Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "Board") of directors (the "Directors") of Forgame Holdings Limited (the "Company" or "Forgame") announces the unaudited consolidated interim results (the "Interim Results") of the Company, its subsidiaries and the PRC Operational Entities (as defined in the prospectus of the Company dated 19 September 2013 (the "Prospectus")) (collectively the "Group", "we", "us" or "our") for the six months ended 30 June 2016. The Interim Results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". In addition, the Interim Results have also been reviewed by the audit and compliance committee of the Company (the "Audit and Compliance Committee").

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2016	2015	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**193,720**	309,457	-37.4%
Gross profit	**39,043**	118,285	-67.0%
Loss for the period	**(124,560)**	(14,899)	736.0%
Non-IFRSs Measures[1]			
– Adjusted net loss for the period	**(62,985)**	(8,396)	650.2%
– Adjusted EBITDA[2] for the period	**(49,145)**	1,577	-3,216.4%

Notes:

(1) The Group defines adjusted net loss for the period excluding non-cash share-based compensation, changes in the value of financial assets at fair value through profit or loss, impairment of investment in associates, and impairment of available-for sale financial assets. The use of adjusted net loss has material limitation as an analytical tool, as adjusted net loss does not include all items that impact the Group's net loss for the periods. For details of adjusted net loss and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – Adjusted Net Loss and Adjusted EBITDA" in this announcement.

(2) EBITDA means earnings before interest, taxes, depreciation and amortisation.

INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

OVERVIEW AND OUTLOOK

Overview

In the first half of 2016, the gaming market in China was as challenging to Forgame as it was in the second half of 2015. In fact, the growth in the number of mobile internet users and gamers in China experienced a further slowdown. According to a report published by TalkingData[1], the half-on-half growth in the number of active

[1] TalkingData 1H2016 Mobile Game Industry Report. TalkingData is an independent data provider.

online mobile devices and active mobile gaming devices dropped from 8.5% and 11.0%, respectively, in the second half of 2015 to 3.9% and 6.9%, respectively, in the first half of 2016. At the same time, the competition among game developers was fiercer than ever. According to a report published by DataEye[(2)], as gaming giants are becoming more creative and willing to develop new products, small gaming companies in China will find it more difficult to operate.

To avoid head-on competition with the Group's competitors in China in the production of hard-core games, the Group has been focusing on delivering quality casual games. Despite intense competition, the Group launched 13 mobile games in the first half of 2016, 11 of which were casual mobile games. After the debut of "Beauty Box (美美小店)" on the iOS app store close to the year end of 2015, the Group also expanded its user coverage to the Android market in June 2016. On the very first day of the public test on the iOS App Store, "Beauty Box" excelled, topping the iOS App Store free-download game list with more than 80% of the game reviewers assigning a five-star rating to this game.

As the Group continues to seek new growth opportunities, the HTML5 gaming market could become a new growth area for Forgame. HTML5 games can be run and played on mobile browsers very much similar to how webgames are played on personal computers. According to a report published by DataEye[(3)], the number of HTML5 gamers was expected to reach 171 million by the end of 2015, with a year-on-year growth of approximately 108.4%. On top of that, the growth in the number of HTML5 gamers was expected to be higher than the growth in the number of traditional mobile gamers. The Group expects that HTML5 games will have high growth potential in the following years, and its potential market size could be comparable to the existing traditional mobile gaming market in scale. In view of such growth potential, the Group is working to bring back its most popular games in HTML5 format. "Charmed Westward Journey HTML5 version (醉西游HTML5版本)" is the first foray by the Group in this gaming format and is adapted from one of the key webgame intellectual properties of the Group. The android version of this game has been launched on multiple platforms including Tencent QQ browser and QQ Game platform. The iOS version of this game for the Tencent platforms is expected to be launched in the second half of 2016.

(2) DataEye 1H2016 Mobile Game Industry Report. DataEye is an independent data provider.

(3) DataEye 3Q2015 HLML5 Games Report. DataEye is an independent data provider.

Apart from the implementation of its PRC game development strategy, the Group also intends to bring its games to the wider global market. The overseas R&D and publishing team of the Group, having successful experience in bringing locally developed games to the American and European market prior to joining Forgame, launched their first self-developed game at Forgame, namely "Liberators", which is a World War II themed strategy game, in the first quarter of 2016. Up to the end of July 2016, this game served the players from more than 100 countries and regions around the world. The initial results of this game have been satisfactory.

On 3 August 2016, the Group entered into an investment agreement with Yinker Inc., pursuant to which the Group conditionally agreed to subscribe for, and Yinker Inc. agreed to issue, 3.3% coupon convertible bonds in the principal amount of RMB300 million due in year 2021. The investment into Yinker Inc. by way of convertible bonds can provide the Group with a number of benefits. Firstly, the PRC internet finance industry is still in its early development stages and will likely experience rapid and transformative growth. Investing in the PRC internet finance industry enables the Group to expand and diversify its potential income sources and enjoy the benefit of having an interest generating investment. Secondly, this investment gives the Group great flexibility. For instance, if Yinker Inc.'s results meet expectations, the Group has an option to convert the convertible bonds into equity shares, which allows the Group to proportionally capture the net profits of Yinker Inc. as associate income, and therefore boosting the Group's overall net profit. Overall, this investment provides the Group with the opportunity to tap into Yinker Inc.'s profits, improve the Group's financial condition and lay a solid foundation for the long-term development of the Group.

Outlook

Looking forward, the Board expects the gaming market in China will remain competitive and difficult in the second half of 2016.

The Board believes that focusing on developing and publishing casual mobile games is a correct strategy for the Group. Notwithstanding that "Beauty Box (美美小店)" has achieved initial recognition, the Board believes that there is still room for further optimisation for the game to become what the Board expects it should be. In the second half of this year, the Group will continue to enhance this game and strengthen the co-publishing capability with Meitu. Moreover, the HTML5 version of "Beauty Box (美美小店)" is under development and is planned to be advertised through Meitu apps when the traditional version has gained sufficient attention. Furthermore, the Board considers the overseas market to be a relatively new market for Chinese casual games. The Group intends to leverage its overseas R&D and publishing team's capability to introduce this game into lucrative markets such as the United States of America, the United Kingdom and so on.

The Group's initial attempt to expand into the overseas market has met the Group's expectations. By July 2016, the Group's international strategy game "Liberators" had served users from more than 100 countries and regions. The next step of the Group is to introduce different language patches to address more specific markets. Currently the game has 5 language versions, i.e. English, French, German, Spanish and Portuguese. The Group plans to introduce 5 additional language versions, namely Russian, Turkish, Polish, Romanian and Greek, making this game available in 10 different languages. The Group is also looking for collaboration opportunities with local platforms or publishers in the hope of increasing the Group's penetration of the targeted markets.

As evidenced in the Group's approach to mobile games as well as investments, the Group's management team is working diligently and progressively to enhance Forgame's growth potential, overall competitiveness, and ultimately shareholder's value. As the Board believes the speed of adapting to this fast-paced PRC internet market is key to the Group's eventual success, the Board intends to further explore opportunities in the internet, media, and technology industry. While there will be short term challenges during transformation, which is highlighted in the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this announcement, the Group strongly believes a brighter future will come soon. The management team of the Group wants to express its thanks to the shareholders of the Company (the "Shareholders") for their patience with the Group, and wants the Shareholders to continue to believe that the Group will ultimately deliver the returns that the market expects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The mobile gaming market in China remained competitive and difficult in the first half of 2016. The Group's total revenue decreased by approximately 37.4% to RMB193.7 million for the six months ended 30 June 2016 mainly due to delays in the Group's promotion of several major titles such as "Liberators" and "Charmed Westward Journey HTML5 version", as well as the decline in revenue from several existing mobile games as they entered into the mature phase of their life cycles.

Despite fierce competition, the Group strives to push forward with its transition plan to become a mobile game developer and publisher. The Company generated RMB122.4 million of revenue from mobile games and improved the mobile revenue contribution to 63.2% in the first half of 2016. In particular, mobile revenue contribution as a percentage of total revenue increased thanks to the contribution from "Sword Immortal (劍仙緣)", "Boonie Bears (熊出沒)" series and "Ultraman (奧特曼)" series. In the six months ended 30 June 2016, the Group launched 13 mobile games, 11 of which were casual mobile games.

Webgames segment generated RMB71.3 million of revenue for the Company in the first half of 2016, representing a decrease of approximately 40.7% compared to the same period last year. This decrease was the direct result of the Group's strategy to produce fewer but more profitable webgames. In the first half of 2016, the Company launched two webgames, one of which was "Liberators". "Liberators" is a World War II themed strategy game tailored for overseas markets.

Forgame's management continues to optimise the Company's operation structure through various cost-cutting measures. The Company has decreased its headcount from 805 personnel as at 30 June 2015 to 547 personnel as at 30 June 2016. In addition, the costs incurred on selling and marketing and the costs incurred on research and development decreased by approximately 53.9% and 40.0%, respectively, in the first half of 2016 when compared to the same period of 2015.

For the first half of 2016, Forgame recorded investment loss of RMB59.3 million, among which, (i) RMB3.2 million is reflected under other losses, (ii) RMB4.0 million is reflected under share of loss of investments accounted for using the equity method netting off the gain of RMB2.6 million on the dilution of investments accounted for using the equity method, (iii) RMB6.7 million is reflected under the impairment of investment in associates, and (iv) RMB48.0 million is reflected under impairment of available-for-sale financial assets. These investment losses were due to a number of reasons including (i) the volatility of fund raising market, (ii) existing cash availability for the Group's investments, and (iii) a more prudent assessment of the outlook of the games in the pipelines of these invested game studios.

OPERATING INFORMATION

As at 30 June 2016, the Group had 44 mobile games[1] and 32 self-developed webgames in operation. Out of the Group's 44 mobile games, 28 were self-developed and 16 were exclusively licensed to the Group from other developers. As at 30 June 2016, 91wan had over 226 million registered players and distributed 48 webgames in total. Out of the 48 webgames distributed by 91 wan, 15 were self-developed and 33 were licensed from third parties.

(1) Number of launched games excludes the games launched to the market for early-stage testing purpose.

The following table sets forth certain operating statistics relating to the Group's businesses in the periods presented:

	Six Months Ended 30 June	
	2016	2015
Game Product:		
Average MPUs (in thousands) [(1)]	**1,272**	785
Monthly ARPPU (RMB) [(2)]	**24**	60
Game Platform:		
Registered players (in thousands)	**226,403**	224,223
Average MPUs (in thousands) [(1)]	**9**	12
Monthly ARPPU (RMB)	**274**	367

Notes:

(1) The numbers do not 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.

Game product. The average MPUs for the game product segment increased from approximately 0.8 million for the six months ended 30 June 2015 to approximately 1.3 million for the six months ended 30 June 2016. This increase was primarily contributed by the popularity and ramp up in the sales of (i) games launched in the second half of 2015, such as casual mobile games "Boonie Bears: Crazy Shooter(熊出沒之瘋狂彈射)", "Boonie Bears: Jelly Defense (熊出沒之天降美食)" and webgame "Storm World (風暴大陸)", and (ii) games launched in the first half of 2016, such as webgame "Liberators".

Monthly ARPPU of the game product segment decreased from RMB60 for the six months ended 30 June 2015 to RMB24 for the six months ended 30 June 2016. This decrease was primarily due to the increase in the contribution of the Group's casual mobile games, which usually have a lower ARPPU level.

Game platform. Registered players of webgame platform 91wan have increased to 226 million as at 30 June 2016 from approximately 224 million as at 30 June 2015, representing a growth of approximately 1%.

The average MPUs of game platform segment declined from approximately 12,000 for the six months ended 30 June 2015 to approximately 9,000 for the six months ended 30 June 2016, and the monthly ARPPU of game platform segment decreased from RMB367 for the six months ended 30 June 2015 to RMB274 for the six months ended 30 June 2016. These decreases were primarily due to the fact that the Group lowered its marketing expenses on user acquisitions while allocating appropriate resources on improving the return of investment of games that it has published.

FIRST HALF OF 2016 COMPARED TO FIRST HALF OF 2015

The following table sets forth the income statement for the six months ended 30 June 2016 as compared to the six months ended 30 June 2015:

	Six Months Ended 30 June		
	2016	2015	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**193,720**	309,457	-37.4%
Cost of revenue	**(154,677)**	(191,172)	-19.1%
Gross profit	**39,043**	118,285	-67.0%
Selling and marketing expenses	**(12,997)**	(28,180)	-53.9%
Administrative expenses	**(37,035)**	(39,252)	-5.6%
Research and development expenses	**(47,128)**	(78,527)	-40.0%
Other income	**7,606**	17,147	-55.6%
Other losses	**(6,088)**	(402)	1,414.4%
Gain on disposal of a subsidiary	**—**	1,692	-100.0%
Finance income-net	**4,823**	4,702	2.6%
Impairment loss on intangible assets	**(12,831)**	—	N/A
Share of loss of investments accounted for using the equity method	**(4,020)**	(6,282)	–36.0%
Gain on dilution of investments accounted for using the equity method	**2,581**	1,333	93.6%
Impairment of investment in associates	**(6,674)**	—	N/A
Impairment of available-for-sale financial assets	**(47,999)**	—	N/A
Loss before income tax	**(120,719)**	(9,484)	1,172.9%
Income tax expense	**(3,841)**	(5,415)	-29.1%
Loss for the period	**(124,560)**	(14,899)	736.0%

Revenue. Revenue decreased by approximately 37.4% to RMB193.7 million for the six months ended 30 June 2016 from RMB309.5 million for the six months ended 30

June 2015. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2016 and 2015:

	Six Months Ended 30 June			
	2016		2015	
	(RMB'000) (Unaudited)	**(% of Total Revenue)**	(RMB'000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game product	**179,734**	**92.8**	282,456	91.3
– Game platform	**13,986**	**7.2**	27,001	8.7
Total Revenue	**193,720**	**100.0**	309,457	100.0
Revenue by Game Type				
– Mobile games	**122,409**	**63.2**	189,207	61.1
– Webgames	**71,311**	**36.8**	120,250	38.9
Total Revenue	**193,720**	**100.0**	309,457	100.0

– The Group's revenue generated from the game product segment decreased by approximately 36.4% to RMB179.7 million for the six months ended 30 June 2016 from RMB282.5 million for the six months ended 30 June 2015. This decrease was primarily due to (i) the fact that some of the Group's games entered into the mature stage of their life cycles whilst revenue from new games has yet to offset the decrease in revenue, and (ii) delays in promotion of several major game titles.

– The Group's revenue generated from the game platform segment decreased by approximately 48.2% to RMB14.0 million for the six months ended 30 June 2016 from RMB27.0 million for the six months ended 30 June 2015. This decrease was mainly due to the drop in platform MPUs as the Group scaled back in webgame player acquisitions.

– The Group's revenue generated from mobile games decreased by approximately 35.3% to RMB122.4 million for the six months ended 30 June 2016 from RMB189.2 million for the six months ended 30 June 2015. This decrease was primarily due to (i) delays in the Group's promotion of several major titles such as "Charmed Westward Journey HTML5 version", and (ii) the decline in revenue from several of the Group's existing mobile games, such as "Soul Guardian (凡人修真)" series and "Boonie Bears (熊出沒)" series, as they entered into the mature phase of their life cycles. Most of these matured games were launched back in 2013 and 2014.

– The Group's revenue generated from webgames decreased by approximately 40.7% to RMB71.3 million for the six months ended 30 June 2016 from RMB120.3 million for the six months ended 30 June 2015. This decrease was mainly due to (i) the Group's ongoing transformation from a webgame company to a mobile game company, resulting in the decrease in the number of webgames the Group launched and operated, (ii) several of the existing self-developed and licensed webgames of the Group entered into the mature phase of their life cycles, and (iii) further delay of promotion for several key titles, such as "Liberators". The decline in revenue generated from webgame was partially offset by the revenue generated from webgame "Storm World (風暴大陸)" launched in the third quarter of 2015.

Cost of revenue. Cost of revenue decreased by approximately 19.1% to RMB154.7 million for the six months ended 30 June 2016 from RMB191.2 million for the six months ended 30 June 2015. As a percentage of revenue, cost of revenue increased to approximately 79.8% for the six months ended 30 June 2016 from approximately 61.8% for the six months ended 30 June 2015. The following table sets forth the Group's cost of revenue by segment for the six months ended 30 June 2016 and 2015:

	Six Months Ended 30 June			
	2016		2015	
	(RMB'000) (Unaudited)	**(% of Total Cost of Revenue)**	(RMB'000) (Unaudited)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game product	**151,732**	**98.1**	182,982	95.7
– Game platform	**2,945**	**1.9**	8,190	4.3
Total Cost of Revenue	**154,677**	**100.0**	191,172	100.0

– Cost of revenue for game product segment decreased by approximately 17.1% to RMB151.7 million for the six months ended 30 June 2016 from RMB183.0 million for the six months ended 30 June 2015. This decrease was mainly due to lower revenue sharing costs incurred for self-developed mobile games. The decrease in such costs was in line with the decrease in revenue of self-developed mobile games. Besides, the Group has managed to eliminate its redundant servers which also reduced the relevant server depreciation costs.

– Cost of revenue for game platform segment decreased by approximately 64.0% to RMB2.9 million for the six months ended 30 June 2016 from RMB8.2 million for the six months ended 30 June 2015. This decrease was primarily due to the continuous effort of the Group to optimise the profitability and organisation structure of 91wan.

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 53.9% to RMB13.0 million for the six months ended 30 June 2016 from RMB28.2 million for the six months ended 30 June 2015. This decrease was mainly attributable to the decrease in the promotion and advertising expenses incurred by the Group on 91wan which is in line with the strategic transition of the Group's business focus from webgames to mobile games.

Administrative expenses. Administrative expenses decreased by approximately 5.6% to RMB37.0 million for the six months ended 30 June 2016 from RMB39.3 million for the six months ended 30 June 2015. Administrative expenses comprised of costs such as salary, compensation expenses and professional service expenses. The Group's slight decrease in administrative expenses was mainly attributable to effective control of welfares expenses of administrative employees.

Research and development expenses. Research and development expenses decreased by approximately 40.0% to RMB47.1 million for the six months ended 30 June 2016 from RMB78.5 million for the six months ended 30 June 2015. This decrease was primarily due to the continuous effort of the Group to optimise its research and development capability, which is in line with the strategic transition of the Group's business focus from webgames to mobile games.

Other income. Other income decreased to RMB7.6 million for the six months ended 30 June 2016 from RMB17.1 million for the six months ended 30 June 2015. Such decrease was mainly resulted from lower interest income of cash and cash equivalent which was in line with the decresae in average balance of cash and cash equivalent.

Other losses. Other losses increased to RMB6.1 million for the six months ended 30 June 2016 from RMB0.4 million for the six months ended 30 June 2015. This increase was primarily due to the fair value loss of the Group's investment in Appionics, the owner and operator of the Animoca studio, which is a developer and publisher of cross-platform mobile apps for smartphones and tablets.

Finance income-net. Finance income-net for the six months ended 30 June 2016 was RMB4.8 million, as compared to finance income-net of RMB4.7 million for the six months ended 30 June 2015. 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 and interest rates during the period under review.

Impairment loss on intangible assets. Impairment loss on intangible assets amounted at RMB12.8 million for the six months ended 30 June 2016 (2015: Nil). This was mainly attributable to the impairment loss of game intellectual properties and licenses as the Group took a prudent approach to review and assess the value of these intangible assets.

Share of loss of investments accounted for using the equity method. Share of loss of investments accounted for using the equity method decreased to RMB4.0 million for the six months ended 30 June 2016 from RMB6.3 million for the six months ended 30 June 2015. This decrease was mainly because certain investee companies narrowed their losses or recorded pre-tax profit.

Gain on dilution of investments accounted for using the equity method. Gain on dilution of investments accounted for using the equity method increased by 93.6% to RMB2.6 million for the six months ended 30 June 2016 from RMB1.3 million for the six months ended 30 June 2015. The increase was mainly due to the increase of valuation of investees through fund raising activities.

Impairment of investment in associates and impairment of available-for-sale financial assets. Impairment of investment in associates and impairment of available-for-sale financial assets for the six months ended 30 June 2016 amounted to RMB6.7 million and RMB48.0 million, respectively, while no such costs were incurred for the six months ended 30 June 2015. These impairments represented the provisions made by the Group for the impairment losses of some of the Group's angel investments after the review of the Group's major investments in its investment portfolio with the assistance of a third party consultancy firm. According to the review conducted by the third party consultancy firm, the PRC fund raising market for small gaming studios will continue to be challenging. After considering that the performances of such angel investments (i) are less predictable in nature, and (ii) are dependent on their ability to attract further funding, the Group made a provision for impairment loss as a matter of prudence.

Income tax expense. Income tax expense decreased by approximately 29.1% to RMB3.8 million for the six months ended 30 June 2016 from RMB5.4 million for the six months ended 30 June 2015. This decrease was primarily attributable to lower taxable profit of the Group's operating entities in China.

Loss for the period. Loss for the period increased to RMB124.6 million for the six months ended 30 June 2016 from RMB14.9 million for the six months ended 30 June 2015. This increase was the result of the combined impact of (i) several of the existing mobile games entering into the mature phase of their life cycles, (ii) delays in the Group's promotion of several major titles such as "Liberators" and "Charmed

Westward Journey HTML5 version", (iii) the impairment provision made by the Group for certain angel investments, and (iv) the Group's effort in driving operational efficiency by improving the investment returns of the Group's advertising expenses and optimising the Group's research and development capability.

NON-IFRSs MEASURES-ADJUSTED NET LOSS AND ADJUSTED EBITDA

To supplement the consolidated results of the Group which are prepared in accordance with IFRSs, certain non-IFRSs measures, including adjusted net loss 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 the Group's core operations by excluding certain non-cash and non-recurring items. The adjusted net loss and adjusted EBITDA are unaudited figures.

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2016 and 2015, and the loss for the six months ended 30 June 2016 and 2015 prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2016	2015
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(124,560)**	(14,899)
Add:		
Share-based compensation	**3,737**	6,503
Changes in the value of financial assets at fair value through profit or loss	**3,165**	—
Impairment of investment in associates	**6,674**	—
Impairment of available-for sale financial assets	**47,999**	—
Adjusted net loss (unaudited)	**(62,985)**	(8,396)
Add:		
Depreciation and amortization	**20,253**	23,557
Net interest income	**(10,254)**	(18,999)
Income tax expense	**3,841**	5,415
Adjusted EBITDA (unaudited)	**(49,145)**	1,577

FINANCIAL POSITION

As at 30 June 2016, the total equity of the Group amounted to RMB1,299.3 million, as compared to RMB1,444.7 million as at 31 December 2015. This decrease was mainly due to the increase in accumulated loss for the six months ended 30 June 2016.

The Group's net current assets amounted to RMB1,117.6 million as at 30 June 2016, as compared to RMB1,165.2 million as at 31 December 2015. This decrease was primarily due to the decrease in the balance of the Group's receivables and net cash.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2016 (RMB'000) (Unaudited)	As at 31 December 2015 (RMB'000) (Audited)
Cash at bank and on hand	**420,846**	916,095
Cash at other financial institutions	**2,508**	11,034
Short-term deposits	**685,633**	200,000
Net cash	**1,108,987**	1,127,129

The Group's total cash, cash equivalent and short-term deposits amounted to RMB1,109.0 million as at 30 June 2016, as compared to RMB1,127.1 million as at 31 December 2015. The decrease was primarily due to the Company having utilised the cash to buy back the Group's outstanding shares in the first half of 2016.

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

As at 30 June 2016, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was 0% (as at 31 December 2015: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2016. The borrowing requirements of the Group are not subject to seasonality.

FOREIGN EXCHANGE RISK

As at 30 June 2016, RMB629.0 million of the Group's financial resources (as at 31 December 2015: RMB25.0 million) were held in deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was due to the conversion of a significant amount of the Group's bank deposits from RMB into USD to support the Group's international operations and for the Group to explore acquisition opportunities overseas. With a significant amount of deposits denominated in USD and in view of potential RMB exchange rate fluctuations, the Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

TRANSFORMATION PLAN: RISKS AND HURDLES

As Forgame continues its transformation from a webgame company to a mobile game company, especially operating under a competitive and dynamic gaming market in China, there are risks that could adversely affect the Company's business operations and financial results. The major hurdles include (i) delays in game launches, (ii) games developed not able to meet market expectation after launch, (iii) departure of major employees, and (iv) technical issues that hamper the Group's ability to collect fees, data, and update games, all of which would negatively affect the Group's revenue. Also, the Group is exposed to risks such as fluctuation in foreign exchange, fair value change of the Group's investments in the internet, media and technology space, impairment charge due to invested companies' underperformance or becoming insolvent, and other unexpected one-off restructuring costs, all of which would negatively impact the Group's net profit.

Since 2014, the Group has made investments in a number of mobile game studios and incubators in China with a remaining value of approximately RMB113.3 million (excluding investment related impairment and losses in 2015 and the first half of 2016), out of which approximately RMB31.7 million were classified as "investments in associates", including but not limited to Dongfang Guxun (Beijing) Culture Development Limited (東方谷訊(北京)文化發展有限公司) and Guangzhou Xinkai Software Technology Limited (廣州新愷軟件科技有限公司). These investments are mostly angel investments and do not generate meaningful revenue and profit during the development phase. Similar to most angel investments, it is difficult to determine the success of these investments in their early stages, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

Based on what the management has observed thus far in 2016, the Group believes its operating performance (excluding investment related impairment and losses) in the second half of 2016 will be comparable with that of the first half of 2016.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2016	2015
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**468**	1,104
– Purchase of intangible assets	**154**	18,955
Total	**622**	20,059

Capital expenditures comprised purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third party developers. The total capital expenditures were RMB0.6 million and RMB20.1 million for the six months ended 30 June 2016 and 2015, respectively. The Group has less property and equipment purchase requirements for the six months ended 30 June 2016 as property and equipment purchased prior to 2016 sufficiently supports its business development. The purchase of intangible assets decreased from RMB19.0 million for the six months ended 30 June 2015 to RMB0.2 million for the six months ended 30 June 2016. This decrease was mainly because the Group scaled back in spending on licensing expenditures for third party mobile games and adaptation rights of popular IPs, such as internet novel, during the six months ended 30 June 2016.

PLEDGE OF ASSET

As at 30 June 2016, the Group had a pledge of assets of RMB0.8 million as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As of 30 June 2016, the Group did not have any significant unrecorded contingent liabilities.

MAJOR GAMES AND BUSINESS PARTNERS

For the six months ended 30 June 2016, the percentage of the revenue attributable to the Group's highest revenue-generating game and the top five highest revenue-generating games (including both self-developed games and licensed games developed by third party developers) accounted for approximately 20% and 54% of the Group's total revenue, respectively.

For the six months ended 30 June 2016, the percentage of the revenue attributable to the Group's largest game licensor and the top five largest game licensors accounted for approximately 1% and 4% of the Group's total revenue, respectively.

For the six months ended 30 June 2016, the percentage of the revenue attributable to the Group's largest publishing partner and the top five largest publishing partners accounted for approximately 9% and 35% of the Group's total revenue, respectively.

For the six months ended 30 June 2016, the percentage of the purchases attributable to the Group's largest supplier and the top five largest suppliers accounted for approximately 19% and 60% of the Group's cost of revenue, respectively.

HUMAN RESOURCES

As at 30 June 2016, the Group had 547 full-time employees (as at 30 June 2015: 805), the vast majority of whom are based in Guangzhou. The following table sets forth the number of the Group's employees by function as at 30 June 2016:

	Number of Employees	**% of Total**
Game development	300	55%
Publishing	74	13%
Sales and Marketing	21	4%
General and Administration	152	28%
Total	547	100%

The remuneration to the Group's employees includes salaries, bonus, allowances and share-based compensation. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group also provides various training programs to its staff to enhance their professional development such as assigning experienced employees as mentors in relevant teams or departments to provide regular on-the-job guidance and trainings. The Group has also adopted a pre-IPO share option scheme, a post-IPO share option scheme and a restricted share unit scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises.

PROGRESS OF OVERSEAS EXPANSION PLANS

The Group established a R&D and publishing team in 2015 focusing on developing and distributing their self-developed games in the overseas markets. The overseas R&D and publishing team of the Group, having successful experience in bringing locally developed games to the American and European market prior to joining Forgame, launched their first self-developed game at Forgame, namely "Liberators", which is a World War II themed strategy game, in the first quarter of 2016. Up to the end of July 2016, this game served the players from more than 100 countries or regions around the world covering Europe, America, Asia and Africa. The initial results of this game have been satisfactory.

POST BALANCE SHEET EVENT

On 3 August 2016, the Group entered into an investment agreement with Yinker Inc., an internet finance platform. Pursuant to the agreement, Forgame agreed to subscribe for the convertible bonds in an aggregate principal amount of RMB300 million (the "Convertible Bonds"). The Convertible Bonds will mature on the fifth anniversary of the issue date of the Convertible Bonds, and the Convertible Bonds yield compound interest at the rate of 3.3% per annum, compounded bi-annually. Subject to the transaction terms and conditions of the instrument of the Convertible Bonds, Forgame has the right to convert all or part of the Convertible Bonds into preferred or common shares in the share capital of Yinker Inc. at any time on and after the issue date up to the maturity date of the Convertible Bonds. Assuming the conversion rights are fully exercised, Forgame will hold a total of 474,411,730 conversion shares of Yinker Inc. at an initial conversion price of RMB0.7448 per share, representing approximately 15.01% of the total share capital of Yinker Inc. as at the date when the investment agreement was entered into. If Yinker Inc. fails to achieve the performance target of (a) a consolidated net profit of not less than RMB100 million for the year ending 31 December 2017, or (b) a consolidated net profit of not less than RMB200 million for the year ending 31 December 2018, Forgame will have the right to redeem the outstanding bonds before the maturity date.

Save as disclosed above, there were no other significant events affecting the Group after 30 June 2016 which required disclosure in this announcement.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	4	**193,720**	309,457
Cost of revenue	4	**(154,677)**	(191,172)
Gross profit		**39,043**	118,285
Selling and marketing expenses		**(12,997)**	(28,180)
Administrative expenses		**(37,035)**	(39,252)
Research and development expenses		**(47,128)**	(78,527)
Other income		**7,606**	17,147
Other losses		**(6,088)**	(402)
Gain on disposal of a subsidiary		**—**	1,692
Finance income-net		**4,823**	4,702
Impairment loss on intangible assets		**(12,831)**	—
Share of loss of investments accounted for using the equity method		**(4,020)**	(6,282)
Gain on dilution of investments accounted for using the equity method		**2,581**	1,333
Impairment of investment in associates		**(6,674)**	—
Impairment of available-for-sale financial assets		**(47,999)**	—
Loss before income tax	5	**(120,719)**	(9,484)
Income tax expense	6	**(3,841)**	(5,415)
Loss for the period		**(124,560)**	(14,899)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets		**(5,202)**	—
Items that will not be classified subsequently to profit or loss:			
– Currency translation differences		**10,077**	177
Total other comprehensive income, before tax		**4,875**	177
Income tax relating to components of other comprehensive income		**780**	—
Other comprehensive income for the period, net of tax		**5,655**	177
Total comprehensive loss for the period		**(118,905)**	(14,722)

	Note	Six Months Ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss attributable to:			
– Owners of the Company		**(124,175)**	(14,450)
– Non-controlling interests		**(385)**	(449)
		(124,560)	(14,899)
Total comprehensive loss attributable to:			
– Owners of the Company		**(118,520)**	(14,273)
– Non-controlling interests		**(385)**	(449)
		(118,905)	(14,722)
Loss per share (expressed in RMB per share)			
– Basic	7	**(0.91)**	(0.11)
– Diluted	7	**(0.91)**	(0.11)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2016 RMB'000 (Unaudited)**	As at 31 December 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**18,571**	26,197
Intangible assets		**31,322**	58,650
Investments accounted for using the equity method		**31,734**	43,857
Financial assets at fair value through profit or loss		**12,496**	15,651
Available-for-sale financial assets		**69,054**	122,255
Prepayments and other receivables		**9,845**	2,410
Deferred income tax assets		**9,373**	12,686
		182,395	281,706
Current assets			
Trade receivables	9	**57,738**	71,927
Prepayments and other receivables		**28,728**	43,675
Restricted cash		**771**	674
Short-term deposits		**685,633**	200,000
Cash and cash equivalents		**423,354**	927,129
		1,196,224	1,243,405
Total assets		**1,378,619**	1,525,111
EQUITY			
Equity attributable to owners of the Company			
Share capital		**86**	88
Share premium		**2,073,597**	2,099,777
Reserves		**(95,398)**	(100,750)
Accumulated losses		**(678,536)**	(554,361)
		1,299,749	1,444,754
Non-controlling interests		**(413)**	(28)
Total equity		**1,299,336**	1,444,726

	Note	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**64**	844
Deferred revenue		**591**	1,358
		655	2,202
Current liabilities			
Trade payables	10	**37,176**	24,091
Other payables and accruals		**29,751**	40,063
Income tax liabilities		**1,620**	—
Deferred revenue		**10,081**	14,029
		78,628	78,183
Total liabilities		**79,283**	80,385
Total equity and liabilities		**1,378,619**	1,525,111

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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, publishing webgames and mobile games (the "Group's Game Business") in the People's Republic of China (the "PRC").

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

The interim condensed consolidated balance sheet as at 30 June 2016, and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved for issue by the Board on 23 August 2016.

The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information has been reviewed, not audited.

2 Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'

Management is in the process to assess the impact of above standards.

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.

4 Segment Information

The Group's Game 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 segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Webgames and mobile games development service ("Game Product")
- Publishing services ("Game Platform")

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other losses, gain on disposal of a subsidiary, finance income-net, impairment loss on intangible assets, share of loss of investments accounted for using the equity method, gain on dilution of investments accounted for using the equity method, impairment of investment in associates, impairment of available-for-sale financial assets and income tax expense are also not allocated to individual operating segments.

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Cost of revenue primarily comprises bandwidth and server custody fees, employee benefit expenses, content cost, distribution cost and other outsourcing expenses, depreciation and amortisation and others.

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.

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

	Unaudited Six Months Ended 30 June 2016		
	Game Product RMB'000	**Game Platform RMB'000**	**Total RMB'000**
Segment revenue	**179,734**	**13,986**	**193,720**
Segment cost	**(151,732)**	**(2,945)**	**(154,677)**
Gross profit	**28,002**	**11,041**	**39,043**
Depreciation and amortization included in segment cost	**11,254**	**587**	**11,841**

	Unaudited Six Months Ended 30 June 2015		
	Game Product RMB'000	Game Platform RMB'000	Total RMB'000
Segment revenue	282,456	27,001	309,457
Segment cost	(182,982)	(8,190)	(191,172)
Gross profit	99,474	18,811	118,285
Depreciation and amortization included in segment cost	13,313	1,073	14,386

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 six months ended 30 June 2016 and 2015 is as follows:

	Unaudited Six Months Ended 30 June 2016		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**177,096**	**16,624**	**193,720**

	Unaudited Six Months Ended 30 June 2015		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	283,058	26,399	309,457

The reconciliation of gross profit to loss before income tax is shown in the condensed consolidated statement of comprehensive loss.

The Group offers its products and services in different forms: mobile games and webgames. A breakdown of revenue derived from different forms for six months ended 30 June 2016 and 2015 is as follows:

	Six Months Ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mobile games	**122,409**	189,207
Webgames	**71,311**	120,250
	193,720	309,457

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2016 and 2015.

As at 30 June 2016 and 31 December 2015, the majority of the non-current assets of the Group were located in the PRC.

5 Loss before income tax

An analysis of the amounts presented as charges/(credits) in the Interim Financial Information is given below.

	Six Months Ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Content cost, distribution cost and other outsourcing expenses	**130,744**	161,608
Employee benefit expenses	**61,615**	92,290
Promotion and advertising expenses	**8,941**	22,841
Bandwidth and server custody fees	**7,403**	12,587
Depreciation of property and equipment	**6,505**	9,043
Amortisation of intangible assets	**13,748**	14,514
Legal claims (Note a)	**500**	—
Other income		
– Interest income arising from cash and cash equivalents	**(5,431)**	(14,297)
Exchange loss, net	**1,806**	84
Loss on disposal of property and equipment, net	**1,117**	318
Gain on disposal of a subsidiary	**—**	(1,692)
Changes in the value of financial assets at fair value through profit or loss	**3,165**	—
Impairment of investment in associates	**6,674**	—
Impairment of available-for-sale financial assets	**47,999**	—
Impairment loss on intangible assets	**12,831**	—
Impairment loss on trade receivables	**3,273**	637
Impairment loss on prepayments and other receivables	**2,434**	—

(a) For the six months ended 30 June 2016, the Group made additional provision of RMB500,000 for a legal claim related to copyright infringement after taking appropriate legal advice.

6 Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2016 and 2015 are analysed as follows:

	Six Months Ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC and oversea enterprise income tax	**528**	(1,481)
Deferred income tax	**3,313**	6,896
Income tax expense	**3,841**	5,415

(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 six months ended 30 June 2016 and 2015.

(c) Taiwan Business Income Tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the periods ended 30 June 2016 and 2015.

(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 periods ended 30 June 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong") and Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin") were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. Weidong and Feiyin are in the process of renewing their qualification of HNTEs, management assessed that it is highly probable for the two companies to be qualified as HNTEs so the tax rate of 15% is used for the period ended 30 June 2016 (for the period ended 30 June 2015: 15%).

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou") were accredited as "software enterprise" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years. The applicable tax rate for two companies was 12.5% for the period ended 30 June 2016 (for the period ended 30 June 2015: 12.5%).

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% 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 periods ended 30 June 2016 and 2015.

(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 30 June 2016, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings or intend to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2016.

7 Loss per Share

(a) Basic

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective period.

	Six Months Ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(124,175)**	(14,450)
Weighted average number of ordinary shares in issue	**137,128,015**	130,062,163
Basic loss per share (in RMB/share)	**(0.91)**	(0.11)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2016 and 2015, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. As the Group incurred loss for the six months ended 30 June 2016 and 2015, the options are anti-dilutive.

No adjustment has been made to basic loss per share to derive the diluted loss per share for the six months ended 30 June 2016 and 2015.

8 Dividends

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2016 (for the period ended 30 June 2015: Nil).

9 Trade Receivables

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Third parties	**66,879**	76,372
Related parties	**1,920**	3,343
Less: provision for impairment	**(11,061)**	(7,788)
	57,738	71,927

(a) Ageing analysis compiled based on recognition date of the gross trade receivables at the respective balance sheet dates are as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
0-30 days	**11,707**	20,673
31-60 days	**9,960**	17,299
61-90 days	**9,567**	7,144
91-180 days	**16,152**	13,705
181-365 days	**9,125**	9,732
Over 1 year	**12,288**	11,162
	68,799	79,715

Credit sales are mainly derived from the Game Product business in which the Group contracts with various game platforms and publisher to publish games and collect the proceeds from sales of in-game virtual items. The normal credit term granted by the Group was from 60 to 180 days from respective transaction dates. As at 30 June 2016 and 31 December 2015, trade receivables which were past due but not impaired were RMB13,871,000 and RMB17,319,000, respectively. These receivables were due from a number of game platforms which were assessed by the Company to have no significant financial difficulty. The Company had assessed, based on past experience, that these overdue amounts could be recovered.

10 Trade Payables

Trade payables primarily related to the purchase of services for server custody, content costs and agency fees and revenue collected by the Group's own web-based platforms which is required to be shared and be payable to game developers in cooperation with the Group according to respective cooperation agreements.

The ageing analysis based on recognition date of trade payables at the respective balance sheet dates is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
0-30 days	**6,408**	6,790
31-60 days	**5,090**	2,731
61-90 days	**5,426**	3,423
91-180 days	**14,863**	2,400
181-365 days	**3,661**	5,647
over 1 years	**1,728**	3,100
	37,176	24,091

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2016.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the CG Code as disclosed below, the Company has complied with all applicable code provisions under the CG Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

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

Mr. WANG Dongfeng serves as the Chairman and Chief Executive Officer of the Company. In view of the everchanging business environment in which the Group operates, the Chairman and Chief Executive Officer 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 thus considers that a separation of the role of the Chairman and Chief Executive Officer is premature and may create unnecessary costs for the daily operations of the Group. Further, 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. 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.

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

Purchase, Sale or Redemption of the Company's Listed Securities

At the Company's annual general meeting held on 28 May 2015, the Shareholders granted a share buy-back mandate to the Board to buy-back shares of the Company ("Shares") (which should not exceed 10% of the issued share capital of the Company as at 28 May 2015) 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 memorandum and articles of association of the Company 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, the Company bought back a total of 9,741,900 Shares at a consideration of HK$131,829,614 on the Stock Exchange, all of which were cancelled as at 30 June 2016. The bought-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the bought-backs are as follows:

Month of buy-backs	Total number of shares bought back	Price per Share Highest	Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
March 2015	220,000	14.98	14.68	3,252,096
July 2015	1,316,900	15.90	10.80	18,167,534
September 2015	4,900,300	14.56	12.46	67,575,594
November 2015	211,900	13.28	13.00	2,798,428
December 2015	697,600	14.18	12.50	9,223,684
January 2016	2,395,200	13.00	11.30	30,812,278
	9,741,900			131,829,614

At the Company's annual general meeting held on 24 May 2016, 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 24 May 2016) from time to time as the Board thinks fit until the next annual general meeting of the Company.

Save as disclosed above, during the six months period ended 30 June 2016, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

Audit and Compliance Committee

The Audit and Compliance Committee was established 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. The Audit and Compliance Committee consists of two Independent Non-executive Directors, being Mr. HOW Sze Ming and Ms. POON Philana Wai Yin, and one Non-executive Director, being Mr. ZHANG Qiang. The chairman of the Audit and Compliance Committee is Mr. HOW Sze Ming, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee, together with the Auditor, have reviewed the Group's unaudited interim financial information for the six months ended 30 June 2016.

Use of Proceeds from Initial Public Offering

The Company's Shares were listed on the Stock Exchange in October 2013 (the "Listing") and the Company raised net proceeds of approximately HK$982.8 million from the Listing. As at 30 June 2016, the Group had utilised approximately RMB446.6 million of the net proceeds, out of which (i) approximately RMB296.9 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, (ii) approximately RMB72.5 million was used in funding the expansion of the Group's international operation, and (iii) approximately RMB77.2 million was used in other general corporate purposes. Such utilisation of the net proceeds was in line with the proposed allocations as set out in the section headed "Future plans and use of proceeds" in the Prospectus. The unutilised portion of the net proceeds (i.e. approximately HK$412.1 million) is currently held in cash and cash equivalents and short-term deposits and it is intended that it will be applied in the manner consistent with the intended use of proceeds as disclosed in the Company's announcement dated 3 August 2016.

Use of Proceeds from Placing

The Group successfully raised over HK$314 million through the placing of 19,041,900 placing shares (the "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. The aggregate nominal value of the Placing Shares was US$1,904.2. The placing price of HK$16.50 per Placing Share represents (i) a discount of approximately 13.16% to the closing price of HK$19.00 per Share as quoted on the Stock Exchange on 22 May 2015, being the date of the placing agreement, (ii) a discount of approximately 13.25% to the average closing price of approximately HK$19.02 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the placing agreement, and (iii) a discount of approximately 6.94% to the average closing price of approximately HK$17.73 per Share as quoted on the Stock Exchange for the twenty trading days immediately preceding the date of the placing agreement.

Upon the completion of the placing, the Company received a gross proceeds of HK$314,191,350 and a 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 at 30 June 2016, the Group had not utilised any of the net proceeds from such placing. The unutilised portion of the net proceeds is currently held in cash and cash equivalents and short-term deposits and it is intended that it will be applied in the manner consistent with the intended use of proceeds as disclosed in the Company's announcement dated 3 August 2016.

Publication of the Unaudited Consolidated Interim Results and 2016 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2016 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in September 2016.

Appreciation

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

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 23 August 2016

As at the date of this announcement, the executive Directors are Mr. WANG Dongfeng and Ms. LIANG Na; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. HOW Sze Ming, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.