司, "Yunke"), Beijing Jinweilai Financial Information Service Co., Ltd. (北京金未來金融信息服務有限公司,"Jinweilai") and its subsidiaries. Those domestic operating companies are collectively defined as the "PRC Operational Entities" thereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding equity interest in an entity conducting such services in China. In order to enable investments be made into the Group's Game Business and Fintech Business, the Company established a subsidiary, Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") and New Goround Network Technology (Tianjin) Co., Ltd. (新谷原信息技術（天津）有限公司, "JLC (WFOE)"), respectively, both of which are wholly foreign owned enterprises incorporated in the PRC.

Feidong and JLC (WFOE) has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Operational Entities and their respective equity holders, which enable Feidong and JLC (WFOE) and the Company to:

— exercise effective financial and operational control over the PRC Operational Entities;

— exercise equity holders' voting rights of the PRC Operational Entities;

— receive substantially all of the economic interest returns generated by the PRC Operational Entities in consideration for the business support, technical and consulting services provided by Feidong and JLC (WFOE), at Feidong and JLC (WFOE)'s discretion, respectively;

1 GENERAL INFORMATION (Continued)

— obtain an irrevocable and exclusive right to purchase the entire equity interest in the PRC Operational Entities from the respective equity holders. The right automatically renews upon expiry until Feidong and JLC (WFOE) specify a renewal term, respectively;

— obtain a pledge over the entire equity interest of the PRC Operational Entities from their respective equity holders as collateral security for all of the PRC Operational Entities' payments due to Feidong and JLC (WFOE), respectively, and to secure performance of the PRC Operational Entities' obligations under the Contractual Arrangements.

The Company does not have any equity interest in the PRC Operational Entities. However, as a result of the Contractual Arrangements, the Company has rights to variable returns from its involvement with the PRC Operational Entities and has the ability to affect those returns through its power over the PRC Operational Entities and is considered to control the PRC Operational Entities. Consequently, the Company regards the PRC Operational Entities as consolidated structured entities under International Financial Reporting Standards ("IFRSs"). The Group has included the financial position and results of the PRC Operational Entities in the consolidated financial statements.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operational Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operational Entities. However, the Company believes that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on 27 March 2019.

All companies comprising the Group have adopted 31 December as their financial year end date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income ("FVOCI"), and financial assets at fair value through profit or loss ("FVTPL"), which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

— Financial Instruments — IFRS 9 ,
— Revenue from Contracts with Customers — IFRS 15,
— Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2,
— Foreign Currency Transactions and Advance Consideration — Interpretation 22, and
— Investments in Associates and Joint Ventures — Amendments to IAS 28.

The impact of the adoption of IFRS 9 and IFRS 15 since 1 January 2018 is disclosed in Note 3. The adoption of the other amendments and interpretations listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

— Leases — IFRS 16

IFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.21 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheet, set out in Note 33(b). IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside the balance sheet. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the income statement, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The new standard is not expected to apply until the financial year of 2019. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at December 31, 2018 are approximately RMB14,935,000, with the minimum lease payments due less than one year amounting to approximately RMB9,522,000, and those due more than one year and less than five years amounting to approximately RMB5,413,000.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income/(loss). Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive (loss)/income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income/(loss) in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income/(loss) are reclassified to profit or loss.

2.2.2 Separate Financial Statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive (loss)/income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income/(loss) is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive (loss)/income, and its share of post-acquisition movements in other comprehensive income/(loss) is recognised in other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of income of investments accounted for using the equity method" in the consolidated statement of comprehensive (loss)/income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive (loss)/income.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the directors of the Company have chosen to present the Group's financial statements in RMB (the "presentation currency").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign Currency Translation (Continued)

(b) Transactions and balances (Continued)

Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income/(loss) are recognised in other comprehensive income/(loss).

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each statement of comprehensive income/(loss) are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

— all resulting currency exchange differences are recognised in other comprehensive income/(loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income/(loss).

2.6 Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Furniture and office equipment	5 years
— Server and other equipment	3–5 years
— Motor vehicles	5 years
— Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property and Equipment (Continued)

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other gains/(losses) – net" in the consolidated statement of comprehensive (loss)/income.

2.7 Intangible Assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, and recorded in amortisation within operating expenses in the consolidated statement of comprehensive (loss)/income.

(c) Game intellectual properties and licenses

Game intellectual properties and licenses are initially recorded at cost or estimated fair value of intangible assets acquired through business combinations. These intangible assets are amortised on a straight-line basis over their estimate useful lives (ranged from 2 to 5 years).

(d) Platform, brand name and backlog acquired in a business combination

Platform, brand name and backlog acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). These intangible assets are amortised on a straight-line basis over the estimated useful lives, as follows:

— Platform	5 years
— Brand name	5 years
— Backlog	0.4 year

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible Assets (Continued)

(e) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. There were no development costs meeting these criteria and capitalised as intangible assets in current period.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial Assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial Assets (Continued)

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial Assets (Continued)

(c) *Measurement* (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 4.1(b) for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial Assets (Continued)

(e) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depended on the purpose for which the investments were acquired. Management determined the classification of its financial assets at initial recognition.

The Group's financial assets at fair value through profit or loss mainly comprised investments in ordinary shares listed on a stock exchange classified as financial assets held-for-trading. Assets in this category were classified as current assets if expected to be settled within 12 months; otherwise, they were classified as non-current.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets, except for the amounts that were settled or expected to be settled more than 12 months after the end of the reporting year. These were classified as non-current assets. The Group's loans and receivables comprised "trade receivables", "loan receivables", "other receivables", "short-term deposits", "restricted cash" and "cash and cash equivalents" in the balance sheet.

The Group's available-for-sale financial assets comprised non-derivative investments in private funds and some other private companies. The Company designated the investments in this category based on the consideration that they were held for capital appreciation and business strategic purposes. They were included in non-current assets unless management intends to dispose within 12 months after the end of the reporting year.

Recognition and measurement

Regular way purchases and sales of financial assets were recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value, and transaction costs were expensed in profit or loss. Financial assets were derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial Assets (Continued)

(e) *Accounting policies applied until 31 December 2017* (Continued)

Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category were presented in the consolidated statement of comprehensive (loss)/income within "other gains/(losses) – net" in the year in which they arise. Dividend income from financial assets at fair value through profit or loss was recognised in the consolidated statement of comprehensive (loss)/income as part of other income when the Group's right to receive payments was established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets were recognised in other comprehensive income/(loss).

When securities classified as available-for-sale financial assets were sold, the accumulated fair value adjustments recognised in equity were included in the consolidated statement of comprehensive (loss)/income as "gain on disposal of available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method was recognised in the consolidated statement of comprehensive (loss)/income as part of other income. Dividends on available-for-sale equity instruments were recognised in the consolidated statement of comprehensive (loss)/income as part of other income when the Group's right to receive payments was established.

Impairment

The Group assessed at the end of each reporting year whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

2.10 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Trade Receivables and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.9 for further information about the Group's accounting for trade receivables and Note 2.9(d) for a description of the Group's impairment policies.

2.12 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and short-term highly liquid investments with original maturity of three months or less.

2.13 Share Capital, Share Premium and Shares held for Restricted Share Units Scheme

(a) Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's owners.

(b) Shares held for Restricted Share Units Scheme

Where the Company's shares are acquired by the Restricted Share Units Scheme Trust (as defined in Note 12a) from the market, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as Shares held for Restricted Share Units Scheme and deducted from total equity.

Upon vesting, the related costs of the vested share-based awards purchased from the market are credited to Shares held for Restricted Share Units Scheme, with a corresponding decrease in share-based compensation reserve for the share-based awards.

For vesting of forfeited or unallocated shares regranted, the related costs of the forfeited or unallocated shares regranted are credited to Shares held for Restricted Share Units Scheme, and the related fair value of the shares regranted are debited to share-based compensation reserve. The difference between the cost and the fair value of the shares regranted is credited to share premium if the fair value is higher than the costs, or debited against accumulated losses if the fair value is less than the cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Share Capital, Share Premium and Shares held for Restricted Share Units Scheme (Continued)

(b) Shares held for Restricted Share Units Scheme (Continued)

Upon transfer to the awardees, the related costs of the share-based awards transferred are credited to Shares held for Restricted Share Units Scheme, and the amount that has been previously credited to share-based compensation reserve is reversed. The difference between these two amounts is credited to share premium or debited against accumulated losses.

2.14 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and Deferred Income Tax

The income tax benefit/(expense) for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attribute to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws, enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Current and Deferred Income Tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee Benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each year. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.17 Share-based Payments

(a) Equity-settled share-based payments transactions

The Group operates the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme, and Restricted Share Units Scheme (as defined in Note 27), which is an equity-settled shared-based compensation plan under which share awards are granted to employees as part of their remuneration package.

The fair value of the employee services received in exchange for the grant of the share-based awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share-based awards granted:

— including any market performance conditions;

— excluding the impact of any service and non-market performance vesting conditions; and

— including the impact of any non-vesting conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Share-based Payments (Continued)

(a) *Equity-settled share-based payments transactions* (Continued)

At the end of each reporting period, the Group revises its estimates of the number of share-based awards that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

(b) *Share-based payments transactions among Group entities*

The grant by the Company of options over its equity instruments to the employees or other service providers of the subsidiaries is treated as a capital contribution. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue Recognition

The Group is principally engaged in Game Business and Fintech Business. Revenues reported in the financial statements are net of value-added tax.

(a) *Game Business revenue*

The Group's Game Business revenue derived from its game product development services ("Game Product") revenue and game platform publishing services ("Game Platform") revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue Recognition (Continued)

(a) Game Business revenue (Continued)

— *Game Product*

The Group provides Game Product service through game platforms, which are either self-owned or operated by third parties.

The Group's games are free-to-play and players can pay for virtual items for better in-game experience. Players purchase game credits ("Paying Players") through the platform's charging system and use the game credits to exchange in-game virtual items. Paying Players usually exchange their game credits for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and the platforms, which is pre-determined in revenue sharing arrangements ("Revenue Sharing Arrangements") enacted between the Group with each of the platforms. The platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and consumed in the respective games. As a result, the proceeds from the sales of virtual items are initially recorded in deferred revenue and are then recognised as revenue subsequently only when the services have been rendered either upon consumption or ratably over the average playing period of Paying Players ("Player Relationship Period").

For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

(i) Consumable virtual items represent items that will be extinguished shortly after consumption by a specific game player action. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from deferred revenue) when the items are consumed.

(ii) Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average Player Relationship Period, which represents the best estimates of the average life of durable virtual items for the applicable game.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue Recognition (Continued)

(a) *Game Business revenue* (Continued)

— *Game Product* (Continued)

The Group determines the Player Relationship Period on a game-by-game and platform-by-platform basis by tracking the player data, such as log-in data and purchase/consumption records. If there is insufficient player data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games of the Group or third-party developers, taking into account the game profile, target audience and its appeal to Paying Players of different demographic groups, until the new game establishes its own history, which is normally up to 12 months after launch. The Group re-assesses such periods semi-annually.

The Group has evaluated the roles and responsibilities in the delivery of game experience to the Paying Players and concluded that the Group takes the primary responsibilities in the Game Product service. The Group is determined to be the primary obligor and reports gross revenue. Due to the fact that the third party platforms may offer various marketing discounts from time to time to Paying Players, the actual prices paid by any individual paying player may be lower than the standard prices of virtual items purchased, with the balance being subsidised by the platforms, accordingly, the Group has to attempt to make a reasonable estimation for the gross revenue amount through tracking third party platforms' marketing activities.

Nevertheless, for the Group's webgames which are published through a large number of domestic third party platforms, since those platforms would offer various market discounts to Paying Players, it is difficult for the Group to make a reasonable estimation for the gross revenue, as such, the Group reports revenue to the extent of the amounts received and receivable from those domestic third party platforms under the Revenue Sharing Arrangements.

However, if the Group is able to make a reasonable estimate of the gross revenue for some of webgames published on certain reputable international platforms, such as Facebook, and for the Group's mobile games published through various mobile platforms, the related revenue is recognised on a gross basis.

The Group also derives revenue from licensing and technical support services on a game-by-game basis. Licensing revenue is recognised on a straight-line basis over the respective licensing periods. Technical support revenue is recognised when the services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue Recognition (Continued)

(a) ***Game Business revenue*** (Continued)

— *Game Platform*

The Group provides Game Platform service through cooperation with game developers to Paying Players. The Group publishes its self-developed and third party games on its platform. As described in (a) above, the games are free-to-play and players can pay for in-game virtual items for better in-game experience.

The Group's Game Platform revenue mainly derives from Revenue Sharing Arrangements (details described in section (a) above) from game developers. The games published on self-owned platform are hosted, maintained and updated by the game developers, and the Group mainly provides access to the platform and certain basic and limited after-sale technical support to the Paying Players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the Paying Players as a platform. Accordingly, the Group records its revenue, net of the portion of sharing of revenues with the game developers.

The Group believes that it has an implied obligation to the game developers; which corresponds to the implied obligation of the game developers' to provide the services to game players to enable the virtual items to be displayed and consumed/used in the games. Given that games are hosted, managed and administered by the game developers, the Group does not have access to the data relating to the consumption details; as well as the types of virtual items being purchased by the Paying Players. However, the Group maintains individual Paying Player's purchase history of game credits which are used for exchange for virtual items. As such, the Group has adopted a policy to recognise revenues for both consumable and durable items exchanged by game credits over the Player Relationship Period (details described in section (a) above) on a game-by-game basis.

Paying Players make payments through various online and mobile payment channels, which in turn charge handling fees at a certain percentage on the gross purchase amounts. The Group recorded the charges in "cost of revenue".

(b) ***Fintech Business***

The Group's Fintech Business revenue derived from its financial information service and interest income.

— *Financial information service*

The Group provides financial information service by connecting online investors with financial assets providers. The Group charges fees from financial assets providers on a monthly basis. Revenue from financial information service is recognised at the time when the services are rendered and it is probable that future economic benefits will flow to the Group.

The Group also implement a customer royalty program, that the Group provides cash incentives to online investors. The cash incentives provided are accounted for as reduction against gross revenue.

— *Interest income*

The Group generates interest income from providing internet micro-credit loans to borrowers. Interest income is recognised and accrued using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 CHANGES IN ACCOUNTING POLICIES

(a) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

(1) The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB15,312,000 were reclassified from available-for-sale financial assets ("AFS") to FVOCI and cumulative fair value gains of RMB107,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

(2) Loan receivables previously measured at amortised cost continue to be measured on the same basis under IFRS 9.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS 9 Financial Instruments (Continued)

(i) ***Classification and measurement*** (Continued)

(3) There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

The main impact on the Group's financial statements as at 1 January 2018 is as follows:

Financial statement items	31 December 2017 RMB'000	Impact of adopting IFRS 9 RMB'000	1 January 2018 RMB'000
Asset			
Include:			
FVOCI	–	15,312	15,312
AFS	15,312	(15,312)	–
Equity			
Include:			
FVOCI reserves	–	107	107
AFS reserves	107	(107)	–

(ii) ***Impairment of financial assets***

The new impairment model requires the recognition of impairment allowance based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was not material.

(1) Loan receivables

All of the Group's loan receivables at amortised cost will mature within one year and are guaranteed by other enterprises, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Based on management's assessment, applying the expected credit risk model has no significant impact on loss allowance of loan receivables as at 1 January 2018.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS 9 Financial Instruments (Continued)

(ii) ***Impairment of financial assets*** (Continued)

(2) Trade receivables

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses lifetime expected loss allowance for trade receivables.

In addition to certain trade receivables which are considered there was objective evidence of impairment and are assessed individually for impairment, trade receivables have been grouped based on shared credit risk characteristics and the days past due to measure the expected credit losses collectively. The impact of applying the expected credit risk model on the loss allowance of trade receivables as at 1 January 2018 was immaterial.

(3) Other receivables

Other receivables are mainly assessed individually to determine whether there was objective evidence of impairment. For these receivables, the estimated impairment losses were recognised in a separate allowance for impairment. The impact of applying the expected credit risk model on the loss allowance of other receivables as at 1 January 2018 was immaterial.

(4) Other financial assets

Other financial assets including short-term deposits, restricted cash, and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, and no impairment loss was identified.

(b) IFRS 15 Revenue from contracts with customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations. The standard is effective for financial years commencing on 1 January 2018. The Group has completed the assessment of the impact of IFRS 15 and concluded that the adoption of IFRS 15 has no material impact on the Group for the year ended 31 December 2018.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial Risk Factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(a) *Market risk*

(i) *Foreign exchange risk*

The Group's PRC subsidiaries are exposed to foreign exchange risk arising from recognised assets and liabilities in foreign currencies, primarily with respect to US$; as well as from oversea business partners. As at 31 December 2018, the Group's PRC subsidiaries did not have significant exchange risk from the operations as the transactions undertaken with overseas business associates were not substantial.

The Group's holding company and certain oversea subsidiaries' transactions are denominated and settled in their functional currency, US$. Their net assets are exposed to foreign currency translation risk. For the year ended 31 December 2018, the Group had currency translation gains of RMB1,791,000 (2017: Currency translation losses of RMB19,632,000) recognised as other comprehensive income/(loss) in the consolidated statements of comprehensive (loss)/income. Such currency translation differences primarily arose from the translation of the US$ denominated net assets into the Group's presentation currency RMB. The currency translation gains were mainly attributable to the appreciation of US$ against RMB during the current period.

The Group does not hedge against any fluctuation in foreign currency.

(ii) *Interest rate risk*

The Group's interest bearing assets are mainly loan receivables, short-term deposits and cash and cash equivalents which are mostly in short-term. The Group's cash inflow and interest income would fluctuate with the fluctuation of market interest rate.

The Group does not have any interest-bearing liabilities and does not anticipate there is any significant exposure to interest rate risk.

(b) *Credit risk*

(i) *Credit risk management*

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term deposits, restricted cash, trade receivables, loan receivables and other receivables. The carrying amounts of cash and cash equivalents, short-term deposits, restricted cash, trade receivables, loan receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents, short-term deposits and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institution outside the PRC. There has been no recent history of default in relation to these financial institutions.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(b) ***Credit risk*** (Continued)

(i) *Credit risk management* (Continued)

For loan receivables, in order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amounts of loan and interest collectively at each reporting date to ensure that adequate allowance for impairment losses are made for irrecoverable amounts.

For trade receivables, a significant portion of trade receivables at the end of the year was due from game platforms and assets providers. If the strategic relationship with the platforms and assets providers is terminated or scaled-back; or if the platforms and assets providers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's receivables might be adversely affected in terms of recoverability. To manage this risk, the Group assesses the credit quality of the platforms and assets providers, taking into account their financial position, past trading and payment experience and other factors. As at 31 December 2017 and 2018, the loss allowance provision for trade receivables is disclosed in Note 21.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

(ii) *Expected credit loss ("ECL")*

From 1 January 2018, the Group formulates the credit losses of cash and cash equivalents, short-term deposits, loan receivables, trade receivables and other receivables using expected credit loss models according to IFRS 9 requirements.

For financial assets whose impairment losses are measured using ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

— Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

— Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is included in stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in the following section of "judgement of significant increase in credit risk".

— Stage 3: If the financial instruments is credit-impaired, the financial instrument is included in stage 3. The definition of credit-impaired financial assets is disclosed in the following section of "the definition of credit-impaired assets".

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) *Expected credit loss* (Continued)

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, 12-month or lifetime expected credit losses are provided respectively. The expected credit loss is the result of discounting the product of Exposure at Default, Probabilities of Default and Loss given Default.

According to whether the credit risk has increased significantly or whether the assets have been impaired, the Group measures the loss allowance with the expected credit losses of 12-month or the lifetime due to the credit risk characteristics of different assets.

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Judgement of significant increase in credit risk ("SICR")

Under IFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

The Group set quantitative and qualitative criteria to judge whether there has been a SICR after initial recognition. The judgement criteria mainly includes the Probabilities of Default changes of the debtors, changes of credit risk categories and other indicators of SICR, etc.. In the judgement of whether there has been a SICR after initial recognition, the Group has not rebutted the 30 days past due as presumption of SICR.

The definition of credit-impaired assets

Under IFRS 9, in order to determine whether credit impairment occurs, the defined standards adopted by the Group are consistent with the internal credit risk management objectives for relevant financial assets while considering quantitative and qualitative indicators. When the Group assesses whether the debtor has credit impairment, the following factors are mainly considered:

- The debtor has overdue more than 90 days after the contract payment date
- The debtor has significant financial difficulties
- The debtor is likely to go bankrupt or other financial restructuring
- The lender gives the debtor concessions for economic or contractual reasons due to the debtor's financial difficulties, where such concessions are normally reluctant to be made by the lender

The credit impairment of financial assets may be caused by the joint effects of multiple events, and may not be caused by separately identifiable event.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(b) Credit risk (Continued)

(ii) Expected credit loss (Continued)

Forward-looking information

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Credit risk exposure of financial assets

Without considering the impact of collateral and other credit enhancement, for on-balance sheet assets, the maximum exposures are based on net carrying amounts as reported in the consolidated financial statements.

Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular customer, industry or geographic location. As a significant portion of financial information service revenue of the Group for the year ended 31 December 2018 was attributable to one assets provider, a certain level of concentration risk exists for its financial information service.

(1) Loan Receivables

All of the Group's loan receivables at amortised cost will mature within one year and are guaranteed by other enterprises and collaterals, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Based on the historical data and business model of the Group's Internet micro-credit business, there is no material credit risk on loan receivables.

The detailed movements between stages for the year of 2018 have been shown below:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Amount as at 1 January 2018	201,713	33,539	–	235,252
Movement within stages:				
Move to stage 2	(4,866)	–	–	(4,866)
Move from stage 1	–	4,866	–	4,866
Assets collected, net	(155,201)	(33,539)	–	(188,740)
Amount as at 31 December 2018	41,646	4,866	–	46,512

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(b) ***Credit risk*** (Continued)

(ii) *Expected credit loss* (Continued)

(1) Loan Receivables (Continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Allowance as at 1 January 2018	**3,010**	**500**	**–**	**3,510**
Movement within stages:				
Move to stage 2	**(73)**	**–**	**–**	**(73)**
Move from stage 1	**–**	**73**	**–**	**73**
Decrease, net	**(2,937)**	**(573)**	**–**	**(3,510)**
Allowance as at 31 December 2018	**–**	**–**	**–**	**–**

(2) Other receivables

The detailed movements between stages for the year of 2018 have been shown below:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Amount as at 1 January 2018	**140,566**	**–**	**5,384**	**145,950**
Movement within stages:				
Move to stage 3	**(44,258)**	**–**	**–**	**(44,258)**
Move from stage 1	**–**	**–**	**44,258**	**44,258**
Assets collected, net	**(92,462)**	**–**	**–**	**(92,462)**
Amount as at 31 December 2018	**3,846**	**–**	**49,642**	**53,488**

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Allowance as at 1 January 2018	**–**	**–**	**5,384**	**5,384**
Movement within stages:				
Move to stage 3	**–**	**–**	**–**	**–**
Move from stage 1	**–**	**–**	**–**	**–**
Increase, net	**–**	**–**	**39,882**	**39,882**
Allowance as at 31 December 2018	**–**	**–**	**45,266**	**45,266**

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(b) *Credit risk* (Continued)

(ii) *Expected credit loss* (Continued)

(3) Trade receivables

As at 31 December 2018, the analysis of loss allowance provision was presented as follows:

Trade receivables	**Current**	**Less than 1 year (include 1 year) past due**	**More than 1 year past due**	**Total**
Expected loss rate	**5.00%**	**13.00%**	**99.68%**	
Gross carrying amount (RMB'000)	**11,077**	**14,393**	**16,989**	**42,459**
Loss allowance provision (RMB'000)	**554**	**1,871**	**16,934**	**19,359**

As at 1 January 2018, the analysis of loss allowance provision was presented as follows:

Trade receivables	Current	Less than 1 year (include 1 year) past due	More than 1 year past due	Total
Expected loss rate	5.00%	13.00%	78.42%	
Gross carrying amount (RMB'000)	31,877	7,062	17,713	56,652
Loss allowance provision (RMB'000)	1,594	918	13,891	16,403

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial Risk Factors (Continued)

(c) ***Liquidity risk*** (Continued)

Group	Less than 3 Months RMB'000	Between 3 Months and 1 Year RMB'000
As at 31 December 2018		
Trade payables	**29,153**	**–**
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**67,998**	**–**
As at 31 December 2017		
Trade payables	34,169	–
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	218,701	–

4.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and premium, capital reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

4.3 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair Value Estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at 31 December 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	–	–	5,512	5,512
Financial assets at fair value through other comprehensive income	–	–	30,804	30,804
	–	–	36,316	36,316

The following table presents the Group's assets that are measured at fair value as at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring Fair Value Measurements:				
Assets:				
Available-for-sale financial assets	–	–	15,312	15,312

Financial instrument in level 3

The changes in level 3 instruments for the years ended 31 December 2018 and 2017 are presented in Notes 19 and 20.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31/12/2018 RMB'000	Valuation techniques	Unobservable input	Weighted average
Equity securities:				
Financial assets at fair value through other comprehensive income	30,804	Net asset	Net asset	N/A
Financial assets at fair value through profit or loss	5,512	Comparable companies	Price/sales ratio	12.73
			Illiquidity discount rate	20%

Except for the FVTPL and FVOCI, the carrying amounts of financial assets including cash and cash equivalents, short-term deposits, restricted cash, trade receivables, loan receivables and other receivables; and financial liabilities including trade payables, and other payables and accruals, approximate their respective fair value due to their short maturity at each reporting date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Estimates of Player Relationship Period in the Group's Game Business

As described in Note 2.19, the Group recognises revenue from durable virtual items in Game Product and from both durable and consumable items in Game Platform ratably over the Player Relationship Period. 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. These judgements and estimates included (i) the determination of key assumptions applied in the expected users' relationship periods, including but not limited to historical users' consumption pattern and games life-cycle; and (ii) the identification of events that may trigger changes in the expected users' relationship period. Such estimates are subject to re-evaluation on a semi-annual basis. 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.

(b) Income tax

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(c) Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of tax losses. Recognition of the deferred tax assets involves judgement regarding the future financial performance of the Group.

Were the actual final outcome (on the judgement areas) different from the management's estimates, such difference would impact the recognition of deferred tax assets and income tax expenses in the period in which such estimate is changed.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5.1 Critical Accounting Estimates and Assumptions (Continued)

(d) Fair value of financial instruments that are not traded in an active market

The fair value of financial instruments that are not traded in an active market (for example, the Group's FVOCI and FVTPL) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on investees' performance and conditions existing at the end of each reporting year. Details of the judgement and assumptions have been disclosed in Note 4.3.

(e) Impairment assessment of trade and other receivables

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the Group's past loss experiences, existing market conditions as well as forward looking estimates at the end of each reporting periods.

The Group individually assessed the impairment of other receivables. The identification of impaired receivable and the estimated future cash flow to be received from the doubtful receivable requires the use of judgement and estimates.

5.2 Critical Judgements in Applying the Group's Accounting Policies

Revenue presentation and recognition

Revenue presentation for webgames

For revenues relating to webgames developed by the Group which are published on domestic third party platforms, as described in Note 2.19, there are circumstances that the Group is unable to make a reasonable estimate of the gross revenue because the domestic third party game platforms have discretions in determining the actual price of the virtual items to be purchased by the Paying Players and in offering discounts. Accordingly, such revenue is recognised based on the net amount received from the third party platforms. However, if the Group is able to make a reasonable estimate of the gross revenue for some of the webgames published on certain overseas third party platforms, such as Facebook, through tracking the data made available from the platforms, the related revenue is recognised on a gross basis.

Revenue presentation for mobile games

For revenues relating to mobile games developed by the Group which are published on third party platforms, the Group is able to make a reasonable estimation for the gross revenue because the Group can estimate the marketing discounts reliably through tracking the data available from various mobile platforms and mobile telecommunication operators. Accordingly, such revenue is recognised on a gross basis.

6 SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The CODM assesses the performance of the Group organised into two operating segments as follows:

— Game Business
— Fintech Business

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted earnings/(losses) before interest expense, taxes, depreciation and amortisation ("adjusted EBITDA") excluding gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method, of each operating segment.

Specifically, the revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the assessment of operating segments' results such as changes in the value of FVTPL, gain on disposal of investment in an associate, gain on disposal of available-for-sale financial assets, non-recurring event such as impairment of intangible assets arising from business combination, impairment of other receivables on disposal of investment in an associate and impairment of available-for-sale financial assets. It also excludes the effects of equity-settled share-based payments. Net interest income is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

6 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2018 and 2017 is as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Revenue		
Game Business	**90,886**	183,447
Fintech Business	**233,357**	163,019
Total	**324,243**	346,466
Adjusted EBITDA		
Game Business	**(12,062)**	15,840
Fintech Business	**42,604**	31,871
Share of income of investments accounted for using the equity method	**13,857**	10,850
Gain on dilution of investments accounted for using the equity method	**11,089**	–
Total adjusted EBITDA	**55,488**	58,561

Adjusted EBITDA reconciles to (loss)/profit before income tax as follows:

Total adjusted EBITDA	**55,488**	58,561
Share-based compensation	**(4,633)**	(14,889)
Impairment of intangible assets arising from business combination	**(349,126)**	–
Impairment of other receivables on disposal of investment in an associate	**(39,375)**	–
Changes in the value of financial assets at fair value through profit or loss	**–**	(5,889)
Impairment of available-for-sale financial assets	**–**	(6,540)
Gain on disposal of investment in an associate	**–**	62,576
Gain on disposal of available-for-sale financial assets	**–**	11,500
Depreciation and amortisation	**(23,505)**	(40,473)
Net interest income	**13,494**	8,297
(Loss)/profit before income tax	**(347,657)**	73,143

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 SEGMENT INFORMATION (Continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the years ended 31 December 2018 and 2017 is as follows:

	Year Ended 31 December 2018		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	**278,090**	**46,153**	**324,243**

	Year Ended 31 December 2017		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	261,170	85,296	346,466

A breakdown of revenue derived from different forms for years ended 31 December 2018 and 2017 is as follows:

	Year Ended 31 December	
	2018 RMB'000	2017 RMB'000
— Game Business	**90,886**	183,447
— Financial information service	**194,803**	109,526
— Interest income	**38,554**	53,493
	324,243	346,466

Revenues of approximately RMB158,246,000 (2017: RMB97,066,000) are derived from a single external customer. These revenues are attributed to the Fintech Business segment.

As at 31 December 2018 and 2017, majority of the non-current assets of the Group were located in the PRC.

7 EXPENSES BY NATURE

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee benefit expenses (Note 10)	**140,933**	120,697
Content cost, distribution cost and other outsourcing expenses	**43,937**	70,617
Promotion and advertising expenses	**29,929**	41,331
Payment handling fees	**27,152**	17,679
Amortisation of intangible assets (Note 17)	**19,346**	36,397
Operating lease rentals in respect of office buildings	**11,841**	7,747
Bandwidth and server custody fees	**10,481**	11,138
Professional fees	**9,336**	14,027
Travelling and entertainment expenses	**9,166**	7,447
Auditor's remuneration		
— Audit services	**5,000**	5,000
— Non-audit services	**177**	3,668
Depreciation of property and equipment (Note 16)	**4,159**	4,076
Others	**13,769**	5,772
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**325,226**	345,596

8 OTHER INCOME

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income (Note a)	**12,202**	2,913
Government grants (Note b)	**3,917**	4,788
	16,119	7,701

(a) Interest income mainly represents interest income arising from cash and cash equivalents.

(b) Government grants primarily comprised cash subsidies received from local government.

9 OTHER GAINS/(LOSSES) – NET

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Changes in the value of financial assets at fair value through profit or loss (Note 19)	**–**	(5,889)
Loss on disposal of property and equipment (Note 32(a))	**(256)**	(1,245)
Exchange gains/(losses), net	**575**	(2,260)
	319	(9,394)

10 EMPLOYEE BENEFIT EXPENSES

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**109,962**	89,408
Pension costs — defined contribution plans	**9,452**	4,695
Social security costs, housing benefits and other employee benefits	**16,886**	11,705
Share-based compensation expenses (Note 27)	**4,633**	14,889
	140,933	120,697

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2017: two) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two (2017: three) individuals during the year ended 31 December 2018 are as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**2,172**	5,857
Pension costs — defined contribution plans	**78**	20
Social security costs, housing benefits and other employee benefits	**132**	352
Share-based compensation expenses	**739**	6,892
	3,121	13,121

10 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals (Continued)

The emoluments of these individuals fell within the following bands:

	Year Ended 31 December 2018	2017
Emolument bands		
HK$1,500,001–HK$2,000,000	**2**	–
HK$2,500,001–HK$3,000,000	**–**	1
HK$5,000,001–HK$5,500,000	**–**	1
HK$7,500,001–HK$8,000,000	**–**	1
	2	3

11 FINANCE INCOME - NET

	Year Ended 31 December 2018 RMB'000	2017 RMB'000
Interest income on short-term deposits and others	**1,292**	5,384

12a SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The following is a list of the principal subsidiaries (including structured entities) as at 31 December 2018:

Company Name	Kind of Legal Entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company					
Foga Tech Limited ("Foga Tech")	Limited liability company	Hong Kong/ 9 August 2011	HK$1	100%	Investment holding, operation of webgames and mobile games, Hong Kong
Forgame US Corporation ("Forgame US")	Limited liability company	United States of America ("US")/ 25 February 2014	US$100	100%	Development and operation of mobile games, the US
Madgame Investment Limited ("Madgame")	Limited liability company	British Virgin Islands/ 13 March 2014	US$100	70%	Investment holding, BVI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12a SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

Company Name	Kind of Legal Entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company (Continued)					
Foga Investment Co., Limited ("Investment")	Limited liability company	British Virgin Islands/ 27 January 2014	US$1	100%	Investment holding, BVI
Jlc Inc. ("Jlc Inc.")	Limited liability company	Cayman/ 17 November 2016	US$10,000	54.54%	Investment holding, Cayman
Indirectly held by the Company					
Hong Kong Ledong Tech Limited ("Ledong")	Limited liability company	Hong Kong/ 22 March 2012	HK$10,000	100%	Investment holding and operation of webgames, Hong Kong
Forgame International Co., Ltd. (雲遊股份有限公司) ("Yunyou")	Limited liability company	Taiwan/ 11 October 2013	New Taiwan dollars ("NT$") 15,000,000	100%	Development of webgames and mobile games, technology services, Taiwan
Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司) ("Feidong")	Limited liability company	the PRC/ 13 June 2012	US$15,000,000	100%	Software development and provision of information technology services, the PRC
Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司) ("Feiyin")*	Limited liability company	the PRC/ 12 April 2004	RMB10,000,000	100%	Development of webgames and mobile games, the PRC
Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司) ("Weidong")*	Limited liability company	the PRC/ 22 January 2007	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC
Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司) ("Jieyou")*	Limited liability company	the PRC/ 7 June 2012	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC

12a SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

Company Name	Kind of Legal Entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Indirectly held by the Company (Continued)					
Guangzhou Yunmi Software Co., Ltd. (廣州市雲米軟件科技有限公司) ("Yunmi")	Limited liability company	the PRC/ 6 January 2015	RMB100,000	100%	Software development and provision of information technology services, the PRC
Jiujiang Yunke Internet Microfinance Co., Ltd. (九江市雲客網絡小額貸款有限公司) ("Yunke") *	Limited liability company	the PRC/ 15 December 2016	RMB200,000,000	100%	Micro-credit services, the PRC
Mutant Box Limited ("Mutant Box")	Limited liability company	Hong Kong/ 31 August 2015	HK$100	70%	Operation of webgames and mobile games, Hong Kong
Mutant Box Interactive Limited ("Mutant Box Interactive")	Limited liability company	The United Kingdom/ 24 September 2015	US$1,000	70%	Operation of webgames and mobile games, The United Kingdom
Jianlc (HK) Limited, ("JLC(HK)")	Limited liability company	Hong Kong/ 25 November 2016	HK$0.01	54.54%	Investment holding, Hong Kong
Beijing Jinweilai Financial Information Service Co., Ltd. (北京金未來金融信息服務有限公司) ("Jinweilai") *	Limited liability company	the PRC/ 16 October 2014	RMB10,000,000	54.54%	Provision of finance information technology services, the PRC
Beijing Laijin Investment Fund Management Co., Ltd. (北京來金投資基金管理有限公司) ("Laijin")*	Limited liability company	the PRC/ 16 March 2015	RMB50,000,000	54.54%	Provision of investment consulting services, the PRC
Beijing Weilaijin Technology Co., Ltd. (北京未來金科技有限公司) ("Weilaijin")*	Limited liability company	the PRC/ 20 January 2016	RMB10,000,000	54.54%	Provision of finance consulting services and technology services, the PRC

12a SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

Company Name	Kind of Legal Entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Indirectly held by the Company (Continued)					
Jinweilai (Guangzhou) Investment Consultancy Co., Ltd. (金未來（廣州）投資諮詢有限公司) ("Jinweilai Guangzhou")*	Limited liability company	the PRC/ 6 July 2017	RMB1,000,000	54.54%	Provision of management consulting and investment consulting, the PRC
New Goround Network Technology (Tianjin) Co.,Ltd. (新谷原信息技術（天津）有限公司) ("JLC (WFOE)")	Limited liability company	the PRC/ 27 June 2017	US$1,000,000	54.54%	Software development and provision of information technology services, the PRC

* These companies are the Group's consolidated structured entities.

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

The Company has set up a structured entity ("Restricted Share Units Scheme Trust") solely for the purpose of purchasing, administering and holding the Company's shares for the Restricted Share Units Scheme (Note 27(c)), the Company has the power to direct the relevant activities of the Restricted Share Units Scheme Trust and it has the ability to use its power over the Restricted Share Units Scheme Trust to affect its exposure to returns. Therefore, the assets and liabilities of the Restricted Share Units Scheme Trust are included in the Group's balance sheet and the shares it held are presented as a deduction in equity as Shares held for Restricted Share Units Scheme.

12b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amounts of the investments in the consolidated balance sheet are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Associates	**47,567**	12,057

12b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The amounts recognised in the consolidated statement of comprehensive (loss)/income are as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**12,057**	23,582
Additions (Note (i))	**5,000**	–
Share of income of associates	**13,857**	10,850
Transfer (Note (ii))	**5,564**	–
Gain on dilution of interest in an associate (Note (iii))	**11,089**	–
Disposal of an associate (Note (iv))	**–**	(22,375)
At end of year	**47,567**	12,057

The investees are principally engaged in internet related business. The Group has significant influence over the investees with equity interests ranging from 10.38% to 40% and classified the investments as associates.

(i) During the year ended 31 December 2018, the Group acquired 20% equity interests in each of two third party companies with cash considerations of RMB1,000,000 and RMB4,000,000, respectively. The two investees are principally engaged in fintech business. The Group has significant influence over the two investees and the Group accounted for the investments as associates.

(ii) During the year ended 31 December 2018, the Group obtained a seat in the board of directors of the investee in which the Group hold 18% equity interest. As a result, the Group began to have significant influence over the investee and accounted for the investment as an associate, which was previously recognised as FVOCI.

(iii) The investee company issued new shares to new investors during the year ended 31 December 2018 ("Share Issuance"). Accordingly, the Group's equity interest in the investee was diluted from 12.25% to 10.38%, resulted in a dilution gain amounting to RMB11,089,000, which was determined based on valuation of the investee upon the Share Issuance.

(iv) The equity interest in an associate held by the Group was disposed to a PRC listed company at a consideration of RMB87,500,000 in 2017. The carrying amount of the investment in the associate was RMB22,375,000 as at the disposal date and the Group recognised gain on disposal of investment in an associate amounted to RMB62,576,000 for the year ended 31 December 2017.

13 IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

During the year, provision of impairment allowance was recognised in profit or loss in relation to loan receivables, trade receivables and other receivables:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Reversal)/provision of impairment allowance for loan receivables (Note 22)	**(3,510)**	3,510
Provision of impairment allowance for trade receivables (Note 21)	**3,852**	1,217
Provision of impairment allowance for other receivables (Note 23)	**39,882**	–
Provision of impairment allowance for loan receivables, trade receivables and other receivables	**40,224**	4,727

14 INCOME TAX BENEFIT/(EXPENSE)

The income tax benefit/(expense) of the Group for the years ended 31 December 2018 and 2017 are analysed as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current income tax:		
— PRC and oversea enterprise income tax	**(3,999)**	(10,029)
Deferred income tax:		
— Decrease in deferred tax assets (Note 31)	**(524)**	(608)
— Decrease in deferred tax liabilities (Note 31)	**32,158**	6,142
Income tax benefit/(expense)	**27,635**	(4,495)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to (losses)/profits of the consolidated entities as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Loss)/profit before income tax	**(347,657)**	73,143
Tax calculated at statutory income tax rates applicable to (losses)/profits of the consolidated entities in their respective jurisdictions	**71,111**	(15,417)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(11,420)**	6,895
Utilisation of previously unrecognised tax losses	**4,130**	16,025
Tax losses and timing differences for which no deferred income tax asset was recognised	**(12,483)**	(7,326)
Recognition of deferred income tax on previously unrecognised tax losses	**–**	524
Super deduction of research and development expenses	**6,974**	1,656
Expenses not deducted for income tax purposes:		
— Share-based compensation	**(811)**	(2,315)
— Impairment of goodwill and others	**(29,866)**	(4,537)
Income tax benefit/(expense)	**27,635**	(4,495)

14 INCOME TAX BENEFIT/(EXPENSE) (Continued)

(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 Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the year ended 31 December 2018 (2017: Nil).

(c) Taiwan business income tax

Yunyou is incorporated in Taiwan, and the business income tax rate is 18% for the year ended 31 December 2018 (2017: 17%).

(d) PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the year ended 31 December 2018 (2017: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Weidong and Feiyin have renewed their qualification of "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2016, thus the applicable tax rate was 15% for the year ended 31 December 2018 (2017: 15%).

Feidong has renewed its qualification of HNTEs under the EIT Law in 2017, thus the applicable tax rate was 15% for the year ended 31 December 2018 (2017: 15%).

Jinweilai was also qualified as HNTE under EIT Law in 2017, thus the applicable tax was 15% for the year ended 31 December 2018 (2017: 15%).

According to the relevant EIT Laws jointly promulgated by the Ministry of Finance of the PRC, State Tax Bureau of the PRC, and Ministry of Science of the PRC that became effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

The Group had made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2018 and 2017.

(e) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. 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%.

As at 31 December 2018, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2018 (2017: nil).

14 INCOME TAX BENEFIT/(EXPENSE) (Continued)

(f) Tax credit relating to components of other comprehensive income/(loss)

The tax credit relating to components of other comprehensive income/(loss) during the year is as follows:

	2018			2017		
	Before tax	Tax benefit/ (charge)	After tax	Before tax	Tax benefit/ (charge)	After tax
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value losses on available-for-sale financial assets	–	–	–	(298)	45	(253)
Fair value gains on FVOCI	16,392	(440)	15,952	–	–	–
Currency translation differences	1,791	–	1,791	(19,632)	–	(19,632)
Other comprehensive income/(loss)	**18,183**	**(440)**	**17,743**	(19,930)	45	(19,885)
Current tax		–			–	
Deferred tax (Note 31)		(440)			45	
		(440)			45	

15 (LOSS)/EARNING PER SHARE

(a) Basic

Basic (loss)/earning per share is calculated by dividing the (loss)/profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year Ended 31 December 2018	2017
(Loss)/profit attributable to owners of the Company (RMB'000)	**(284,877)**	74,035
Weighted average number of ordinary shares in issue	**136,157,763**	137,507,309
Basic (loss)/earning per share (in RMB/share)	**(2.09)**	0.54

(b) Diluted

For the year ended 31 December 2018, the Company had three categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and restricted share units granted to employees under Restricted Share Units Scheme. As the Group incurred losses for the year ended 31 December 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, which would be anti-dilutive. Accordingly, dilutive loss per share for the year ended 31 December 2018 was the same basic loss per share for the year.

15 (LOSS)/EARNING PER SHARE (Continued)

(b) Diluted (Continued)

	Year Ended 31 December	
	2018	2017
(Loss)/profit attributable to owners of the Company (RMB'000)	**(284,877)**	74,035
Weighted average number of ordinary shares in issue	**136,157,763**	137,507,309
Adjustments for share options under Pre-IPO Share Option Scheme	**–**	757,512
Adjustments for awarded shares under Restricted Share Units Scheme	**–**	1,444,626
Weighted average number of ordinary shares for the calculation of diluted (loss)/earning per share	**136,157,763**	139,709,447
Diluted (loss)/earning per share (in RMB/share)	**(2.09)**	0.53

16 PROPERTY AND EQUIPMENT

	Furniture and Office Equipment	Servers and Other Equipment	Motor Vehicles	Leasehold Improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017					
Cost	4,888	24,435	2,707	22,610	54,640
Accumulated depreciation	(3,125)	(18,754)	(2,086)	(19,999)	(43,964)
Impairment charge	–	–	–	(2,459)	(2,459)
Net book amount	1,763	5,681	621	152	8,217
Year ended 31 December 2017					
Opening net book amount	1,763	5,681	621	152	8,217
Acquisition of a subsidiary	342	147	–	–	489
Additions	974	349	–	4,484	5,807
Disposals	(277)	(1,595)	–	–	(1,872)
Depreciation charge	(695)	(2,400)	(384)	(597)	(4,076)
Closing net book amount	2,107	2,182	237	4,039	8,565
At 31 December 2017					
Cost	5,096	15,654	2,706	17,301	40,757
Accumulated depreciation	(2,989)	(13,472)	(2,469)	(13,262)	(32,192)
Net book amount	2,107	2,182	237	4,039	8,565

16 PROPERTY AND EQUIPMENT (Continued)

	Furniture and Office Equipment RMB'000	Servers and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	**2,107**	**2,182**	**237**	**4,039**	**8,565**
Additions	**762**	**14**	**–**	**3,533**	**4,309**
Disposals	**(70)**	**(466)**	**(24)**	**–**	**(560)**
Depreciation charge	**(839)**	**(867)**	**(103)**	**(2,350)**	**(4,159)**
Closing net book amount	**1,960**	**863**	**110**	**5,222**	**8,155**
At 31 December 2018					
Cost	**4,871**	**11,741**	**2,198**	**10,942**	**29,752**
Accumulated depreciation	**(2,911)**	**(10,878)**	**(2,088)**	**(5,720)**	**(21,597)**
Net book amount	**1,960**	**863**	**110**	**5,222**	**8,155**

Depreciation charges were included in the following categories in the profit or loss:

	Year Ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of revenue	**908**	2,504
Administrative expenses	**1,593**	1,226
Research and development expenses	**1,014**	288
Selling and marketing expenses	**644**	58
	4,159	4,076

17 INTANGIBLE ASSETS

	Game Intellectual Properties and Licenses RMB'000	Computer Software Licenses RMB'000	Goodwill RMB'000	Platform RMB'000	Brand Name RMB'000	Backlog RMB'000	Total RMB'000
At 1 January 2017							
Cost	80,921	11,658	1,586	–	–	–	94,165
Accumulated amortisation	(38,667)	(4,229)	–	–	–	–	(42,896)
Impairment of intangible assets	(32,302)	–	(1,586)	–	–	–	(33,888)
Net book amount	9,952	7,429	–	–	–	–	17,381
Year ended 31 December 2017							
Opening net book amount	9,952	7,429	–	–	–	–	17,381
Acquisition of a subsidiary	2,915	202	205,883	138,200	37,200	16,100	400,500
Additions	–	189	–	–	–	–	189
Amortisation charge	(4,450)	(1,230)	–	(11,517)	(3,100)	(16,100)	(36,397)
Impairment of intangible assets	(5,077)	–	–	–	–	–	(5,077)
Closing net book amount	3,340	6,590	205,883	126,683	34,100	–	376,596
At 31 December 2017							
Cost	78,496	10,886	207,469	138,200	37,200	16,100	488,351
Accumulated amortisation	(38,110)	(4,296)	–	(11,517)	(3,100)	(16,100)	(73,123)
Impairment of intangible assets	(37,046)	–	(1,586)	–	–	–	(38,632)
Net book amount	3,340	6,590	205,883	126,683	34,100	–	376,596
Year ended 31 December 2018							
Opening net book amount	**3,340**	**6,590**	**205,883**	**126,683**	**34,100**	**–**	**376,596**
Amortisation charge	**(760)**	**(1,046)**	**–**	**(13,820)**	**(3,720)**	**–**	**(19,346)**
Impairment of intangible assets	**–**	**–**	**(205,883)**	**(112,863)**	**(30,380)**	**–**	**(349,126)**
Closing net book amount	**2,580**	**5,544**	**–**	**–**	**–**	**–**	**8,124**
At 31 December 2018							
Cost	**40,458**	**10,682**	**207,469**	**138,200**	**37,200**	**16,100**	**450,109**
Accumulated amortisation	**(14,892)**	**(5,138)**	**–**	**(25,337)**	**(6,820)**	**(16,100)**	**(68,287)**
Impairment of intangible assets	**(22,986)**	**–**	**(207,469)**	**(112,863)**	**(30,380)**	**–**	**(373,698)**
Net book amount	**2,580**	**5,544**	**–**	**–**	**–**	**–**	**8,124**

17 INTANGIBLE ASSETS (Continued)

Amortisation charges were included in the following categories in the profit or loss:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of revenue	**37**	16,136
Selling and marketing expenses	**17,971**	17,987
Administrative expenses	**833**	924
Research and development expenses	**505**	1,350
	19,346	36,397

Impairment of intangible assets arising from business combination

On 16 August 2017 ("the acquisition Date"), the Group completed the acquisition of 55% equity interest in Jlc Inc., a subsidiary of Yinker, which is principally engaged in the financial information service business in the PRC under the "Jianlicai" brand (the "Acquisition"). The purchase consideration is settled through the cancellation of the convertible bonds issued by Yinker amounted to USD45,194,000, equivalent to RMB302,621,000. In this connection, the Group recognised identifiable intangible assets of platform, brand name and backlog amounting to RMB191,500,000 in total and goodwill amounting to RMB205,883,000 at the acquisition date.

Beijing Internet Finance Industry Association issued a circular (the "Circular") in July 2018 which clarified the regulations enacted on "Wealth Management Plan" operated by companies in Beijing, China. With reference to the Circular and after careful deliberation, the Group has decided to adjust its "Wealth Management Plan" business model operated under its Fintech Business, which triggered directors of the Company to re-assess the potential impairment issue of intangible assets arising from the operations.

Directors of the Company assessed that the original projected cash flows to support the impairment assessment of the aforementioned intangible assets of its Fintech Business before the business adjustment would no longer be valid. In addition, there are significant uncertainties in projecting and estimating any future cash flow to be generated from any new business models to be adopted by the Group to continue its Fintech Business operating under the "Jianlicai" brand, as well as the estimated recoverable amounts of the brand name and platform operated under the "Jianlicai" brand, using value-in-use method or fair value less costs of disposal method. Accordingly, the board of directors of the Company concluded that the whole carrying amounts of the aforementioned identifiable intangible assets and goodwill associated with the Fintech Business operating under the "Jianlicai" brand had been fully impaired and impairment loss of RMB349,126,000 was recognised in the current report period.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables at amortised cost:		
— Loan receivables	**46,512**	231,742
— Trade receivables	**23,100**	40,249
— Other receivables	**8,222**	140,566
— Restricted cash	**929**	751
— Short-term deposits	**41,534**	34,650
— Cash and cash equivalents	**757,018**	654,915
Financial assets at fair value through profit or loss	**5,512**	–
FVOCI	**30,804**	–
Available-for-sale financial assets	**–**	15,312
	913,631	1,118,185
Liabilities as per balance sheet		
Financial liabilities at amortised cost:		
— Trade payables	**29,153**	34,169
— Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**67,998**	218,701
	97,151	252,870

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Unlisted securities	**5,512**	–
At 1 January	**–**	319,922
Additions	**5,512**	–
Cancellation of the convertible bonds as purchase consideration in acquisition of 55% equity interest in Jlc Inc. (Note 17)	**–**	(302,621)
Changes in fair value (Note 9)	**–**	(5,889)
Currency translation differences	**–**	(11,412)
At 31 December, all non-current	**5,512**	–
Total losses for the year included in profit or loss for assets held at the end of the year, under "Other losses – net"	**–**	(5,889)
Change in unrealised losses for the year included in profit or loss for assets held at the end of the year	**–**	(5,889)

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
At the end of previous year	**–**	–
Reclassified from AFS (Note 3(a))	**15,312**	–
At beginning of year	**15,312**	–
Additions (a)	**5,000**	–
Change in fair value	**16,392**	–
Transfer	**(5,564)**	–
Disposal	**(336)**	–
At end of year	**30,804**	–

(a) On 1 August 2018, the Group made an investment of RMB5,000,000 in a company, which is principally engaged in the fintech business, to acquire 14.37% of its equity interests.

21 TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Third parties	**40,801**	54,979
Related parties (Note 34(b))	**1,658**	1,673
	42,459	56,652
Less: Allowance for impairment	**(19,359)**	(16,403)
	23,100	40,249

As at 31 December 2018 and 2017, the fair values of trade receivables were approximately similar to their carrying amounts.

(a) Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
0–30 days	**8,449**	21,722
31–60 days	**4,456**	3,920
61–90 days	**4,680**	6,841
91–180 days	**5,760**	2,943
181–365 days	**2,086**	3,338
Over 1 year	**17,028**	17,888
	42,459	56,652

(b) Credit sales are mainly derived from (i) the Game Business in which the Group contracts with various third party platforms to publish games and it is entitled to the proceeds collected from sales of in-game virtual items on its behalf by these platforms; (ii) the Fintech Business in which the Group contracts with various assets providers to provide information service of their financial assets to online investors. The normal credit term of Game Business granted by the Group was from 30 to 180 days from respective transaction dates and the credit term of Fintech Business was up to 30 days from respective transaction dates.

21 TRADE RECEIVABLES (Continued)

(c) Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**16,403**	23,656
Allowance for impairment	**4,394**	1,217
Receivables written off during the year as uncollectible	**(930)**	(8,503)
Reversal	**(542)**	–
Currency translation differences	**34**	33
At end of year	**19,359**	16,403

The creation and reversal of allowance for impaired receivables have been included in "impairment of financial assets measured at amortised cost" in the consolidated statement of comprehensive (loss)/income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(d) The gross amount of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**37,661**	48,729
USD	**4,793**	7,913
Others	**5**	10
	42,459	56,652

(e) The maximum exposure to credit risk at each reporting date is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

(f) As at 31 December 2018, 55% (2017: 45%) of trade receivables were due from 2 large customers in cooperation with the Group for its Fintech Business.

22 LOAN RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Personal loans		
— Guaranteed loans	**6,454**	219,915
— Collateralised loans	**40,058**	15,337
	46,512	235,252
Less: Allowance for impairment loss, collectively assessed	**–**	(3,510)
Net loan receivables	**46,512**	231,742

The loan periods granted to customers are within one year. Loan receivables are all dominated in RMB.

(a) Analysis of loan receivables by overdue and impaired states

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Neither past due nor impaired	**41,646**	201,713
Overdue but not impaired	**4,866**	33,539
Individually impaired	**–**	–
	46,512	235,252
Less: Allowance for impairment losses	**–**	(3,510)
Net balance	**46,512**	231,742

(b) Movement of allowance for impairment losses

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**3,510**	–
(Reversal)/charge for the year		
— Collectively assessed	**(3,510)**	3,510
At end of year	**–**	3,510

Loans that are overdue but not impaired are loans less than 90 days past due and guaranteed by other enterprises.

23 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Included in non-current assets		
Rental and other deposits	**2,386**	3,051
Others	**381**	825
	2,767	3,876
Included in current assets		
Receivable from disposal of investment in an associate	**43,750**	43,750
Prepayments to game developers	**12,734**	12,594
Prepaid advertising costs	**7,785**	4,847
Prepayments for outsourcing services	**7,433**	7,207
Receivable from Fintech Business partners	**116**	45,787
Receivable from disposal of available-for-sale financial assets	**–**	22,500
Others	**10,102**	32,350
	81,920	169,035
Less: Allowance for impairment	**(64,302)**	(24,890)
	17,618	144,145

(a) The carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximate to their fair values due to their short maturity at the reporting date. As at 31 December 2018, there were no significant balances that were past due except for those provided for impairment loss (2017: Nil).

23 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(b) The maximum exposure to credit risk as at the reporting date is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

(c) Movements on the Group's allowance for impairment of prepayments and other receivables are as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**24,890**	24,775
Allowance for impairment for other receivables (Note 13)	**40,119**	–
Allowance for impairment for prepayments	**–**	170
Receivables written off during the year as uncollectible	**(500)**	–
Reversal for other receivables (Note 13)	**(237)**	–
Reversal for prepayments	**(12)**	–
Currency translation differences	**42**	(55)
At end of year	**64,302**	24,890

Included in the allowance for impairment loss is RMB39,375,000 provided for the proceeds receivable from a buyer of an associate disposed of in 2017. As at 31 December 2018, it was discovered that the buyer was involved in a number of lawsuits which led it into significant financial difficulty. RMB39,375,000 represented the difference between the carrying amount of the proceeds receivable as at 31 December 2018 and the amount recovered subsequent to 31 December 2018 and up to the date of approval of these consolidated financial statements.

24 CASH AND CASH EQUIVALENTS, SHORT-TERM DEPOSITS AND RESTRICTED CASH

(a) Cash and cash equivalents

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank and on hand	**751,356**	588,299
Cash at other financial institutions	**5,662**	66,616
Cash and cash equivalents	**757,018**	654,915
Maximum exposure to credit risk	**757,018**	654,915

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**717,911**	595,519
US$	**35,114**	54,459
HK$	**3,762**	4,752
NT$	**208**	185
GBP	**16**	–
EUR	**7**	–
	757,018	654,915

(b) Short-term deposits

As at 31 December 2018, the short-term deposits amounted to RMB41,534,000 (2017: RMB34,650,000) was bank deposits with original maturity of three months and redeemable on maturity. The short-term deposit is denominated in RMB, the weighted average effective interest rate was 3.50% (2017: 3.29%).

(c) Restricted cash

As at 31 December 2018, RMB929,000 (2017: RMB751,000) were restricted deposits held at bank as collateral for credit card.

25 SHARE CAPITAL, SHARE PREMIUM, AND SHARES HELD FOR RESTRICTED SHARE UNITS SCHEME

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Total RMB'000
Ordinary shares, issued and fully paid:							
As at 1 January 2017		137,556,209	14	87	2,073,900	–	2,073,987
Employee share-based compensation scheme:							
— Shares issued upon exercise of employee share options under Pre-IPO Share Option Scheme (Note 27(a))	*a*	615,734	–	–	–	–	–
— Shares issued upon exercise of employee share options — Post-IPO Share Option Scheme (Note 27(b))	*b*	15,000	–	–	187	–	187
— Shares purchased for Restricted Share Units Scheme	*c*	(1,790,400)	–	–	–	(19,681)	(19,681)
— Vesting and allotting of shares of Restricted Share Units Scheme	*c*	1,010,000	–	–	–	10,097	10,097
As at 31 December 2017		137,406,543	14	87	2,074,087	(9,584)	2,064,590
Employee share-based compensation scheme:							
— Shares issued upon exercise of employee share options under Pre-IPO Share Option Scheme (Note 27(a))	*a*	**111,494**	**–**	**–**	**–**	**–**	**–**
— Shares purchased for Restricted Share Units Scheme	*c*	**(3,594,600)**	**–**	**–**	**–**	**(30,839)**	**(30,839)**
— Vesting and allotting of shares of Restricted Share Units Scheme	*c*	**1,000,000**	**–**	**–**	**–**	**11,523**	**11,523**
Repurchase and cancellation of shares	*d*	**(1,263,500)**	**–**	**(1)**	**(7,727)**	**–**	**(7,728)**
As at 31 December 2018		**133,659,937**	**14**	**86**	**2,066,360**	**(28,900)**	**2,037,546**

25 SHARE CAPITAL, SHARE PREMIUM, AND SHARES HELD FOR RESTRICTED SHARE UNITS SCHEME (Continued)

Notes:

(a) During the year, employee share options granted under the Pre-IPO Share Option Scheme were exercised to subscribe for 111,494 shares (2017: 615,734 shares) with exercise price of US$0.0001.

(b) During the year, no employee share options granted under the Post-IPO Share Option Scheme were exercised (2017: 15,000 share options were exercised at the price of HK$14.61 per share and RMB187,000 was credited to share premium).

(c) During the year, the Restricted Share Units Scheme Trust (Note 12a) acquired 3,594,600 then existing issued ordinary shares (2017: 1,790,400) from the open market. The total consideration was HK$37,122,000 (equivalent to RMB30,839,000) (2017: HK$22,634,000 (equivalent to RMB19,681,000)).

During the year, a total of 1,000,000 restricted share units (2017: 1,010,000) were vested and allotted(Note 27(c)). The purchase cost and grant date fair value of these vested shares was RMB11,523,000 and RMB7,642,000 (2017: RMB10,097,000 and RMB7,719,000), respectively.

The difference between the purchase cost and fair value amounting to RMB3,881,000 was debited to accumulated losses (2017: RMB2,378,000).

(d) For the year ended 31 December 2018, the Company repurchased an aggregate of 1,263,500 (2017: Nil) ordinary shares at an average price of HK$6.97 per share (2017: Nil) for an aggregate consideration of HK$8,809,000, equivalent to RMB7,728,000 (2017: Nil) under the share buy-back mandates approved in the annual general meeting.

26 RESERVES

	Capital Reserve RMB'000 (Note a)	Statutory Reserves RMB'000 (Note b)	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
At 1 January 2017	30,000	10,828	198,017	67,388	(371,529)	(65,296)
Value of employee service						
— Pre-IPO Share Option Scheme	–	–	285	–	–	285
— Restricted Share Units Scheme	–	–	14,604	–	–	14,604
Currency translation differences	–	–	–	(19,632)	–	(19,632)
Change in value of available-for-sale financial assets — Gross	–	–	–	–	(298)	(298)
Change in value of available-for-sale financial assets — Tax	–	–	–	–	45	45
Profit appropriations to statutory reserves	–	3,609	–	–	–	3,609
Vesting and allotting of shares of Restricted Share Units Scheme (Note 27(c))	–	–	(7,719)	–	–	(7,719)
At 31 December 2017	30,000	14,437	205,187	47,756	(371,782)	(74,402)
At 1 January 2018	**30,000**	**14,437**	**205,187**	**47,756**	**(371,782)**	**(74,402)**
Value of employee service						
— Restricted Share Units Scheme	**–**	**–**	**4,090**	**–**	**–**	**4,090**
Currency translation differences	**–**	**–**	**–**	**1,791**	**–**	**1,791**
Transfer of gain on equity investments at fair value through other comprehensive income to retained earnings	**–**	**–**	**–**	**–**	**(3,021)**	**(3,021)**
Change in fair value of FVOCI — Gross	**–**	**–**	**–**	**–**	**16,392**	**16,392**
Change in fair value of FVOCI — Tax	**–**	**–**	**–**	**–**	**(440)**	**(440)**
Profit appropriations to statutory reserves	**–**	**6,053**	**–**	**–**	**–**	**6,053**
Vesting and allotting of shares of Restricted Share Units Scheme (Note 27(c))	**–**	**–**	**(7,642)**	**–**	**–**	**(7,642)**
Disposal of equity interests in a subsidiary without change of control	**–**	**–**	**–**	**–**	**2,151**	**2,151**
At 31 December 2018	**30,000**	**20,490**	**201,635**	**49,547**	**(356,700)**	**(55,028)**

26 RESERVES (Continued)

Notes:

(a) Capital reserve of the Group arises from capital contribution by the Founders pursuant to the Group reorganisation.

(b) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of the annual net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the companies incorporated in the PRC, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalised as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

27 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

On 31 October 2012, the Board of Directors of the Company approved the establishment of a Pre-IPO Share Option Scheme with the objective to recognise and reward the contribution of eligible directors, employees and other persons to the growth and development of the Group.

The exercise price of the granted options shall be the par value of the ordinary shares as amended as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

The options are conditionally vested on the employee completing a certain period of service, which is mutually agreed by the employees and the Company. In addition, the options are only exercisable after the listing of the Company's shares on any internationally recognised stock exchange of the Company ("performance condition") and the grantees remain employed by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On 1 January, 1 July, and 1 September 2013, 5,385,611, 898,800 and 156,500 share options were granted under the scheme, respectively.

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise Price	Pre-IPO Share Option Scheme Number of Share Options Year Ended 31 December 2018	2017
At beginning of year		**577,989**	1,193,723
Exercised	US$0.0001	**(111,494)**	(615,734)
At end of year		**466,495**	577,989

27 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

As a result of the options exercised during the year, 111,494 ordinary shares were issued by the Company (Note 25). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$9.39 (equivalent to RMB7.94) per share.

As at 31 December 2018, all share options granted would expire in 2022 with an average exercise price of US$0.0001 per share option. The fair value of share options was determined at the respective grant dates.

The Company has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with their best estimate. The discount rate for pre-IPO share option adopted was estimated by the weighted average cost of capital, which was 23% as at the respective grant dates.

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. The weighted average fair value of pre-IPO options granted on 1 January, 1 July, and 1 September 2013 was US$3.03 (equivalent to RMB19.02), US$4.88 (equivalent to RMB30.26) and US$5.12 (equivalent to RMB31.61) per option, respectively. Key assumptions are set as below:

	Pre-IPO Share Option Scheme 1 January 2013	**Pre-IPO Share Option Scheme** 1 July and 1 September 2013
Risk-free interest rate	1.84%	2.51%
Volatility	60.33%	56.42%
Dividend yield	–	–

The Company estimated the risk-free interest rate based on the yield of US Treasury Strips with maturity equal to the option life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with duration commensurate to the time to reach maturity of the respective share options. Dividend yield is determined based on management estimates made as at the grant date.

Since all the share options related to the Pre-IPO Share Option Scheme have been vested, no share based compensation expense related to the Pre-IPO Share Option Scheme were incurred for the year ended 31 December 2018 (2017: RMB285,000).

27 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme

On 1 September 2013, the Board of Directors of the Company approved the establishment of a Post-IPO Share Option Scheme with the objective to reward eligible directors, employees and other persons for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

The exercise price of the granted options represents the highest of (i) the closing price per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheet on the offer dates; (ii) the average closing prices per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the offer dates; and (iii) the nominal value of a share.

The options are conditionally vested upon the employee completing 2 years of service from the offer date, which is mutually agreed by the employees and the Company.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On 2 January and 10 June 2015, 1,908,000 and 3,845,000 share options were granted under the scheme, respectively.

For those share options granted on 10 June 2015, the Group and the grantees agreed they are subject to certain non-market performance vesting conditions which are related to the financial performance of the Group during the vesting period.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Post-IPO Share Option Scheme Year Ended 31 December			
	2018		2017	
	Average Exercise Price	**Number of Share Options**	Average Exercise Price	Number of Share Options
At beginning of year		**1,563,000**		2,278,000
Exercised	**–**	**–**	HK$14.61	(15,000)
Forfeited	**HK$24.29**	**(155,000)**	HK$24.29	(700,000)
At end of year		**1,408,000**		1,563,000

There was no option exercised and no ordinary shares were issued by the Company during the year ended 31 December 2018 (2017: 15,000 ordinary shares were issued).

As at 31 December 2018, all share options granted would expire in 2019 with an average exercise price of HK$14.61 per share option.

The fair value of share options was determined at the respective grant dates.

27 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme (Continued)

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. The weighted average fair value of post-IPO options granted on 2 January and 10 June 2015 was HK$5.78 (equivalent to RMB4.62) and HK$9.17 (equivalent to RMB7.33). Key assumptions are set as below:

	Post-IPO Share Option Scheme 2 January 2015	**Post-IPO Share Option Scheme** 10 June 2015
Risk-free interest rate	**1.35%**	1.01%
Volatility	**53.64%**	54.49%
Dividend yield	**–**	–

The Company estimated the risk-free interest rate based on the yield of Hong Kong Foreign Exchange Fund Bonds with a maturity life equal to the option life of the share option at the grant date. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with duration commensurate to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

Since all the share options related to the Post-IPO Share Option Scheme have been vested, no share based compensation expense related to the Post-IPO Share Option Scheme were incurred for the year ended 31 December 2018 (2017: Nil).

(c) Restricted Share Units Scheme

On 13 September 2013, the Board of Directors of the Company approved to adopt a Restricted Share Units Scheme. During the years ended 31 December 2016 and 2018, the Company granted 4,260,000 and 2,500,000 restricted share units to certain directors and employees of the Group (collectively, the "Grantees") pursuant to the Restricted Share Unit Scheme at the grant date fair value of HK$8.88 (equivalent to RMB7.64) and HK$10.10 (equivalent to RMB8.27) respectively for each restricted share unit. The fair value of restricted share units granted to employees is measured with reference to the closing price of the ordinary share of the Company at the grant date and recognised as staff costs with a corresponding increase in the capital reserve within equity.

As at 31 December 2018, the restricted share units granted in 2016 have all been vested. The vesting schedule of the restricted share units newly granted during the year ended 31 December 2018 is as follows:

Percentage of the restricted share units scheme	**Date of vesting of the relevant percentage of the restricted share units**
17%	1 December 2018
17%	1 June 2019
17%	1 December 2019
17%	1 June 2020
32%	1 December 2020

27 SHARE-BASED PAYMENTS (Continued)

(c) Restricted Share Units Scheme (Continued)

During the year ended 31 December 2018, the Company recorded share based compensation of RMB4,633,000 (2017: RMB14,604,000) related to Restricted Share Units Scheme.

Upon vesting and transfer to the Grantees, the related costs of the shares are credited to Shares held for Restricted Share Units Scheme, and the related fair value of the shares are debited to share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against accumulated losses if the fair value is less than the cost.

28 DEFERRED REVENUE

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Included in non-current liabilities	**122**	270
Included in current liabilities	**6,422**	7,026
	6,544	7,296

Deferred revenue primarily consisted of unamortised virtual items in the Group's Game Business, which the Group continued to have obligations as at the reporting date. Deferred revenue will be recognised as revenue when all of the revenue recognition criteria are met. As at 31 December 2018, the deferred revenue associated with Game Business amounted to RMB6,544,000 (2017: RMB6,896,000).

29 TRADE PAYABLES

Trade payables primarily related to (i) the purchase of services for server custody, content costs, agency fees and revenue to be shared and be payable to game developers in Game Business; (ii) cash incentives payable to online investors in Fintech Business.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
0–30 days	**3,485**	9,393
31–60 days	**2,809**	5,588
61–90 days	**2,885**	3,659
91–180 days	**11,571**	5,746
181–365 days	**2,169**	5,210
Over 1 years	**6,234**	4,573
	29,153	34,169

Trade payables were denominated in RMB and the fair values of these balances approximate their carrying amounts at the reporting date.

30 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Deposits received in Fintech Business	**45,470**	87,099
Staff costs and welfare accruals	**25,011**	28,703
Advertising expenses accruals	**5,851**	4,978
Professional service fees payable	**5,088**	11,440
Services fee and others received on behalf of Fintech Business partners	**4,277**	86,736
Others	**11,853**	33,898
	97,550	252,854

Other payables and accruals were primarily denominated in RMB and the fair values of these balances approximated their carrying amounts at the reporting date.

31 DEFERRED INCOME TAX

(a) Deferred income tax assets

The analysis of deferred income tax assets are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
— Tax losses	–	524
Deferred income tax assets — net	–	524

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accumulated Loss RMB'000	Total RMB'000
At 1 January 2017	–	–
Recognised in the profit or loss	(608)	(608)
Acquisition of a subsidiary	1,132	1,132
At 31 December 2017	524	524
Recognised in the profit or loss	(524)	(524)
At 31 December 2018	–	–

As at 31 December 2018, deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Based on management's assessment, the Group's losses amounting to RMB296,784,000 (2017: RMB196,423,000) is not considered probable to be utilised, therefore the Group did not recognise relevant deferred income tax assets amounting to RMB53,171,000 (2017: RMB34,859,000) for these losses. These tax losses will expire from 2019 to 2028.

31 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

The analysis of deferred income tax liabilities are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
The balance comprises temporary differences attributable to:		
— Fair value change of available for sale assets	**–**	19
— Fair value change of FVOCI	**459**	–
— Acquisition of a subsidiary	**–**	32,158
Deferred income tax liabilities — net	**459**	32,177

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Intangible Assets in Business Combination RMB'000	AFS RMB'000	FVOCI RMB'000	Total RMB'000
At 1 January 2017	–	64	–	64
Tax credit relating to components of other comprehensive income/(loss)	–	(45)	–	(45)
Acquisition of a subsidiary	38,300	–	–	38,300
Recognised in the profit or loss	(6,142)	–	–	(6,142)
At 31 December 2017	32,158	19	–	32,177
Reclassified from AFS to FVOCI (Note 3(a))	–	(19)	19	–
At 1 January 2018	–	–	19	19
Tax credit relating to components of other comprehensive income/(loss)	**–**	**–**	**440**	**440**
Recognised in the profit or loss	**(32,158)**	**–**	**–**	**(32,158)**
At 31 December 2018	**–**	**–**	**459**	**459**

32 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
(Loss)/profit before income tax	**(347,657)**	73,143
Adjustments for:		
— Depreciation of property and equipment (Note 16)	**4,159**	4,076
— Amortisation of intangible assets (Note 17)	**19,346**	36,397
— Impairment of intangible assets (Note 17)	**349,126**	5,077
— Loss on disposal of property and equipment (Note a)	**256**	1,245
— Changes in the value of financial assets at fair value through profit or loss (Note 19)	**–**	5,889
— Share-based compensation expenses (Note 27)	**4,633**	14,889
— Gain on disposal of investment in an associate	**–**	(62,576)
— Share of income of investments accounted for using the equity method (Note 12b)	**(13,857)**	(10,850)
— Gain on dilution of investments accounted for using the equity method (Note 12b)	**(11,089)**	–
— Gain on disposal of available-for-sale financial assets	**–**	(11,500)
— Finance income - net (Note 11)	**(1,292)**	(5,384)
— Impairment of available-for-sale financial assets	**–**	6,540
— Exchange (gains)/losses, net	**(679)**	271
Changes in working capital:		
— Trade receivables	**17,149**	11,965
— Prepayments and other receivables	**104,923**	26,637
— Trade payables	**(5,016)**	(16,887)
— Other payables and accruals	**(151,624)**	79,568
— Loan receivables	**185,230**	(231,742)
— Deferred revenue	**(752)**	(3,968)
Cash generated from/(used in) operations	**152,856**	(77,210)

(a) In the consolidated statement of cash flows, proceeds from sale of property and equipment comprise:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net book amount (Note 16)	**560**	1,872
Loss on disposal of property and equipment (Note 9)	**(256)**	(1,245)
Net change in receivable arising from disposal of property and equipment	**1,081**	865
Proceeds from disposal of property and equipment	**1,385**	1,492

33 COMMITMENTS

(a) Capital commitments

As at 31 December 2018, the capital expenditure contracted but not provided for amounted to RMB1,250,000 (2017: RMB5,200,000), which were related to investment arrangements.

(b) Operating lease commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The lease expenditure charged to the profit or loss during the year is disclosed in Note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**9,522**	9,207
Later than 1 year and no later than 5 years	**5,413**	13,142
	14,935	22,349

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Revenue derived from the Group's sales of online games' copyright to related parties and provision of services to related parties		
Associates	**–**	5,437

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
(ii) Content cost to related parties who provided publishing services to the Group for game operation		
Associates	**1,661**	5,465

(b) Year end balances arising from sales and purchase of services

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(i) Receivable from related parties		
Associates	**1,658**	1,673
Less: Allowance for impairment	**(1,658)**	(1,658)
	–	15

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Year end balances arising from sales and purchase of services (Continued)

The receivables due from related parties mainly arose from the revenue sharing generated from games operated and published by related parties.

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(ii) Other receivables due from related parties		
Associates	**104**	341
Less: Allowance for impairment	**(104)**	(237)
	–	104

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(iii) Prepayment to related parties		
Associates	**178**	919

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(iv) Payable to related parties		
Associates	**86**	186

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
(v) Other payables to related parties		
An associate	**191**	185

Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensations

Key management includes directors, CEO and other senior executives. The aggregate compensation paid/payable to key management for employee services is as follows:

	Year Ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees, Wages, salaries and bonuses	**8,816**	6,964
Pension costs — defined contribution plans	**169**	107
Other social security costs and housing benefits	**310**	206
Share-based compensation expenses	**2,769**	11,835
	12,064	19,112

35 CONTINGENCIES

As at 31 December 2018, the Group did not have any significant unrecorded contingent liabilities.

36 SUBSEQUENT EVENTS

On 16 January 2019, the Group entered into an investment agreement and a shareholders' agreement, pursuant to which the Group agreed to acquire approximately 19.99% of the equity interest in a company which is principally engaged in hosting and organising e-sports competitions. The consideration has been settled through (a) subscription in cash of RMB13,000,000 by the Group; and (b) the Company allotting and issuing 1,851,568 new ordinary shares to a shareholder of the investee company.

At the Company's annual general meeting held on 25 May 2018, the Shareholders approved a share buy-back mandate, which granted the Directors a general mandate to buy back shares of the Company. From 1 January 2019 to the date of the consolidated financial statements being approved and issued, the Company had bought back an aggregate of 1,790,300 shares of the Company at a weighted average price of HK$3.22 for an aggregate consideration of approximately HK$5,769,000 (equivalent to approximately RMB4,986,000) under this share buy-back mandate.

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**503,703**	486,436
Amounts due from subsidiaries		**542,855**	534,789
		1,046,558	1,021,225
Current assets			
Amounts due from subsidiaries		**59,205**	77,713
Prepayments and other receivables		**319**	5,120
Cash and cash equivalents		**8,647**	31,686
		68,171	114,519
Total assets		**1,114,729**	1,135,744
EQUITY			
Share capital		**86**	87
Share premium		**2,066,360**	2,074,087
Reserves	*(a)*	**(95,864)**	(119,970)
Shares held for Restricted Share Units Scheme		**(28,900)**	(9,584)
Accumulated losses	*(a)*	**(827,854)**	(812,359)
Total equity		**1,113,828**	1,132,261
LIABILITIES			
Current liabilities			
Other payables and accruals		**901**	3,483
Total liabilities		**901**	3,483
Total equity and liabilities		**1,114,729**	1,135,744

The balance sheet of the Company was approved by the Board of Directors on 27 March 2019 and was signed on its behalf.

WANG Dongfeng
Director

LIANG Na
Director

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Reserves RMB'000
Balance at 1 January 2017	(794,944)	(77,757)
Currency translation differences	–	(49,383)
Value of employee services	–	14,889
Vesting and allotting of shares of Restricted Share Units Scheme	(2,378)	(7,719)
Loss for the year	(15,037)	–
Balance at 31 December 2017	(812,359)	(119,970)
Currency translation differences	**–**	**27,115**
Value of employee services	**–**	**4,633**
Vesting and allotting of shares of Restricted Share Units Scheme	**(3,881)**	**(7,642)**
Loss for the year	**(11,614)**	**–**
Balance at 31 December 2018	**(827,854)**	**(95,864)**

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The remuneration of each director and chief executive is set out below:

For the year ended 31 December 2018:

Name	Fees RMB'000	Salaries and Discretionary Bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Housing Allowance RMB'000	Estimated monetary value of other benefits *(note i)* RMB'000	Total RMB'000
Executive Directors						
Wang Dongfeng (ii)	–	1,186	67	46	705	2,004
Liang Na	–	2,872	24	24	723	3,643
Zhang Yang	–	2,966	55	35	432	3,488
Non-executive directors						
Zhang Qiang	265	–	–	–	117	382
Independent non-executive directors						
How Sze Ming	265	–	–	–	117	382
Poon Philana Wai Yin(iii)	106	–	–	–	–	106
Zhao Cong Richard	265	–	–	–	117	382
Wan Joseph Jason(iv)	159	–	–	–	69	228
	1,060	7,024	146	105	2,280	10,615

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executives' emoluments (Continued)

For the year ended 31 December 2017:

Name	Fees RMB'000	Salaries and Discretionary Bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Housing Allowance RMB'000	Estimated monetary value of other benefits (note i) RMB'000	Total RMB'000
Executive Directors						
Wang Dongfeng (ii)	–	468	63	43	1,982	2,556
Liang Na	–	2,778	14	12	3,216	6,020
Zhang Yang	–	1,332	18	11	12	1,373
Non-executive directors						
Zhang Qiang	270	–	–	–	387	657
Independent non-executive directors						
How Sze Ming	270	–	–	–	387	657
Poon Philana Wai Yin(iii)	270	–	–	–	387	657
Zhao Cong Richard	270	–	–	–	387	657
	1,080	4,578	95	66	6,758	12,577

Notes:

(i) Other benefits mainly include share-based awards compensation.

(ii) Mr. Wang Dongfeng is the executive director and the chief executive officer ("CEO") of the Company.

(iii) Ms. Poon Philana Wai Yin resigned as an independent non-executive director of the Company with effect from 25 May 2018.

(iv) Mr. Wan Joseph Jason was appointed as an independent non-executive director of the Company with effect from 25 May 2018.

(v) During the year, no directors waived or agreed to waive any emoluments.

(b) During the year, neither directors nor the two highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

DEFINITIONS

"Annual General Meeting"	the annual general meeting of the Company proposed to be held on Tuesday, 28 May 2019
"ARPPU"	average revenue per paying users
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands"	the Cayman Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"Company" or "Forgame"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose Shares became listed on the Main Board of the Stock Exchange on the Listing Date
"Connected Person(s)"	has the same meaning ascribed thereto in the Listing Rules
"Connected Transaction(s)"	has the same meaning ascribed thereto in the Listing Rules
"Contractual Arrangements"	the Feidong Contractual Arrangements and the JLC Contractual Arrangements
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trusts"	Wang Trust, Keith Huang Trust, Hao Dong Trust and Zhuangjg Trust, collectively
"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited)* (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, established under the laws of the PRC on 13 June 2012
"Feidong Contractual Arrangements"	a series of contractual arrangements entered into between Feidong, the Feidong PRC Operational Entities and their respective shareholders

DEFINITIONS

"Feidong PRC Operational Entities"	Feiyin, Weidong and Jieyou, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the Feidong Contractual Arrangements, collectively
"Feiyin"	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited)* (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC on 12 April 2004
"Financial Statements"	audited consolidated financial statements of the Company for the year ended 31 December 2018
"FITE Regulations"	Regulations for the Administration of Foreign-invested Telecommunications Enterprises promulgated by the State Council on 11 December 2001 and subsequently amended on 10 September 2008 and 6 February 2016, respectively
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Hao Dong Trust
"Foga Internet Development"	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly-owned by Mr. Yang and is one of the Holding Companies
"Foga Networks"	Foga Networks Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Huang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Keith Huang Trust
"Foga Tech"	Foga Tech Limited, a limited company incorporated under the laws of Hong Kong on 9 August 2011 and a wholly-owned subsidiary of the Company
"Founder(s)"	Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, who are the founder(s) of the Company, collectively
"Group" or "we" or "us"	the Company and its subsidiaries, collectively
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary of which is Mr. Liao

DEFINITIONS

"Holding Companies"	Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies of the Company established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang respectively, collectively
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"ICP Licence"	internet content provision licence, a value-added telecommunications business operation licence issued by the relevant PRC government authorities with a service scope of information services
"IFRSs"	financial reporting standards and interpretations approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
"Independent Non-executive Director(s)"	independent non-executive Director(s) of the Company
"IP"	intellectual property
"IPO"	initial public offering of the Shares on the Stock Exchange
"IT"	information technology
"Jianlicai Group"	Jlc Inc. and its subsidiaries
"Jieyou"	Guangzhou Jieyou Software Co., Ltd. (also referred to as Guangzhou Jieyou Software Company Limited)* (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC on 7 June 2012
"Jinweilai"	Beijing Jinweilai Financial Information Service Co., Ltd. (also referred to as Beijing Jinweilai Financial Information Service Company Limited)* (北京金未來金融信息服務有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC Registered Shareholder
"JLC (Cayman)"	Jlc Inc., an exempted company duly incorporated with limited liability and validly existing under the laws of the Cayman Islands
"JLC (HK)"	Jianlc (HK) Limited, a limited company incorporated in Hong Kong, the entire equity interest of which is held by JLC (Cayman)
"JLC (WFOE)"	New Goround Network Technology (Tianjin) Co., Ltd.* (新谷原信息技術(天津)有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC (HK)

DEFINITIONS

"JLC Contractual Arrangements"	a series of contractual arrangements entered into between JLC (WFOE), the JLC VIE Controlled Entities and their respective shareholders
"JLC PRC Equity Owners"	Mr. Guo Yong and Ms. Qiu Zengzhen, who beneficially owned as to 95% and 5%, respectively, of the equity interest of the JLC Register Shareholder
"JLC PRC Operational Entities"	Jinweilai, Laijin and Weilaijin, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the JLC Contractual Arrangements, collectively
"JLC Registered Shareholder"	Jinweilai (Guangzhou) Investment Consultancy Co., Ltd. (also referred to as Jinweilai (Guangzhou) Investment Consultancy Company Limited)* (金未來(廣州)投資諮詢有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC PRC Equity Owners
"JLC VIE Controlled Entity(ies)"	the JLC PRC Operational Entities and the JLC Registered Shareholder
"Keith Huang Trust"	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
"Laijin"	Beijing Laijin Investment Fund Management Co,. Ltd. (also referred to as Beijing Laijin Investment Fund Management Company Limited)* (北京來金投資基金管理有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
"Latest Practicable Date"	14 April 2019, being the latest practicable date prior to the bulk printing and publication of this annual report
"Ledong"	Hongkong Ledong Tech Limited (香港樂動科技有限公司), a limited company incorporated under the laws of Hong Kong on 22 March 2012 and an indirect wholly-owned subsidiary of the Company
"Listing Date"	3 October 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"LMDJ"	Tianjin LMDJ Internet Technology Co., Ltd. (天津聯盟電競互聯網科技有限公司)
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managecorp Limited"	Managecorp Limited, the trustee of each of the Family Trusts
"MIIT"	the Ministry of Industry and Information Technology of the PRC

DEFINITIONS

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of Hao Dong Trust
"Mr. Wang"	Mr. Wang Dongfeng (汪東風), the Chairman of the Board, an Executive Director, the Chief Executive Officer of the Company, one of the Founders and the settlor of Wang Trust
"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders
"Mr. Zhuang"	Mr. Zhuang Jieguang (莊捷廣), one of the Founders and the settlor of Zhuangjg Trust
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	non-executive director(s) of the Company
"Offer Date"	the date on which the Pre-IPO Share Option(s) are offered to an eligible participant as defined in the Pre-IPO Share Option Scheme
"Placing"	the placing of the Placing Shares to professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 pursuant to the terms of the Placing Agreement
"Placing Agreement"	the placing agreement entered into by the Company with BOCOM International Securities Limited as placing agent on 22 May 2015 in relation to the Placing
"Placing Share(s)"	an aggregate of 19,041,900 Shares placed to professional, institutional and other investors pursuant to the Placing
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"PRC Operational Entities"	the Feidong PRC Operational Entities and the JLC PRC Operational Entities
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme

DEFINITIONS

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"Prospectus"	the prospectus of the Company dated 19 September 2013 in relation to the IPO
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Restricted Share Unit Scheme" or "RSU Scheme"	the scheme conditionally approved and adopted by the Company on 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
"RSU(s)"	restricted share unit(s) granted pursuant to the RSU Scheme
"R&D"	research and development
"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company
"Shares"	shares of USD0.0001 each in the share capital of the Company
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited)* (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC on 22 January 2007

DEFINITIONS

"Weilaijin"	Beijing Weilaijin Technology Co., Ltd. (also referred to as Beijing Weilaijin Technology Company Limited)* (北京未來金科技有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
"Yinker"	Yinker Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands
"Yunke"	Jiujiang Yunke Internet Microfinance Co., Ltd.* (九江市雲客網絡小額貸款有限公司), a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016
"Zhuangjg Trust"	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members
"91wan"	the self-publishing platform, namely 91wan.com

* The English name is translated for reference purpose only in this Annual Report

APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the third Environmental, Social and Governance ("ESG") Report (this "Report") of Forgame Holdings Limited ("Forgame", together with its subsidiaries, collectively the "Group", "we", "us" or "our"). The Group is principally engaged in developing and publishing domestic and overseas webgames and mobile games as well as providing internet micro-credit service and financial information service in the People's Republic of China (the "PRC").

This Report discloses our sustainability approaches and performances during the year ended 31 December 2018 (the "Reporting Period"). Unless otherwise stated, the scope of this Report covers our (i) Hong Kong office; (ii) game development and publishing businesses in Guangzhou Offices; and (iii) fintech business in Beijing and Jiujiang Offices.

In preparing this Report, we are in stringent compliance with the applicable disclosure requirements of the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the Corporate Governance section, please refer to the section headed "Corporate Governance Report" in the Annual Report.

We treasure every feedback from our valuable stakeholders. Should you have any opinions or suggestions about this Report and our sustainability performance, please send your feedback to IR@forgame.com.

ABOUT FORGAME

Forgame was established in 2009 and listed on The Stock Exchange of Hong Kong Limited in 2013. Dedicated to delivering joy to our users, we have successfully developed and launched hundreds of high quality webgames and mobile games. We also manage 91wan, a game publishing platform in China. In addition to game development and publishing, we also devote ourselves in developing the business segment of fintech by utilizing the Group's advanced technological capacity.

During the Reporting Period, in response to stricter regulatory requirements and the increasing demand of the advanced fintech products, the Group have strategically strengthened and positioned the operations of its fintech business by embracing the value of big data with artificial intelligence and machine learning. The Group's dedicated investment and in-depth industry knowledge provide a solid foundation for the industry leading position and success in the ever-growing fintech industry. While continuing the micro-credit business in the PRC with the Jiangxi Microcredit Business License (《江西省小額貸款公司經營許可證》) granted by the government, the Group generates values to our users and stakeholders by providing standardised and regulatory compliance products utilizing the Group's technology know-how under its financial information service business.

Vision

To become a global leading light game and fintech company.

Mission

To provide users with great product experience under the principles of "Simple happiness, inclusive finance".

Philosophy

- Passionate and creative
- Embracing changes
- Behaving grey
- Delivering results

Awards and Recognition

- "Top 50 Fintech Companies" ("金融科技50強") — The Economic Observer and China Finance
- "2018 Annual China Business Innovation Award" ("2018中國商業年度創新獎") — Business Daily
- "2018 Pioneer Wealth Management Platform of Excellent Competitiveness" ("2018卓越競爭力財富管理先鋒") — China Business
- "2018 Annual Outstanding New Finance Company Top 10 — Gold Award" ("2018新金融年度優秀企業十強"大獎) — China Times
- "2017–18 China's Key Enterprise of Cultural Export" ("2017–2018年度國家文化出口重點企業")
- "Guangzhou Harmonious Labour Relations Enterprise" ("廣州市勞動關係和諧企業")
- "2018 Excellent Enterprise Award" ("2018年度優秀企業獎") — Guangdong Entertainment & Game Industry Association

OUR SUSTAINABILITY APPROACH

Sustainable development sets the pivot of our visionary strategic move in our long-term development plan of further expanding our operations in fintech industry. By embodying environmental, social and governance principles in our strategy planning and business management, the Group leverages our professional industry knowledge and technology to continue bringing positive impact on the community by creating a healthy and sustainable cyberspace and minimising our impact on the environment while strengthening our presence on the Internet, media and technology territories.

Embracing the value of sustainability to evaluate the operations environment and identify room for improvement in operations, we have formulated a set of ESG-oriented policies to promote and manage material environmental, social and governance issues, which include product responsibility, labour practices, anti-corruption, environmental protection, to promote the value of sustainability and integrate sustainable development principles in the Group's and our business partners as a responsible corporate citizen. Details of the policies and measures that the Group has adopted and associated sustainability performances in each area can be found in the corresponding sections of this Report.

LISTENING TO OUR STAKEHOLDERS

Stakeholder Identification

Maintaining a positive and interactive relationship with our stakeholders is of paramount importance to the Group. Through different communication channels such as meetings, interviews, hotlines, official websites, official WeChat accounts, industry seminars, site visits, cooperation meeting and emails, the Group proactively communicates with our valuable stakeholder groups including employees, customers, suppliers and business partners, shareholders, government and the wider community. We firmly believe that our sustained growth is attributed to the unceasing support and trust from our stakeholders. The Group will continue to work closely with our stakeholders to continue with the success of our operations.

Materiality Assessment

To review the sustainability approach and strategic plan of the Group aligning with our important stakeholders' opinion, we have conducted the materiality assessment to identify our most material issues. The assessment also provides an objective understanding of our stakeholders' opinion and feedbacks over different material issues more thoroughly. The assessment was conducted following with the below 3 steps:

Identifying ESG material issues

Through consulting professional third parties and analysing our operations, development strategy and business plan thoroughly, we have identified 30 issues of stakeholders' interest that may affect the Group's approach and operations in different ways.

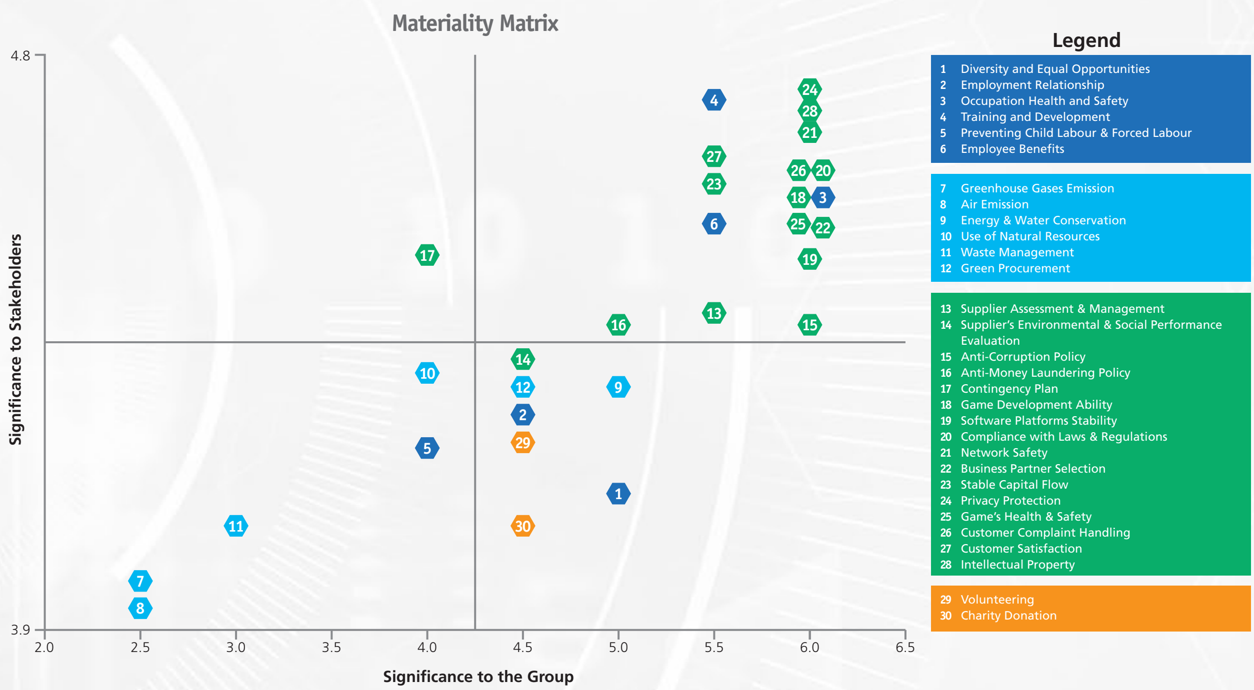
Rating ESG Material Issues

After identifying the relevant ESG issues, our team set up the online stakeholder engagement questionnaire and invited different valuable stakeholders to provide feedback and assess the different ESG issues. Participants were also asked to provide feedback on the Group's 2017 ESG Report and to share their expectations and comments on the Group's overall sustainability effort and approach.

Analysing and Evaluating the Results

The results of the rating exercise were hence analysed to understand the relative importance of different ESG issues. After completion of the analysis and consolidating with the Group's top management professional opinion and feedback, the materiality matrix is hence plotted. The material issues that are at the top right-hand corner of the materiality matrix as shown below are of significance importance to both our stakeholders and the Group.

Based on the analysis, it is identified that there are 17 material issues that are important to our stakeholders while having the impact of materiality to our operations. The identified material issues will hence be the key focus for the Group's sustainable development planning.



APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Material Issues

No.	Issues	No.	Issues	No.	Issues
1	Diversity and Equal Opportunities	11	Waste Management	21	Network Safety
2	Employment Relationship	12	Green Procurement	22	Business Partner Selection
3	Occupation Health and Safety	13	Supplier Assessment & Management	23	Stable Capital Flow
4	Training and Development	14	Supplier's Environmental & Social Performance Evaluation	24	Privacy Protection
5	Preventing Child Labour & Forced Labour	15	Anti-Corruption Policy	25	Game's Health &Safety
6	Employee Benefits	16	Anti-Money Laundering Policy	26	Customer Complaint Handling
7	Greenhouse Gases Emission	17	Contingency Plan	27	Customer Satisfaction
8	Air Emission	18	Game Development Ability	28	Intellectual Property
9	Energy & Water Conservation	19	Software Platforms Stability	29	Volunteering
10	Use of Natural Resources	20	Compliance with Laws & Regulations	30	Charity Donation

SUSTAINABLE AND RESPONSIBLE PRODUCT

Customer Experience and Quality Assurance

As a leading technology enterprise, we are committed to creating satisfaction and value to our customers by going the extra mile to provide excellent customer experience, from the early stage of product research and development to the utmost quality product experience.

Product Research and Development

Games, the Group's primary focus, bring excitement and enjoyment to players. The Group wholeheartedly developed a large game portfolio with games of diverse genres, such as turn-based RPGs (Role-playing games, 回合制角色扮演遊戲), ARPGs (Action Role-playing games, 動作角色扮演遊戲), strategy games and action fighting games to cater for players with different interests and preferences, coherent to the Group's mission of providing users with great product experience under the principles of "Simple Happiness" in strict compliance with the Interim Measures for the Administration of Online Games (Amended in 2017《網路遊戲管理暫行辦法》). With the required licenses including the Network Cultural Business Permit (《網絡文化經營許可證》), the Internet Publication Licence (《互聯網出版許可證》) obtained, our enthusiastic game development team continuously monitors the latest trends in entertainment and popular culture to make better themes and attractive storylines of each game.

Taking the advantage of our own online publishing platform and our proprietary game analytics engine, we are able to instantly and continuously collect and analyse the real-time data, including player demographics, source of user traffic, player behaviours and feedback. The analysed data provides important feedbacks to our development team for continuous enhancement of existing games and developing new games with more customised features appealing to players' interest.

During the Reporting Period, our game development team published 1 new mobile game, as listed below:

Self-developed Mobile Game	Release Date	Genre
Star maker (創造大明星)	21 December 2018	SIM

According to the "Forgame Internal Review of Game Content Policy" (《集團遊戲內容自審管理規定》), our legal team and required licence holder will conduct an internal review on the games before they are published in order to ensure that the game content is in compliance with the Interim Measures for the Administration of Online Games (Amended in 2017《網路遊戲管理暫行辦法》). A series of internal testing of functions, smoothness, background and firewall set-up will be conducted during the review process to guarantee the game's readiness of offering the best game experience to players. Upon completion of the internal tests, a beta test on 91wan and other publishing platforms will be conducted to collect external users' feedback to identify areas to improve and optimize the game quality. The server's capacity and ability to manage high user traffic will also be tested to ensure a smooth operation when the game is launched out.

Meanwhile, the Group is also expanding its business in the fintech industry. Our new strategic focus is to leverage the Group's knowledge acquired, technology developed and talents employed. With the vision of "bringing positive changes to the financial sector", we are committed to bringing inclusive financial services to the public by providing equal access of the financial services to the individuals in need. To ensure the compliance of our operations with the relevant state regulations, licenses including Value-Added Telecommunications Licence of the PRC (《中華人民共和國增值電信業務經營許可證》) and Jiangxi Microcredit Business License (《江西省小額貸款公司經營許可證》) were obtained to enhance the efficiency of risk management.

By making use of advanced technology and big data, our fintech platforms are dedicated to meeting the financial needs of our eligible customers with ease and convenience at affordable costs. In response to the stringent regulatory requirements such as "Notice of the Office of the Leading Group for the Special Campaign against Internet Financial Risks on Intensifying the Corrective Action on Asset Management Business through the Internet and Conducting Acceptance Work" (互聯網金融風險專項整治工作領導小組辦公室《關於加大通過互聯網開展資產管理業務整治力度及開展驗收工作的通知》) and "Guiding Opinions on Promoting the Healthy Development of Internet Finance" (《關於促進互聯網金融健康發展的指導意見》), the Group's legal team will provide professional opinion for the updates of relevant regulations during the product development to ensure that no substantial non-compliance content will be included and published.

As a responsible corporate citizen, we are proactively abiding with the statutory laws and regulations that fintech operation has to comply with. Concerning Yunke's operation, we continuously review the operation to ensure stringent compliance with the Guidelines for the Supervision and Administration of Network Microcredit Companies of Jiangxi Province (for Trial Implementation) (《江西省網絡小額貸款公司監管指引(試行)》) in order to bring risks in fintech under control so as to increase users' confidence in the service. For the financial information service provided by Jianlicai, our internal review will ensure that only products and services complying with all applicable laws and regulations are allowed to be delivered on its platform.

Stability, reliability and security are important elements constituting a successful fintech platform. Cross-validation will be conducted to review the quality of program codes while functional and performance test will also be carried out to make sure the platform is ready for the heavy user traffic during the online platform is going live for services. The system will also perform automatic testing to ensure the platform runs smoothly before its launch. In addition, we have engaged third party service providers to speed up the content delivery of our online platform under high user traffic loading and also reinforce our platform with adequate network protection services.

QUALITY PRODUCT EXPERIENCE AND CUSTOMER HANDLING

To engage extensive users while providing reliable customer services and support, the games are launched out on our own publishing platform, 91wan, and other popular game publishing platforms. In accordance with the Interim Measures for the Administration of Online Games (Amended in 2017《網路遊戲管理暫行辦法》), players who would like to play the game have to register with their ID card and associated phone number. Only applicants who provide all the required information will be granted for a valid user account.

Play Games Responsibly — Say "No" to Child Gaming Addiction

Gaming is a good way to relax and enjoy simple happiness — only if a game is played responsibly. As a responsible corporate citizen, we have established the "Online Game Minor Guardianship Project" ("網絡遊戲未成年人家長監護工程") in accordance with the instruction issued by Ministry of Culture of the People's Republic of China. Parents can apply for guardianship service and set limits on duration and time zones, or period of time that their children can play the game in order to prevent addiction.

Once the game is launched out, our devoted team will keep monitoring with the data collected from the publishing platforms as well as players' comments collected from the online questionnaire, forum post and customer services. The analysed data and feedbacks will provide a solid foundation for upgrading the game features for a better game playing experience. Maintenance to remove bugs will also be conducted regularly to ensure a smooth and enjoyable experience.

The Group is also dedicated to providing excellent product experience to our users in our fintech business. We strictly abide by all applicable laws and regulations of the PRC, including but not limited to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) and the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) applicable to our operations. As required by the Notice of the General Office of the State Council on Issuing the Implementation Plan for Special Rectification on Risks in Fintech (《國務院辦公廳關於印發互聯網金融風險專項整治工作實施方案的通知》), all information being displayed on the platforms will firstly be reviewed internally before online publishing.

Invest Responsibly — Make Informed Decision by completing the in-app Test!

To promote "inclusive finance" and healthy fintech industry as stated in our mission while complying with regulations mentioned, the platform shows free assessment entry provided by standardized finance product providers for users to examine their own risk tolerance level. Users can hence be informed of the level of risks that they can endure by taking the assessment before browsing with different products available on our platform. Understanding of the risk tolerance level allows users to make a rational investment decision.

A sound customer services and complaint handling system is also important in achieving complete and satisfying user experience with our products and services. Similar to the games we published, users' feedback and comments are the important components for improving the system's performance. To ensure that our users receive appropriate assistance and useful support promptly, the Group has established a "Standard Workflow to Handle User's Enquiries" (《問題處理流程》) to provide suggested solutions to the most common issues frequently encountered by our users. Meanwhile, our customer services specialists are also guided by our "Customer Services Manner Standard" (《客戶服務禮儀標準》) and "Customer Services Centre Standard" (《客服部現場規範》) with best practices as reference. A monthly review of the customer services satisfaction survey will be conducted to assess the performance of the specialists. Performance bonus will be distributed to specialists who deliver outstanding customer services to our valuable users.

Intellectual Property

We are committed to preserving the achievements of our research and development team. In practice, we have established "Guidelines on Prevention of Legal Risks in the Development and Operations of Online Games" (網絡遊戲研發及運營法律風險防範指引) and "Intellectual Property Management Policy" (知識產權管理制度) to reinforce the protection of intellectual property right by enacting standard working procedures to apply for, through which the Group's intangible property can be fully secured. The Group's intellectual property includes copyright, trademark, patent, trade secret and other rights endowed by (i)The Patent Law of the PRC (《中華人民共和國專利法》); (ii) The Trademark Law of the PRC (《中華人民共和國商標法》); (iii) The Copyright Law of the PRC (《中華人民共和國著作權法》); (iv) the Administrative Measures on China Internet Domain Name (《中國互聯網絡域名管理辦法》); (v) the Measures Concerning Software Products Administration (《軟件產品管理辦法》) ; (vi) "Anti-unfair Competition Law of the PRC" (《中華人民共和國反不當競爭法》) and other applicable laws and regulations, under which games, software, artwork, new technology, skills and other relevant rights are covered.

Confidentiality is held in high regard in order to protect intellectual property. All involved parties are not allowed to disclose or deliver relevant information to others during the product development and creation process.

Sound Cyber Security Management

Cyber Security is of utmost importance to not only the users, but also the Group. Reputation, confidence and success of the products and services provided by the Group could be influenced by the Group's dedication in protecting information security. As one of the leading information technology companies in the industry, the Group is determined to provide safe, secured and reliable internet platforms of both game and fintech to our valuable users.

Ensuring data privacy is essential to protect our business and maintain our relationships with customers and business partners. To comprehensively manage the potential information security risk and handle the emergent incidents which could damage the information security, the Group established the Information Technology Internal Management Handbook (《集團信息技術內部控制手冊》) in accordance with the "Control Objectives for Information and related Technology" issued by ISACA (Information Systems Audit and Control Association) to ensure a stable, safe and efficient system that can support the Group's long term development in internet business. With the dedication to ensure a system which can handle the data collected and contained confidentially, completely and reliably, the management handbook provides clear guidance on how to manage and mitigate information security risk in different stages of operations. In addition, an emergency response system is also outlined in the management handbook to enable the staff to understand the steps to be taken and associated responsibility when there is an issue related to the information security found. As safeguarding the information security requires continuous efforts, the management handbook places emphasis on the importance of regular reviews on the procedures and measures to make sure that the solutions to be provided can efficiently mitigate the corresponding risks.

To minimise risks of data loss and leakage, extensive data security measures were adopted including the limited and controlled access right of critical information, encrypted password and data transmission, and back up of data at two or more different locations in our internal servers and further in our long-distance disaster recovery system. Meanwhile, the Group has also implemented the "Visitor Control Management Procedure" (《集團訪問控制管理制度》) to restrain the internet access of our visitors to prevent potential data losses.

The Group believes that all staff members are the important contributors to a safe and reliable system, hence the management handbook clearly defines the responsibility of each department and staff on how to ensure the system is reliable. Employees are required to sign a confidentiality agreement to acknowledge their duty in keeping the identified information confidential, including sales data, business plans, personal information of customers and intellectual property. The access right control in relations to customer personal data is set up so that our employees get limited access to sensitive data on a need-to-know basis. In addition, the Group has also formulated the "Software Management Measures" (《集團軟件管理相關措施》) and "Malicious Software Management Procedure" (《集團惡意軟件控制管理制度》) as precautionary measures to minimise the information security risks by increasing our staff's awareness over the risks from external software.

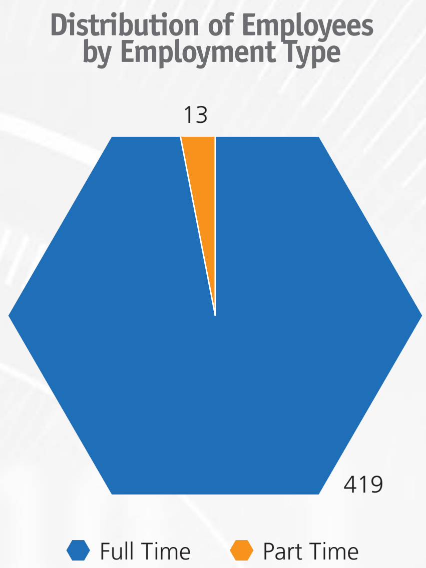
Responsible Advertising

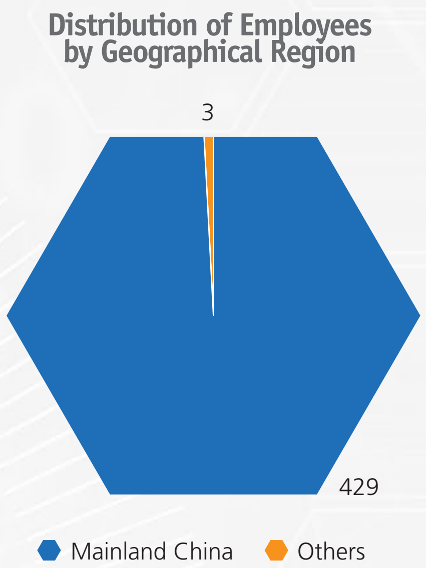
Through the efficient internal management of the advertisement content to minimise the potential impact brought by controversial or inaccurate content in advertisements or promotional materials prepared by the Group, we have formulated the "Forgame Group and Investment Company Publicity Guidelines " (《Forgame集團及投資公司對外宣傳指引》) in accordance with the Advertisement Law of the PRC (《中華人民共和國廣告法》) and Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》). These guidelines provide detailed explanations on the appropriate content and methodology to be used and advertised. Besides, the guidelines also outline the appropriate internal review process and responsible parties for compliance, accuracy and authenticity of all publicized materials, such as press conferences, articles and web content. The guidelines also provide the industry best practices for our staff's easy reference, especially in regards to the statutory regulations of monitoring advertisement and marketing materials for fintech having been reinforced under the Notice on Issuing the Implementation Plan for the Special Rectification of Risks in Internet Financial Advertisements and Financial Activities Conducted in the Name of Investment and Wealth Management (《關於印發〈開展互聯網金融廣告及以投資理財名義從事金融活動風險專項整治工作實施方案〉的通知》).

DEVOTED EMPLOYMENT

Talent Sourcing

Our people are the greatest asset and strength of the Group to achieve the mission of "becoming a global leading light game and fintech company". To strengthen our team capability, the Group attaches great importance to talent acquisition by scouting for people passionate in game development and publishing and fintech through a variety of recruitment channels including internal referral, campus recruitment, social media recruitment, online recruitment, talent market and head hunters. Adhering to the principle of equality, fairness, openness and justice to the greatest extent, the Group selects suitable candidates based on competencies and qualifications, regardless of their age, gender, physical condition, marital status, race, nationality and religion.





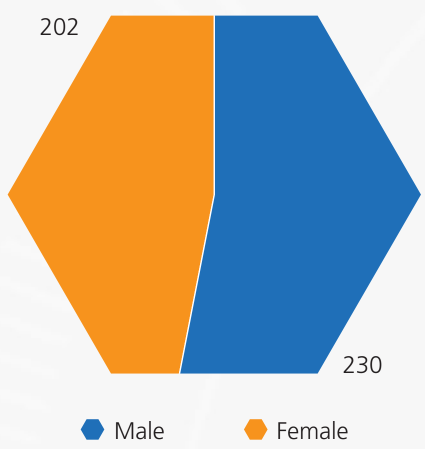
Diversity and Equality

As an equal opportunity employer, the Group values diversity and equality in the workplace and recruits talents based on their competencies and qualifications. Being an inclusive employer, we strictly abide by all applicable laws and regulation including The Labour Law of the PRC (《中華人民共和國勞動法》) and The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) regarding equality, diversity and anti-discrimination, and stress on equal opportunities not only in recruitment, but also in training, promotion, transferral, remunerations and benefits. The Group does not tolerate any kind of discrimination and harassment against our people. To protect every staff from discrimination, employees can report any case of discrimination to our Internal Audit department through mail. Objective and independent investigation will hence be conducted while the Group will also review the current policy to prevent reoccurrence.

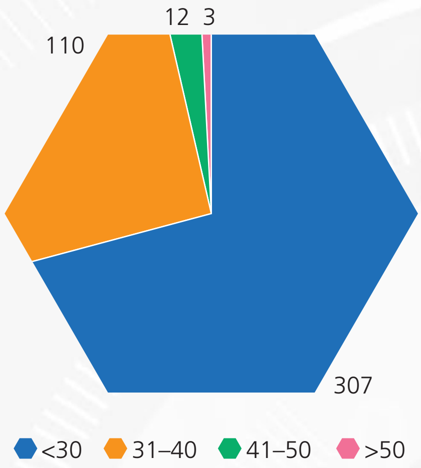
Labour Standards

The Group is in compliance with The Labour Law of the PRC (《中華人民共和國勞動法》) to prohibit child and forced labour within the Group. As the first line of defence, all new recruits are required to provide a proof of identity to ensure no under-age labour is employed. If any child or forced labour is discovered, we will professionally investigate and handle with the case carefully. Remedial measures will be taken place within 90 working days. In addition, the employee handbook has set out the detailed arrangements in respect of standard working hour, overtime work, leave and dismissal. To ensure our staff having sufficient rest time, a maximum working week of 40 hours with eight hours a day is implementing in place. Prior head of departments approval is required if our employee is necessary to work overtime. Staff who worked overtime will receive compensatory leave afterwards.

Distribution of Employees by Gender



Distribution of Employees by Age



Caring Our Talents

Attracting and retaining the dedicated workforce are of paramount importance to the Group's sustainable and continuous success. The Group commits to building a solid and passionate team by granting them competitive remuneration packages and benefits, together with creating a harmonious working atmosphere through a wide range of staff activities and events.

The Group provides employees in the PRC with social insurances which cover endowment, unemployment, medical, maternity and work-related injury, and housing provident fund in accordance with statutory laws and regulations including The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》). In addition, all employees are granted bereavement leave, marital leave, medical leave and maternity leave. The Group also provides other benefits including:

- Meal Subsidies
- Festive Gifts
- Additional Insurance
- Attendance Award
- Medical Check
- Free Fruits
- Afternoon Tea & Snacks
- Beverage Subsidies
- Flexible Working Hours

Efficient communication where employees can share opinion and thoughts within the Group is an effective way to maintain a positive relationship with employees. To understand the thoughts and opinions of our employee, the Group has set up a number of communication channels, ranging from meetings to progress reports in WeChat and by email. Every one of us is encouraged to express personal views and concerns through these channels.

In addition, to promote work-life balance and strengthen the bond among and relationship between the staff, the Group is delighted to organise activities with our staff regularly, for instance, themed birthday parties, clubs, sports activities and festive events.

2018 EVENTS HIGHLIGHTS

Mid-Autumn Festival

Programmer Festival

Girl's Day

Birthday Party

Children's Day

Annual Dinner

Nurturing Talents

In addition to remuneration and benefits, the Group believes that comprehensive training to nurture our talents is also an efficient way to retain our talents while improving the competitiveness of the Group. Growing together with our staff, the Group offers our employees abundant internal and external opportunities in development and training, aiming to unleash the talent of our staff. Training activity topics include, among other things, induction training for new employees, six-thinking-hats brainstorming techniques, as well classes on how to develop professionalism.

Total number of Training Hours in 2018
1,350.5
hours

Average Training Hours received by Female Employee in 2018
2.60
hours

Average Training Hours received by Male Employee in 2018
2.60
hours

Average Training Hours Completed per Employee by Employee Category

Senior Management	Mid-Level Management	Technical Employee	General Employee
2.00 hours	1.55 hours	2.92 hours	2.56 hours

Utilizing Technology — Managing Training on Staff Portal You Xue Tang

Besides, recognising the significance of training such that we are able to catch up with the fast-growing internet industry and the ever-changing market, our You Xue Tang (遊學堂), a platform to cultivate talents with information and technology, offers a wide range of training programs to enact our philosophies to be passionate and creative, to embrace changes, to behave grey and to deliver results.

To provide feedback on and evaluate our employees' performance, performance appraisals are conducted regularly on a fair and objective basis. Appraisers share their findings and suggestions with fellow colleagues to further enhance their performance. The appraisal results will also be used as references of consideration for promotion and salary adjustment. Additionally, employees who have been working for more than six months without any record of misconduct and sharing with the Group's culture and values are also eligible for fair promotion assessment.

Health and Safety

In addition to a friendly atmosphere, the Group is also dedicated to providing a safe and comfortable workplace where our staff can work comfortably. There are different health and safety measures in the workplace, including the provision of additional group medical insurance and annual medical check to our staff. In terms of safety measures, fire drill is conducted annually while inspections on fire equipment are conducted regularly.

In the Reporting Period, we were not aware of any work-related accidents resulting in lost days or fatalities within the Group.

New Office — Safe to Use

In 2018, the Group has relocated to a new office for operations to accommodate the business growth and expansion. The modern state-of-art interior design provides a comfortable and stylish work environment for our staff.

To protect the health of our staff, the Group has employed a qualified environmental engineering company to conduct an indoor air quality test before moving into the office. As the Group is committed to our employee's health, the test will ensure the level of Formaldehyde, Benzene, Ammonia and Total Volatile Organic Compounds (TVOC) are acceptable and compliant with the "Indoor Air Quality Standard (GB18883)"《室內空氣質量標準》.

Anti-corruption

To embrace business integrity for sustainable operations, the Group is determined to promote fairness and integrity by deterring unethical business practices, including bribery, fraud and corruption. The code of ethics in the employee handbook emphasises the importance of abiding by statutory laws and regulations and provides a clear guidance on the norm of ethical and acceptable acts. The employee handbook also states clearly with the responsibility and disciplinary punishment if one is found guilty of misconduct relating to anti-corruption issues. We will use our best effort to ensure employees pay attention to the code of ethics and make it a part of our daily business activities in order to create a positive corporate culture placing integrity and honesty on a high priority.

To ensure the Group can manage and respond to corruption issues swiftly, the Group has formulated "Forgame Anti-Corruption Management Policy" (《Forgame集團反舞弊管理制度》) and abides by the "Criminal Law of the PRC" (《中華人民共和國刑法》) to provide a clear reporting and control procedure. Staff should report any suspected misconduct by phone or mail and our internal audit department will investigate the case independently. Disciplinary punishment will be issued to staff if the case is confirmed. To prevent non-compliance issues that could damage the reputation of the Group, the internal audit department will review the current policy and conduct the investigation analysis to implement the corrective measures in a professional and timely manner. There was no litigation against the Group or its employees concerning corruption, bribery, fraud, extortion and money laundering in Reporting Period.

COMMITMENT TO OUR SUPPLY CHAIN

Supply chain plays an important role in the Group's attempt to achieve sustainable operations. To ensure a risk diversification and a stable supply chain, a list comprising of at least 3 registered qualified suppliers for each item to be purchased will be formed under general circumstances of procurement. To keep a competitive profile of suppliers, the Group selects suppliers carefully to ensure that they meet different requirements of the Group by conducting thorough assessment and evaluation.

For a new supplier, a preliminary assessment based on quality and price will be conducted to shortlist suitable suppliers so as to update the supplier list for the particular items to be purchased. Shortlisted suppliers will be further evaluated based on the quality of products, payment terms, delivery and after-sale services before we make the decision on which supplier to go for business with.

Whilst the existing suppliers, on the other hand, will be evaluated on an annual basis with reference to a list of objective factors including the price, quality of products, payment terms, delivery and after-sales services for product suppliers and service quality, staff quality and cooperativeness of service providers. Suppliers who passed the assessment will be kept on the list as an approved supplier.

To ensure the Group cooperates with suppliers that share the value of sustainability while upholding business ethics and integrity, suppliers are required to sign up the supplier code of conduct issued by the Group along with the contract agreement. The supplier code of conduct lists out the Group's expectations and requirements to the suppliers for business. By signing up the supplier code of conduct, suppliers will commit to meeting or exceeding the legal requirements in respect of occupational health and safety, anti-discrimination, environmental protection and anti-corruption and fraud.

PROTECTING OUR ENVIRONMENT

As a responsible global corporate citizen, the Group strives to make the balance between the business development and environmental protection so as to operate sustainably by actively identifying the opportunities to minimise the environmental impact of operations. To provide a clear guidance on actions to be taken, the Group has formulated the "Forgame Environmental Policy" (《Forgame集團環保政策》) to incorporate environmentally-friendly measures incorporating emission reduction and resource efficiency into our daily operations in accordance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). For the sake of better operating efficiency, this policy will be reviewed and updated regularly to optimize the measures and directions to promote a greener way of living and business operations.

Emission Reduction

Combating climate change is one of the top agenda items of global society, including the Group. A major source of our emission is the use of electricity and fuel consumption from vehicles. Being a part of the community, the Group commits to minimizing our carbon footprint by adopting a low-carbon business approach with regular review being conducted to identify the improvement areas of reducing emission. Several measures aiming to reduce our emission during operations are implemented including:

CO_2

GHG Emissions:
115.74
tCO_2-eq

- Employees are encouraged to commune with public transportation instead of private vehicles.
- Smoking is prohibited in office areas with smoke-free signs placed across the office.
- Electronic waste (including monitors, computers, servers and phones) will be sold to second-hand buyers to utilize such equipment.
- Sample weighing will be conducted to closely monitor the amount of general refuse generated, which mainly consists of paper and food waste, to optimise waste reduction measures.

Resource Efficiency

In addition to emission reduction, the Group is also proactively identifying the opportunities to promote wise and efficient use of resources to minimise wastage and impact on the environment. General refuse from daily operations and electronic waste are the major groups of waste generated from our operations. As the Group moves to a new office during the Reporting Period, disposal of furniture is another significant source of waste. The Group has therefore implemented different measures to encourage staff to use resources wisely and responsibly, including:

- Every air-conditioner is equipped with a time controller which will automatically turn off the air conditioner during non-working hour or when the occupancy rate in office is low.
- The temperature of each air-conditioner is set at 26ºC to maintain an optimal and comfortable room temperature.
- Automatic sensor taps are installed in toilets to optimise the use of water.
- Double-sided printing, paper reuse and recycling are promoted to use paper responsibly.
- The Group encourages employees to bring their own dining utensils to reduce waste from disposal utensils.
- We advocate and encourage employees to communicate by electronic means such as telephone conference instead of business travelling.
- Different bins are set to collect different types of separately. Recyclable waste such as plastic bottles, aluminium cans are collected and sold to second-hand recycler while batteries and toner cartridges are packed separately for further handling. Other general waste generated in office is handled by a professional property management team.

Green Procurement

Apart from the internal practice embraced by our employees, the Group is also dedicated to minimising the carbon footprint of our operations by practicing green procurement. The Group mainly works with local suppliers to reduce greenhouse gas emissions brought by cross border logistics. As of 31 December 2018, we had a total of 129 suppliers from PRC. In addition, the approach of minimizing the environmental impact will be considered for procurement decision. For instance, electronic appliances with energy efficient label are preferred for use.

KEY ENVIRONMENTAL PERFORMANCES[1, 2]

Description	Unit of Measure	2018
Air Emissions		
Nitrogen oxides (NO_x)	kg	2.81
Sulphur oxides (SO_x)	kg	0.05
Particulate matter (PM)	kg	0.21
Greenhouse Gas (GHG) Emissions		
Total	tCO_2-eq	115.74
Intensity	tCO_2-eq/employee	0.27
Scope 1: Direct emissions	tCO_2-eq	9.30
Scope 2: Energy indirect emissions	tCO_2-eq	98.20
Scope 3: Other indirect emissions[3]	tCO_2-eq	8.23
Non-Hazardous Waste Generated[4, 5]		
Total	tonnes	15.41
Intensity	tonnes/employee	0.04
Energy Consumption[6]		
Total	kWh	218,168.02
Intensity	kWh/employee	879.71
Water Consumption[7]		
Total	m^3	3,043.13
Intensity	m^3/employee	13.57

1 For Environmental KPI data comparison, please refer to the "Appendix: Environmental, Social and Governance" Section in 2017 Annual Report.

2 Data of our key environmental performances were generated from our game development and publishing business and fintech business in operations.

3 Scope 3 emissions included water consumption, sewage treatment and paper waste disposal.

4 Non-Hazardous Waste generated from our Hong Kong Office is not included as the waste is collected a property management company. Sources of waste include (i) general refuse from daily operation, (ii) electronic waste and (iii) furniture from office relocation.

5 Due to our business nature, we were not aware of any significant generation of hazardous waste and consume any packaging material during the reporting period.

6 Total Energy Consumption does not include the consumption of our leased premises in Hong Kong and Beijing as their electricity supply is solely controlled by property management companies and such data is unavailable to individual tenants.

7 Total Water Consumption does not include the consumption of our leased premises in Hong Kong, Beijing and Jiujiang as their water supply is solely controlled by property management companies and such data is unavailable to individual tenants.

RETURNING TO OUR COMMUNITY

The Group is committed to bringing enjoyment and happiness not only to our users, but also the community where the Group belongs to. Focusing on our society's next generation, the Group actively supports education and research on Fintech to envision the youth to study the innovation in this area.

In November 2018, the Group entered into a donation agreement with The Hong Kong University of Science and Technology, School of Science, to make a donation in the amount of HK$2,000,000 to support postgraduate/postdoctoral student training and research development in the field of fintech and blockchain, echoing with the mission of the Group to promote "inclusive finance" and healthy fintech at ease.

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APPENDIX: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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Forgame