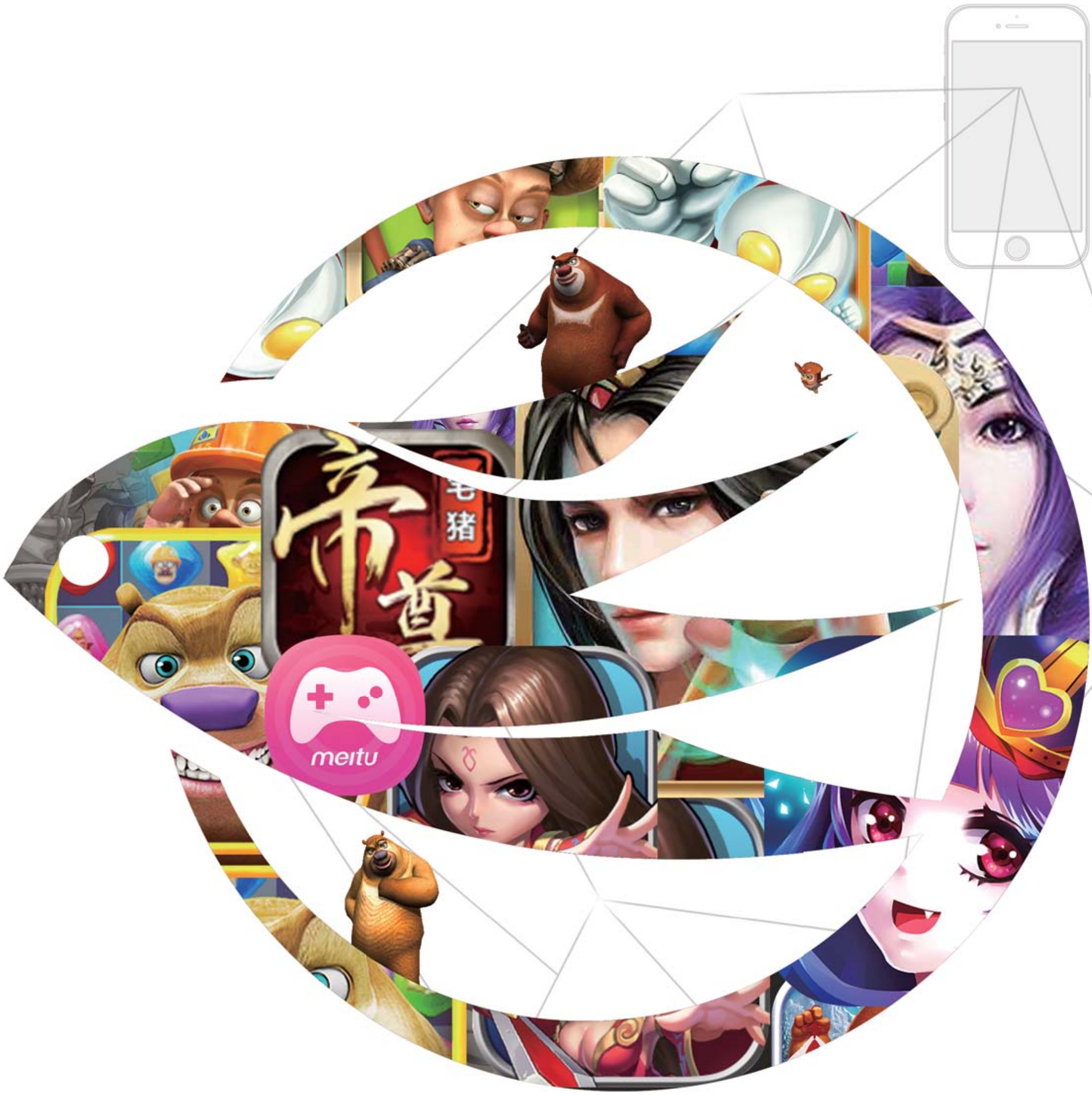
2015 Interim Report

Forgame Holdings Limited
雲遊控股有限公司

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



Forgame

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WANG Dongfeng *(Chairman)*

Non-executive Director
Mr. TUNG Hans

Independent Non-executive Directors
Mr. LEVIN Eric Joshua
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

AUDIT AND COMPLIANCE COMMITTEE

Mr. LEVIN Eric Joshua *(Chairman)*
Mr. TUNG Hans
Ms. POON Philana Wai Yin

REMUNERATION COMMITTEE

Mr. ZHAO Cong Richard *(Chairman)*
Mr. TUNG Hans
Mr. LEVIN Eric Joshua

NOMINATION COMMITTEE

Mr. WANG Dongfeng *(Chairman)*
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Mr. LAW Yat Yang Arthur

COMPANY SECRETARY

Mr. LAW Yat Yang Arthur

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Sidley Austin
39/F, Two Int'l 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

37/F, West Hall Renfeng Building
490 Tianhe Road
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

Royal Bank of Canada Trust Company (Cayman) Limited
4/F, Royal Bank House
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

China Merchants Bank, Hong Kong branch
21/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

China Merchants Banks, Guangzhou branch
Fung Hing sub-branch
Floor 1 & 6, Room 25-26
Fung Hing Square
No. 67 Tianhe East Road
Guangzhou
China

INVESTOR RELATIONS

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I
18 Harcourt Road
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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six Months Ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**309,457**	337,452	-8.3%
Gross profit	**118,285**	250,511	-52.8%
Operating loss	**(9,237)**	(21,645)	-57.3%
Loss for the period	**(14,899)**	(21,773)	-31.6%
Non-IFRSs Measures (Note)			
–Adjusted net loss for the period	**(8,396)**	(3,447)	143.6%
–Adjusted EBITDA for the period	**1,577**	504	212.9%

Note:

The Group defines adjusted net loss as loss for the period excluding share-based compensation. Adjusted net loss eliminates the effect of non-cash share-based compensation. 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 interim report.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2015 (RMB'000) (Unaudited)	As at 31 December 2014 (RMB'000) (Audited)	Change %
Assets			
Non-current assets	**357,516**	352,460	1.4%
Current assets	**1,386,351**	1,206,760	14.9%
Total assets	**1,743,867**	1,559,220	11.8%
Equity and liabilities			
Total equity	**1,631,344**	1,401,046	16.4%
Non-current liabilities	**2,724**	7,553	-63.9%
Current liabilities	**109,799**	150,621	-27.1%
Total liabilities	**112,523**	158,174	-28.9%
Total equity and liabilities	**1,743,867**	1,559,220	11.8%

CHAIRMAN'S STATEMENT

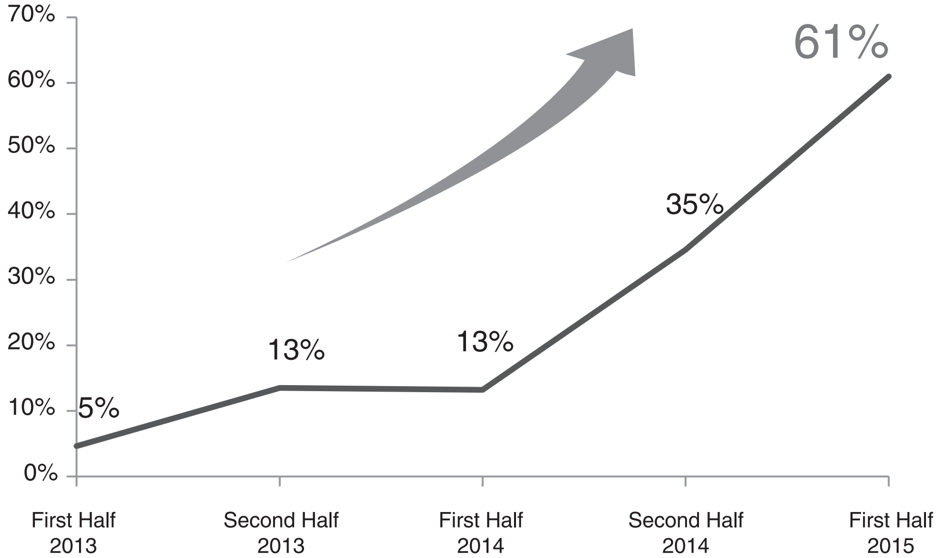
Dear Shareholders,

On behalf of the Board, I am pleased to present the interim report of the Group for the period ended 30 June 2015.

OVERVIEW

During the first six months of 2015, Forgame has achieved substantial results in executing its transformation plan to become a mobile gaming company. In the first half of 2015, not only our mobile gaming revenue has increased by approximately 324% when compared to that of the first half of 2014, it has also contributed more than half of the total revenue of the Group and amounted to approximately 61% in the period under review. This is an important milestone for us as it not only signifies the Group's determination on executing its transformation plan, but also provides us with confidence that the strategy in place is sound and solid. As part of the transition plan, the management has been working hard to optimise the Group's cost structure with the aim to turnaround the business financially. The Group's net loss reported has narrowed from RMB21.8 million in the first half of 2014 to RMB14.9 million for the first half of 2015.

Forgame Revenue Contribution: Mobile Gaming Revenue Percentage Contribution



The Group's rapid growth in mobile gaming revenue tied closely with its strategy of developing mobile games based on renowned IPs as well as games with sequel potentials. First of all, on the renowned IP adaptation rights, based on the popularity of last year's "Boonie Bears" gaming series, Forgame has published 5 individual "Boonie Bears" mobile games with a wide variety of gameplay such as car racing, match-three and shooting in the first half of 2015. Specifically, "Boonie Bears: A Mystical Winter" is a game adaptation which shares the same name with the actual animation movie, and the Group planned the game launch during the busy 2015 Chinese New Year period along with the movie debut at the theatre. Secondly, on the Group's self-developed IPs, the "Soul Guardian" webgame series, which was debuted in 2010, has been well received and remained popular to date. This series enjoys a long life cycle due to its unique game play and large fan base. The Group successfully introduced a mobile game version using this IP, and the subsequent sequels of this IP have also enjoyed similar popularity as their first mobile version, which partially contributed to our marked growth in mobile gaming revenue for the six months ended 30 June 2015.

CHAIRMAN'S STATEMENT

Separately, the Group's development in casual gaming platform and R&D have been shaping up. In April 2015, the Group has announced its cooperation with Xiamen Meitu Technology Co., Ltd. to launch the gaming app store "Meitu Game Box". Meitu Game Box is exclusively developed and operated by Forgame, while the games featured in the Meitu Game Box are primarily casual games targeted at female players. At the moment, the Meitu Game Box has already featured over 200 mobile games. The Group believes that many of the Meitu users are inherently casual gamers and therefore this collaboration with the Meitu Game Box will have a positive impact to the Group's development in the casual mobile gaming industry going forward. Also, the Group held a product launch event in Beijing for its first styling and fashion mobile game targeted at female players, "Beauty Box", at the end of July 2015. This mobile game will first be launched on the Meitu platforms, bringing this unique game play to approximately 1 billion players that are using Meitu's app products. Overall, the Meitu Game Box is not only catered to bringing quality casual games to a growing market of female players, more importantly it also allowed us to create a unique causal game platform, thus speeding up our pace to become a leader in the casual gaming industry.

Also, the Group's strategy in its webgame business remains focused on producing quality and tailor-made webgames through in-depth collaboration with major platforms. In the first half of 2015, the Group's webgames exclusively designed for the Tencent platform, "Warlord of Red Cliffs", has now entered into the monetization testing phase.

OUTLOOK

Stepping into the second half of 2015, the Group has already laid down the key pieces to carry out its strategy in further developing the Group's mobile gaming R&D, platform and publishing businesses. On the R&D side, the Group will continue to produce quality games that utilise renowned IPs adaptation rights, such as "Doreamon", "Ghost Blows Out the Light", etc., which the Group has already invested in. On the platform side, the Group continues to expand its Meitu Game Box business. On the publishing side, the Group will strive to have a closer cooperation relationship with key platforms such as Meitu, Tencent, and Baidu to create the Group's unique advantage and value on its platform business. At the same time, we are actively seeking for merger and acquisition opportunities with the goal to create a complete gaming ecosystem. While we have observed a few encouraging results in our transformations, there are still many hurdles and risks in executing the transformation plan. Please refer to the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this interim report for the relevant risks. The management of the Group will continue to work tirelessly and cautiously to accomplish its transformation plan and ultimately generate greater value to its shareholders.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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.

WANG Dongfeng
Chairman

Hong Kong, 26 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2015, the Group recorded strong revenue growth from mobile games, while experienced a predicted decline in revenue from webgames, which subsequently resulted in an overall single digit decline in revenue when compared to the first half of 2014. The Group's success in mobile gaming was largely driven by the encouraging results of the "Boonie Bears" mobile game series as well as the mobile game "Sword Immortal", a sequel to "Soul Guardian". In respect of mobile gaming pipeline, the Group has published 13 mobile games in the first half of 2015, of which 11 of them were produced in-house. The management is confident that, by the end of year 2015, the Group should meet and potentially exceed the target of delivering 20 games to at least the beta testing stage.

Revenue from webgames has continued to slide as the management continued to focus on overall profitability. In the first half of 2015, the Group launched only 1 webgame, which was specifically tailored for the Tencent platform. Although the Group has lowered its overall webgame production, the management is focused on producing high quality, profitable webgames as well as developing deep and long-term relationship with major webgame platforms.

While the Group is focused in growing its mobile gaming franchise, the management also works hard to optimise the Group's cost structure, especially in areas such as R&D, sales and marketing. For the first half of 2015, the Group was able to narrow its net loss compared to the first half of 2014.

Also, the Group is actively seeking meaningful merger and acquisition opportunities to generate growth and profitability while enhancing the Group's product offering. For that purpose, the Group successfully raised over HK$314 million through the placing of new shares in June 2015. With the enlarged capital base, the Group envisioned to become a leader in the casual gaming market by having strategic investments in all key areas of the gaming ecosystem.

OPERATING INFORMATION

As at 30 June 2015, the Group had 25 mobile games and 39 self-developed webgames in operation. Out of the Group's 25 mobile games, 16 are self-developed and 9 are exclusively licensed. As at 30 June 2015, *91wan* had over 224 million registered players and distributed 94 webgames in total. Out of the Group's 94 webgames, 23 are self-developed and 71 are licensed from other developers.

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

	Six Months Ended 30 June	
	2015	2014
Game Product:		
Average MPUs (in thousands) (1)	**785**	502
Monthly ARPPU (RMB) (2)	**60**	77
Game Platform:		
Registered players (in thousands)	**224,223**	220,319
Average MPUs (in thousands) (1)	**12**	61
Monthly ARPPU (RMB)	**367**	287

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 has increased from approximately 502,000 for the six months ended 30 June 2014 to approximately 785,000 for the six months ended 30 June 2015. The increase in average MPUs was primarily contributed by the popularity and ramp up in sales of mobile games launched in the second half of 2014 and in the first half of 2015 during the first six months of 2015. Monthly ARPPU of the game product segment has decreased from RMB77 for the six months ended 30 June 2014 to RMB60 for the six months ended 30 June 2015. The decrease in monthly ARPPU was mainly due to the low ARPPU level generated from casual games that the Group has launched in the second half of 2014 and in the first half of 2015.

Game platform. Registered players of webgame platform *91wan* have increased to 224 million as at 30 June 2015 from approximately 220 million as at 30 June 2014, representing a growth of approximately 2%. The average MPUs of game platform segment has declined from approximately 61,000 for the six months ended 30 June 2014 to approximately 12,000 for the six months ended 30 June 2015, while the monthly ARPPU of game platform segment has increased to RMB367 for the six months ended 30 June 2015 from RMB287 for the six months ended 30 June 2014. The decrease in average MPUs but increase in monthly ARPPU was primarily due to the fact that the Group had lowered its marketing expenses on users acquisitions while allocating appropriate resources on games which typically recorded a higher ARPPU.

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST HALF OF 2015 COMPARED TO FIRST HALF OF 2014

The following table sets forth the income statement for the six months ended 30 June 2015 as compared to the six months ended 30 June 2014:

	Six Months Ended 30 June		
	2015	2014	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**309,457**	337,452	-8.3%
Cost of revenue	**(191,172)**	(86,941)	119.9%
Gross profit	**118,285**	250,511	-52.8%
Selling and marketing expenses	**(28,180)**	(95,879)	-70.6%
Administrative expenses	**(39,252)**	(44,094)	-11.0%
Research and development expenses	**(78,527)**	(128,961)	-39.1%
Other income	**17,147**	16,372	4.7%
Other losses	**(402)**	(19,594)	-97.9%
Gain on disposal of a subsidiary	**1,692**	—	N/A
Operating loss	**(9,237)**	(21,645)	-57.3%
Finance income	**4,702**	11,013	-57.3%
Finance costs	**—**	(6,377)	N/A
Finance income-net	**4,702**	4,636	1.4%
Share of loss of investments accounted for using the equity method	**(4,949)**	(1,598)	209.7%
Loss before income tax	**(9,484)**	(18,607)	-49.0%
Income tax expense	**(5,415)**	(3,166)	71.0%
Loss for the period	**(14,899)**	(21,773)	-31.6%

Revenue. Revenue decreased by approximately 8.3% to RMB309.5 million for the six months ended 30 June 2015 from RMB337.5 million for the six months ended 30 June 2014. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June			
	2015		2014	
	(RMB'000) (Unaudited)	**(% of Total Revenue)**	(RMB'000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game product	**282,456**	**91.3**	232,212	68.8
– Game platform	**27,001**	**8.7**	105,240	31.2
Total Revenue	**309,457**	**100.0**	337,452	100.0
Revenue by Game Type				
– Mobile games	**189,207**	**61.1**	44,590	13.2
– Webgames	**120,250**	**38.9**	292,862	86.8
Total Revenue	**309,457**	**100.0**	337,452	100.0

– Revenue from the game product segment increased by approximately 21.6% to RMB282.5 million for the six months ended 30 June 2015 from RMB232.2 million for the six months ended 30 June 2014. The revenue from game platform segment decreased by approximately 74.3% to RMB27.0 million for the six months ended 30 June 2015 from RMB105.2 million for the six months ended 30 June 2014. The increase in revenue from game product segment was primarily contributed by the growth in mobile game and the decline in revenue from game platform segment was mainly due to the drop in platform MPUs as the Group scaled back in webgame player acquisitions.

– Revenue from mobile games increased by approximately 324.3% to RMB189.2 million for the six months ended 30 June 2015 from RMB44.6 million for the six months ended 30 June 2014. The increase was mainly due to the increase in revenue from the Group's newly launched mobile games since the second half of 2014, such as "Boonie Bears: Forest Defense (熊出沒之森林保衛戰)", "Boonie Bears: Homeland Defense (熊出沒之保衛家園)", "Boonie Bears: A Mystical Winter (熊出沒之雪嶺熊風)" and "Sword Immortal (劍仙緣)".

– Revenue from webgames decreased by approximately 58.9% to RMB120.3 million for the six months ended 30 June 2015 from RMB292.9 million for the six months ended 30 June 2014. The 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, and (ii) the existing self-developed and licensed webgames of the Group have reached the mature stage of their product lifecycles. The decline in revenue from webgame was partially offset by the revenue generated from the Group's newly launched webgames since the second half of 2014, such as "Charmed Swordsman (醉武俠)" and "Wind of Contrail (風色軌跡)".

Cost of revenue. Cost of revenue increased by approximately 119.9% to RMB191.2 million for the six months ended 30 June 2015 from RMB86.9 million for the six months ended 30 June 2014. As a percentage of revenue, cost of revenue increased to approximately 61.8% for the six months ended 30 June 2015 from approximately 25.8% for the six months ended 30 June 2014. The following table sets forth the Group's cost of revenue by segment for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June			
	2015		2014	
	(RMB' 000) (Unaudited)	**(% of Total Cost of Revenue)**	(RMB' 000) (Unaudited)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game product	**182,982**	**95.7**	65,187	75.0
– Game platform	**8,190**	**4.3**	21,754	25.0
Total Cost of Revenue	**191,172**	**100.0**	86,941	100.0

– Cost of revenue for game product segment increased by approximately 180.7% to RMB183.0 million for the six months ended 30 June 2015 from RMB65.2 million for the six months ended 30 June 2014. This increase was mainly due to higher content costs and agency fees incurred for self-developed mobile games for the six months ended 30 June 2015 compared to that for the six months ended 30 June 2014. The increase in content costs and agency fees was in line with the increase in revenue of self-developed mobile games.

– Cost of revenue for game platform segment decreased by approximately 62.4% to RMB8.2 million for the six months ended 30 June 2015 from RMB21.8 million for the six months ended 30 June 2014. The decrease was primarily due to the continuous effort of the Group to optimise the return on investment and profitability of *91wan*.

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 70.6% to RMB28.2 million for the six months ended 30 June 2015 from RMB95.9 million for the six months ended 30 June 2014. This was mainly attributable to the decrease in promotion and advertising expenses for *91wan*.

Administrative expenses. Administrative expenses decreased by approximately 11.0% to RMB39.3 million for the six months ended 30 June 2015 from RMB44.1 million for the six months ended 30 June 2014. This was mainly attributable to (i) the decrease in share-based compensation expenses in connection with the options granted to the Group's employees pursuant to the Pre-IPO Share Option Scheme; and (ii) the Group incurred one off professional service expenses related to a proposed acquisition in the first half of 2014.

Research and development expenses. Research and development expenses decreased by approximately 39.1% to RMB78.5 million for the six months ended 30 June 2015 from RMB129.0 million for the six months ended 30 June 2014. 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 increased to RMB17.1 million for the six months ended 30 June 2015 from RMB16.4 million for the six months ended 30 June 2014. Such increase was mainly due to the combined effect of (i) the increase in interest income of bank deposits from RMB10.9 million for the six months ended 30 June 2014 to RMB14.3 million for the six months ended 30 June 2015; and (ii) the decrease in the government grant from RMB5.5 million for the six months ended 30 June 2014 to RMB2.8 million for the six months ended 30 June 2015.

Other losses. Other losses for the six months ended 30 June 2015 was RMB0.4 million, as compared to other losses of RMB19.6 million for the six months ended 30 June 2014. The decrease in other losses was primarily due to the decrease in foreign exchange losses as a result of the relatively stable exchange rate for the six months ended 30 June 2015 as compared to that for the six months ended 30 June 2014. The functional currency of the Company is the United States dollar and the Company has converted its IPO proceeds from Hong Kong dollars into RMB and recognised foreign exchange gains/(losses) during the Reporting Period with non-cash impact.

Gain on disposal of a subsidiary. Gain on disposal of a subsidiary for the six months ended 30 June 2015 was RMB1.7 million, which represented the gain from the disposal of the 30% equity interest and the fair value gain of the retained 40% of equity interest in Tianjin Laiwan. 30% of equity interest in Tianjin Laiwan was disposed of by the Group on 11 June 2015 for a consideration of RMB9 million.

Finance income-net. Finance income-net for the six months ended 30 June 2015 was RMB4.7 million, as compared to finance income-net of RMB4.6 million for the six months ended 30 June 2014. The finance income-net, which is the interest income from short-term deposits and restricted cash, net off by finance costs, remained stable over the periods.

Share of loss of investments accounted for using the equity method. Share of loss of investments accounted for using the equity method for the six months ended 30 June 2015 was RMB4.9 million, as compared to RMB1.6 million for the six months ended 30 June 2014. The increase in share of loss of investments accounted for using the equity method was mainly because of certain acquisitions of equity interests in game studios and investment in game incubators since the second half of 2014, and these investees incurred losses in their start-up stages.

Income tax expense. Income tax expense increased by approximately 71.0% to RMB5.4 million for the six months ended 30 June 2015 from RMB3.2 million for the six months ended 30 June 2014. This increase was primarily attributable to the reduce in tax allowance resulting from tax deductible research and development expenses for the six months ended 30 June 2015.

Loss for the period. Loss for the six months ended 30 June 2015 was RMB14.9 million, as compared to loss of RMB21.8 million for the six months ended 30 June 2014. The loss for the six months ended 30 June 2015 was narrowed as compared to the loss for the same period last year. The narrowed loss reflected the Group's effort in driving operating efficiency by (i) improving the investment return of the Group's advertising expenses, (ii) optimizing the Group's research and development capability; and (iii) managing the Group's administration cost.

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 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 2015 and 2014, and the loss for the six months ended 30 June 2015 and 2014 prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2015	2014
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(14,899)**	(21,773)
Add:		
Share-based compensation	**6,503**	18,326
Adjusted net loss	**(8,396)**	(3,447)
Add:		
Depreciation and amortization	**23,557**	20,483
Interest income and interest expenses	**(18,999)**	(19,698)
Income tax expense	**5,415**	3,166
Adjusted EBITDA	**1,577**	504

FINANCIAL POSITION

As at 30 June 2015, total equity of the Group amounted to RMB1,631.3 million, as compared to RMB1,401.0 million as at 31 December 2014. The increase was mainly due to the increase in share premium offset by the loss for the six months ended 30 June 2015. The increase in share premium of RMB245.6 million was mainly from the issuance of ordinary shares relating to the placing of new Shares completed in June 2015.

The Group's net current assets amounted to RMB1,276.6 million as at 30 June 2015, as compared to RMB1,056.1 million as at 31 December 2014. This increase was primarily due to the net proceeds received from the ordinary shares placing completed in June 2015.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2015 (RMB'000) (Unaudited)	As at 31 December 2014 (RMB'000) (Audited)
Cash at bank and on hand	**1,022,580**	851,051
Cash at other financial institutions	**5,712**	896
Short-term deposits	**200,000**	200,000
Net cash	**1,228,292**	1,051,947

The Group's total cash, cash equivalent and short-term deposits amounted to RMB1,228.3 million as at 30 June 2015, as compared to RMB1,051.9 million as at 31 December 2014. The increase was primarily due to the net proceeds received from the ordinary shares placing completed in June 2015.

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

As at 30 June 2015, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was 0% (as at 31 December 2014: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2015. The borrowing requirements of the Group are not subject to seasonality.

FOREIGN EXCHANGE RISK

As at 30 June 2015, RMB258.3 million of the Group's financial resources (as at 31 December 2014: RMB22.8 million) were held in deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was because the Group had not converted its Placing proceeds from Hong Kong dollars into RMB as at 30 June 2015 and the Group had converted it into RMB in July 2015. The Group currently conducts most of its transaction in RMB and therefore does not hedge transactions undertaken in foreign currencies but manages its foreign exchange exposure by limiting its foreign currency exposure and monitoring foreign exchange rate change.

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 execution 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Since 2014, we have made investments in a number of mobile game studios and incubators in China amounting to approximately RMB212 million, out of which approximately RMB52 million were classified as “investments in associates”, including but not limited to Zhengyou and Tianjin Laiwan. These investments are mostly angel investments and during the development phase, which can take up to 12 or more months before monetization testing, do not generate meaningful revenue and profit. Similar to most angel investments, it is difficult to determine the success of these investments in the early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2015	2014
	(RMB’000)	(RMB’000)
	(Unaudited)	(Audited)
Capital expenditures		
– Purchase of property and equipment	**1,104**	2,629
– Purchase of intangible assets	**18,955**	9,698
Total	**20,059**	12,327

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 RMB20.1 million and RMB12.3 million for the six months ended 30 June 2015 and 2014, respectively. The increase of RMB7.8 million in total capital expenditures was primarily due to the increase in purchase of intangible assets partially offset by the decrease in purchase of property and equipment and the decrease in leasehold improvement for the offices of the PRC Operational Entities. The Group has less property and equipment purchase requirements for the six months ended 30 June 2015 because the property and equipment purchase incurred prior to 2015 sufficiently supports its business growth. The purchase of intangible assets increased by RMB9.3 million for the six months ended 30 June 2015 from the six months ended 30 June 2014 mainly because the Group has incurred licensing expenditures for several third party mobile games as well as the adaptation rights of several popular IPs, such as internet novel “Ghost Blows out the Light (鬼吹燈)” during the six months ended 30 June 2015.

PLEDGE OF ASSET

As at 30 June 2015, the Group had a pledge of assets of RMB0.6 million as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant unrecorded contingent liabilities.

MAJOR GAMES AND BUSINESS PARTNERS

For the six months ended 30 June 2015, 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 50% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the revenue attributable to the Group's largest game licensor and the top five largest game licensors accounted for approximately 2% and 6% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the revenue attributable to the Group's largest publishing partner and the top five largest publishing partners accounted for approximately 14% and 38% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the purchases attributable to the Group's largest supplier and the top five largest suppliers accounted for approximately 24% and 62% of the Group's cost of revenue, respectively.

HUMAN RESOURCES

As at 30 June 2015, the Group had 805 full-time employees (as at 30 June 2014: 1,643), 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 2015:

	Number of Employees	% of Total
Game development	**488**	**61%**
Publishing	**114**	**14%**
Sales and Marketing	**25**	**3%**
General and Administration	**178**	**22%**
Total	**805**	**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 the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROGRESS OF OVERSEAS EXPANSION PLANS

The Group operated three overseas offices in the first half of 2015, and these offices are separately located in Hong Kong, Taiwan, and San Francisco (the United States). The Hong Kong office mainly provides managerial support to the Group while the Taiwan office serves as a game development and publishing centre for the Greater China and Southeast Asia market. Regarding the Group's office in San Francisco, the management of the Group has decided to terminate its operation in the United States and relocate its overseas publishing function back to Asia so as to improve the overall cost efficiency and establish closer working relationship with the business units of the rest of the Group. Overall, the Group's overseas presence and contribution remains small compare to the Group's overall business portfolio.

POST BALANCE SHEET EVENT

On 28 May 2015, the Company's annual general meeting approved a share buy-back plan to grant a general mandate to the Directors to buy back shares of the Company. From 1 July 2015 to 26 August 2015, the Company had bought back an aggregate of 1,316,900 shares at a weighted average price of approximately HK$13.80 for an aggregate consideration of approximately HK$18,168,000 (equivalent to RMB14,332,000) under this share buy-back plan.

Save as disclosed above, there were no other significant events affecting the Group after 30 June 2015 which required disclosure in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. 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 2015.

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 2015.

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 and Chief Executive Officer of the Company. In view of the ever-changing business environment in which the Group operates and the fact that the Company was only listed around the end of 2013, 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.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the interests and short positions of the Directors and chief executives 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)	14.81%
TUNG Hans (童士豪)[2]	Beneficial Owner	The Company	70,000 Ordinary Shares (long position)	0.05%
LEVIN Eric Joshua[3]	Beneficial Owner	The Company	139,292 Ordinary Shares (long position)	0.10%
POON Philana Wai Yin (潘慧妍)[4]	Beneficial Owner	The Company	119,400 Ordinary Shares (long position)	0.08%
ZHAO Cong Richard (趙聰)[5]	Beneficial Owner	The Company	119,400 Ordinary Shares (long position)	0.08%

Notes:

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

(2) Mr. TUNG Hans is interested in the options granted under the Post-IPO Share Option Scheme to subscribe for 70,000 Shares.

(3) Mr. LEVIN Eric Joshua is interested in the options granted under (i) the Pre-IPO Share Option Scheme to subscribe for 69,292 Shares and (ii) the Post-IPO Share Option Scheme to subscribe for 70,000 Shares.

(4) Ms. POON Philana Wai Yin is interested in the options granted under (i) the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares and (ii) the Post-IPO Share Option Scheme to subscribe for 70,000 Shares.

(5) Mr. ZHAO Cong Richard is interested in the options granted under (i) the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares and (ii) the Post-IPO Share Option Scheme to subscribe for 70,000 Shares.

Save as disclosed above, none of the Directors or chief executives of the Company 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 30 June 2015.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of the Directors and chief executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the Reporting Period 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.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2015, the followings are the persons, other than the Directors or chief executives of the Company, 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	34,996,335 Ordinary Shares (long position)	23.91%
Foga Group[(1)]	Registered Owner	21,673,338 Ordinary Shares (long position)	14.81%
Gu Wei	Registered Owner	15,342,400 Ordinary Shares (long position)	10.48%
Foga Holdings[(2)]	Registered Owner	13,322,997 Ordinary Shares (long position)	9.10%
KongZhong Corporation	Registered Owner	12,500,000 Ordinary Shares (long position)	8.54%
Foga Internet Development[(3)]	Beneficial Owner	7,785,700 Ordinary Shares (long position)	5.32%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of the Wang Trust. The Wang Trust is a discretionary trust set up by Mr. Wang as settlor and protector and Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of the Wang Trust include Mr. Wang and certain of his family members. Mr. Wang 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 the Hao Dong Trust. The Hao Dong Trust is a discretionary trust set up by Mr. Liao as settlor and protector and Managecorp Limited as trustee on 15 March 2013. The beneficiary object of the Hao Dong Trust is Mr. Liao himself. Mr. Liao and Managecorp Limited are taken to be interested in 13,322,997 Shares held by Foga Holdings.

(3) Foga Internet Development is wholly owned by Mr. Yang.

Save as disclosed above, as at 30 June 2015, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

At the Company's annual general meeting held on 27 May 2014, the Shareholders granted a share repurchase mandate to the Board to repurchase Shares (which should not exceed 10% of the issued share capital of the Company as at 27 May 2014) from time to time as the Board thinks fit until the Company's annual general meeting held on 28 May 2015. Pursuant to such mandate, the Company has repurchased 220,000 Shares at an average price of approximately HK$14.78 per Share on 27 March 2015 (with the highest and lowest price paid per Share being HK$14.98 and HK$14.68 respectively) on the Stock Exchange. All of the repurchased Shares were subsequently cancelled.

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 (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 next annual general meeting of the Company.

Save as disclosed above, during the six months period ended 30 June 2015, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

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 and 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 employees and Directors of the Group.

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

PRE-IPO SHARE OPTION SCHEME

Name of Grantee Directors	Number and Class of Shares under the Options Granted	Date of Grant	Vesting period	Option period	Outstanding as at 1 January 2015	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2015
Mr. LEVIN Eric Joshua	69,292 Ordinary Shares	1 January 2013	3 October 2013 to 31 October 2014	10 years from the date of grant	69,292 Ordinary Shares	Par value of the ordinary shares	—	—	—	69,292 Ordinary Shares
Ms. POON Philana Wai Yin	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
Mr. 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	**168,092 Ordinary Shares**	**—**	**—**	**—**	**168,092 Ordinary Shares**	**—**	**—**	**—**	**—**	**168,092 Ordinary Shares**
362 employees	6,272,819 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	3,232,184 Ordinary Shares	Par value of the ordinary shares	487,487 Ordinary Shares (Note)	—	640,364 Ordinary Shares	2,104,333 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**3,400,276 Ordinary Shares**	**—**	**487,487 Ordinary Shares**	**—**	**640,364 Ordinary Shares**	**2,272,425 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised during the period was HK$16.02.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2015, the Company has issued 487,487 Shares to the grantees for an aggregate consideration of US$48.7487. 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 18 to the Financial Statements.

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 appointed Computershare Hong Kong Trustees Limited as professional trustee to assist the administration and vesting of the RSU. 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.

During the Reporting Period and up to the Latest Practicable Date, no awards have been made pursuant to the RSU Scheme.

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus.

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 options granted to Directors and employees 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 period	Outstanding as at 1 January 2015	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2015
15 employees	1,908,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	—	HK$14.61	—	—	175,000	1,733,000 Ordinary Shares
Mr. TUNG Hans	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. LEVIN Eric Joshua	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. POON Philana Wai Yin	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. ZHAO Cong Richard	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
21 employees	3,565,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	3,565,000 Ordinary Shares

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.

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 18 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 the Latest Practicable Date, options to subscribe for an aggregate of 2,230,504 Shares were outstanding, representing approximately 1.54% of the issued share capital of the Company as at the Latest Practicable Date.	As at the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted under the Post- IPO Share Option Scheme was 2,699,464 Shares, representing approximately 1.86% of the issued share capital of the Company as at the Latest Practicable Date. 5,753,000 Share options had been granted under the Post-IPO Share Option Scheme as at the Latest Practicable Date
		The Company further clarifies that as at 31 December 2014 and 22 April 2015 (being the date of publication of the 2014 annual report of the Company), options to subscribe for an aggregate of 3,400,276 Shares and 2,445,621 Shares were outstanding respectively, representing approximately 2.68% and 1.92% of the issued share capital of the Company as at 31 December 2014 and 22 April 2015 respectively.	The Company further clarifies that as at 31 December 2014 and 22 April 2015 (being the date of publication of the 2014 annual report of the Company), the maximum number of Shares available for issue in respect of which options may be granted under the Post-IPO Share Option Scheme was 7,540,429 Shares and 6,141,157 Shares respectively, representing approximately 5.93% and 4.82% of the issued share capital of the Company as at 31 December 2014 and 22 April 2015 respectively.
		No further option could be granted under the Pre-IPO Share Option Scheme	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

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
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 year up to the date of the latest grant
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 10th 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 expired on 3 October 2013	It shall be valid and effective for ten years commencing on 3 October 2013

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. LEVIN Eric Joshua and Ms. POON Philana Wai Yin, and one Non-executive Director, being Mr. TUNG Hans. The chairman of the Audit and Compliance Committee is Mr. LEVIN Eric Joshua, 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 2015.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on the directors are as follows:

Mr. ZHUANG Jieguang resigned as Executive Director (and from all positions held within the Group) on 1 April 2015.

DIRECTORS' UPDATED BIOGRAPHICAL DETAILS

WANG Dongfeng, aged 38, co-founded the Group in September 2009 and was appointed as the Chairman 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 the 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 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 14 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.

OTHER INFORMATION

TUNG Hans, aged 44, was appointed as a Non-executive Director on 15 June 2012.

Mr. Tung joined GGV Capital in October 2013 as a managing director where he focuses on mobile internet, e-commerce, the internet of things, and gaming industry investments in the US and Asia. Prior to that, he was a managing partner of Qiming Venture Partner from June 2011 to August 2013 in Beijing, and a partner from September 2007 to May 2011 in Shanghai. Mr. Tung started his career at Merrill Lynch (now known as Bank of America Merrill Lynch) as an investment banking analyst from July 1993 to June 1996. He was one of the co-founders of Taipei-based Crimson Asia Capital from July 1996 to March 1999; of HelloAsia, a pan-Asia focused consumer Internet start-up headquartered in Silicon Valley, from April 1999 to August 2000; and of Asia2B, a Hong Kong and Mainland China based e-marketplace backed by leading conglomerates in the region from September 2000 to May 2001. Prior to joining Qiming Venture Partner, Mr. Tung initiated Bessemer Venture Partners' China investment practice from January 2005 to September 2007.

Mr. Tung obtained a bachelor of science degree in industrial engineering from Stanford University, CA, U.S., in June 1995. Mr. Tung is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Tung is a member of the Audit and Compliance Committee and the Remuneration Committee.

LEVIN Eric Joshua, aged 52, was appointed as an Independent Non-executive Director on 1 November 2012.

Mr. Levin has been serving as the executive vice president and chief financial officer of Warner Music Group since October 2014. He has been the financial director of Ecolab (China) Investment Co. Ltd from October 2012 until June 2014, responsible for providing financial advice and overseeing the financial aspects of the company. Mr. Levin also has extensive experience in financial planning of companies. From May 1988 to December 2001, he worked in the Home Box Office, Inc. ("HBO"), New York, a subsidiary of Time Warner, during which time he was responsible for financial planning of the company and was promoted to become the chief financial officer from January 2000 to December 2001 where he led the financial team of HBO. Thereafter and until 2011, he took up various roles in companies in the media and publishing industry. He was the co-founder and chief executive officer of City on Demand, LLC. From 2009 to 2011, Mr. Levin worked at the SCMP Group Limited (HK Stock Code: 583), a company listed on the Stock Exchange, as the chief financial officer, where he formulated strategies and established the corporate direction of the company to manage the financial performance of the SCMP Group, and assumed the role as a board member in the Post Publishing Public Company Limited (Thailand Stock Code: POST), a company listed on the Stock Exchange of Thailand in Bangkok, which publishes newspapers and magazines.

Mr. Levin obtained a bachelor degree in science, majoring in electrical engineering from the University of Pennsylvania, Philadelphia, U.S., in May 1984 and a master degree in business administration, majoring in finance and economics, from the University of Chicago Business School in March 1988.

Save as disclosed herein, Mr. Levin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Levin is the chairman of the Audit and Compliance Committee and a member of the Remuneration Committee.

POON Philana Wai Yin, aged 47, was appointed as an Independent Non-executive Director on 1 September 2013.

Ms. Poon is currently an executive director of the Hong Kong Jockey Club, with overall responsibility for its legal and compliance functions. Between 1998 and 2015, Ms. Poon held various senior roles in the PCCW-HKT Group, an organisation listed on the Stock Exchange with communications, media and IT solutions businesses in Hong Kong and overseas. She was the Group General Counsel and Company Secretary of HKT Limited and the HKT Trust (together, "HKT") (HK Stock Code: 06823) from November 2011 to April 2015, and the Group Company Secretary of PCCW Limited ("PCCW") (HK Stock Code: 00008) from August 2012 to April 2015. She was also the Group General Counsel and Company Secretary of PCCW from February 2007 to November 2011, and General Counsel of PCCW Group from February 2004 to February 2007. Ms. Poon has held directorships in various PCCWHKT group companies during this 17 year period and was primarily responsible for legal and company secretarial matters of the PCCW and HKT groups. She has over 20 years of post-qualification experience both in private practice and in-house. Prior to joining PCCW-HKT, Ms. Poon was in private practice from 1992 to 1998.

Ms. Poon obtained a Bachelor of Commerce degree from the University of Toronto in November 1989 and a Doctor of Law degree from Cornell University in May 1992. Ms. Poon was an independent non-executive director of AZ Electronic Materials S.A., a company which was listed on the London Stock Exchange, from June 2012 to May 2014. Save as disclosed herein, Ms. Poon is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Ms. Poon is a member of the Audit and Compliance Committee and the Nomination Committee.

ZHAO Cong, Richard, aged 65, was appointed as an Independent Non-executive Director on 1 September 2013.

Mr. Zhao has been serving as the managing director of Yangtze Ventures Management Limited since March 2002. Mr. Zhao has over 30 years of experience in managing and investing in businesses based in Hong Kong and China. From March 2000 to February 2001, he served as a vice president of the venture capital arm of PCCW Limited (HK Stock Code: 0008) 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 (HK Stock Code: 0235), 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, 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 (HK Stock Code: 8233) 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 herein, 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.

OTHER INFORMATION

Save as disclosed above, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Listing Rules as at the latest practicable date prior to the publication of this interim report.

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. As at 30 June 2015, the Group had utilised approximately RMB301.7 million of the net proceeds, out of which approximately RMB240.6 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, approximately RMB58.5 million was used in funding the expansion of the Group's international operation and approximately RMB2.6 million was used in other general corporate purposes. Such utilisation of the net proceeds was in accordance 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$605.7 million) is currently held in cash and cash equivalents and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 67, which comprises the interim condensed consolidated balance sheet of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	6	**309,457**	337,452
Cost of revenue	6	**(191,172)**	(86,941)
Gross profit		**118,285**	250,511
Selling and marketing expenses		**(28,180)**	(95,879)
Administrative expenses		**(39,252)**	(44,094)
Research and development expenses		**(78,527)**	(128,961)
Other income		**17,147**	16,372
Other losses		**(402)**	(19,594)
Gain on disposal of a subsidiary	8	**1,692**	—
Operating loss	7	**(9,237)**	(21,645)
Finance income		**4,702**	11,013
Finance costs		**—**	(6,377)
Finance income-net		**4,702**	4,636
Share of loss of investments accounted for using the equity method	8	**(4,949)**	(1,598)
Loss before income tax		**(9,484)**	(18,607)
Income tax expense	9	**(5,415)**	(3,166)
Loss for the period		**(14,899)**	(21,773)
Other comprehensive income:			
Items that will not be classified subsequently to profit or loss:			
– Currency translation differences		**177**	19,631
Total other comprehensive income, before tax		**177**	19,631
Income tax relating to components of other comprehensive income		**—**	—
Other comprehensive income for the period, net of tax		**177**	19,631
Total comprehensive loss for the period		**(14,722)**	(2,142)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June **2015** **RMB'000** **(Unaudited)**	 2014 RMB'000 (Unaudited)
Loss attributable to:			
– Owners of the Company		**(14,450)**	(21,773)
– Non-controlling interests		**(449)**	—
		(14,899)	(21,773)
Total comprehensive loss attributable to:			
– Owners of the Company		**(14,273)**	(2,142)
– Non-controlling interests		**(449)**	—
		(14,722)	(2,142)
Loss per share (expressed in RMB per share)	10		
– Basic		**(0.11)**	(0.17)
– Diluted		**(0.11)**	(0.17)

The notes on pages 42 to 67 are integral parts of the interim financial information.

	Note	Six Months Ended 30 June **2015** **RMB'000** **(Unaudited)**	 2014 RMB'000 (Unaudited)
Dividends	11	**—**	—

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	12	**34,884**	43,365
Intangible assets	12	**79,503**	79,284
Investments accounted for using the equity method	8	**55,619**	45,126
Financial assets at fair value through profit or loss	13	**21,057**	21,054
Available-for-sale financial assets	14	**151,090**	138,140
Prepayments and other receivables		**3,949**	7,181
Deferred income tax assets		**11,414**	18,310
		357,516	352,460
Current assets			
Trade receivables	15	**92,077**	90,212
Prepayments and other receivables		**65,342**	64,601
Short-term deposits		**200,000**	200,000
Cash and cash equivalents		**1,028,292**	851,947
Restricted cash		**640**	—
		1,386,351	1,206,760
Total assets		**1,743,867**	1,559,220
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**92**	80
Share premium	16	**2,180,160**	1,934,534
Reserves	17	**(109,241)**	(117,075)
Accumulated losses		**(439,667)**	(425,217)
		1,631,344	1,392,322
Non-controlling interests		**—**	8,724
Total equity		**1,631,344**	1,401,046

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**687**	687
Deferred revenue		**2,037**	6,866
		2,724	7,553
Current liabilities			
Trade payables	19	**39,537**	25,927
Other payables and accruals		**53,781**	95,533
Income tax liabilities		**—**	403
Deferred revenue		**16,481**	28,758
		109,799	150,621
Total liabilities		**112,523**	158,174
Total equity and liabilities		**1,743,867**	1,559,220
Net current assets		**1,276,552**	1,056,139
Total assets less current liabilities		**1,634,068**	1,408,599

The interim condensed consolidated financial information on pages 34 to 67 was approved for issue by the Board of Directors on 26 August 2015 and was signed on its behalf.

The notes on pages 42 to 67 are integral parts of the interim financial information.

WANG Dongfeng
Director

TUNG Hans
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited						
		Attributable to Owners of the Company						
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2015		**80**	**1,934,534**	**(117,075)**	**(425,217)**	**1,392,322**	**8,724**	**1,401,046**
Comprehensive loss								
Loss for the period		—	—	—	(14,450)	(14,450)	(449)	(14,899)
Other comprehensive income:								
– Currency translation differences	17	—	—	177	—	177	—	177
Total comprehensive loss		—	—	177	(14,450)	(14,273)	(449)	(14,722)
Total transactions with owners of the Company recognized directly in equity								
New shares issued for placement	16	12	248,237	—	—	248,249	—	248,249
Repurchase and cancellation of shares	16	—	(2,611)	—	—	(2,611)	—	(2,611)
Employee share-based compensation scheme:								
– Value of employee services	17	—	—	6,503	—	6,503	—	6,503
Total transactions with owners of the Company for the period		12	245,626	6,503	—	252,141	—	252,141
Disposal of a subsidiary		—	—	—	—	—	(8,275)	(8,275)
Total transactions with Non- Controlling Interests		—	—	—	—	—	(8,275)	(8,275)
Share of other net asset changes in the associates' equity	17	—	—	1,154	—	1,154	—	1,154
Balance at 30 June 2015		92	2,180,160	(109,241)	(439,667)	1,631,344	—	1,631,344

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited						
		Attributable to Owners of the Company						
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2014		80	1,934,534	(159,846)	(386,686)	1,388,082	—	1,388,082
Comprehensive loss								
Loss for the period		—	—	—	(21,773)	(21,773)	—	(21,773)
Other comprehensive income:								
– Currency translation differences	17	—	—	19,631	—	19,631	—	19,631
Total comprehensive loss		—	—	19,631	(21,773)	(2,142)	—	(2,142)
Total transactions with owners of the Company recognized directly in equity								
Employee share-based compensation scheme:								
– Value of employee services	17	—	—	18,326	—	18,326	—	18,326
Total transactions with owners of the Company for the period		—	—	18,326	—	18,326	—	18,326
Share of other net asset changes in the associates' equity	17	—	—	607	—	607	—	607
Balance at 30 June 2014		80	1,934,534	(121,282)	(408,459)	1,404,873	—	1,404,873

The notes on pages 42 to 67 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(15,656)**	5,174
Income tax paid	**(1,389)**	(33,837)
Net cash used in operating activities	**(17,045)**	(28,663)
Cash flows from investing activities		
Purchases of property and equipment	**(994)**	(5,302)
Proceeds from disposals of property and equipment and intangible assets	**1,163**	117
Purchases of intangible assets	**(16,930)**	(6,353)
Payments for investments in associates	**(12,000)**	(12,315)
Payments for investment in a jointly controlled entity	**(5,000)**	—
Disposal of a subsidiary (Note (8) (a) (ii))	**(10,136)**	—
Acquisitions of financial assets at fair value through profit or loss	**—**	(2,046)
Prepayments for investments	**(3,500)**	(4,860)
Purchases of available-for-sale financial assets	**(8,750)**	(68,500)
Placement of short-term deposits	**(280,000)**	(425,907)
Proceeds received upon maturity of short-term deposits	**280,000**	575,540
Interests received from short-term deposits	**5,093**	6,894
Payment for restricted cash	**(640)**	(592,702)
Refund of restricted cash	**—**	592,702
Net cash (used in)/generated from investing activities	**(51,694)**	57,268

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from financing activities		
Proceeds from borrowings	**—**	555,246
Repayments of borrowings	**—**	(570,488)
Share repurchase	**(2,611)**	—
Proceeds from issuance of new shares for placement, net of underwriting commissions and other issuance costs	**248,249**	—
Payments for issuance costs relating to the IPO	**—**	(10,062)
Interests and banking facilities arrangement fees paid	**—**	(6,438)
Net cash generated from/(used in) financing activities	**245,638**	(31,742)
Net increase/(decrease) in cash and cash equivalents	**176,899**	(3,137)
Cash and cash equivalents at beginning of period	**851,947**	946,759
Exchange (losses)/gains on cash and cash equivalents	**(554)**	812
Cash and cash equivalents at end of period	**1,028,292**	944,434

The notes on pages 42 to 67 are integral parts of the interim financial information.

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, licensing and operating 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 of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO").

The interim condensed consolidated balance sheet as at 30 June 2015, 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 26 August 2015.

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

The Interim Financial Information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014 as set out in the 2014 annual report of the Company (the "2014 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2014 Financial Statements, which have been prepared in accordance with IFRSs under the historical cost convention, as modified by the revaluation of assets and liabilities stated at fair value, such as available-for-sale financial assets, and financial assets (including derivative instruments) at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has adopted the following new standards and amendments to existing standards and interpretations which are relevant for the Group's existed business and mandatory for the first time for the financial year beginning 1 January 2015.

– Annual improvements to IFRS 2, "Share-based payment", the improvements clarify the definition of a "vesting condition" and separately define "performance condition" and "service condition".

– Annual improvements to IFRS 8, "Operating segments", the standard is amended to require disclosure of the judgments made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

– Annual improvements to IFRS 13, "Fair value measurement", the improvements clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

The adoption of the policies or interpretation does not have a material impact on the financial statements for earlier periods and on the Interim Financial Information for the period ended 30 June 2015.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015 and are not relevant for the Group:

– Annual improvements to IFRS 3, 9, IAS 37 and 39

– Amendments to IAS 19

– Annual improvements to IAS 24

– Annual improvements to IAS 16

– Annual improvements to IAS 40

The Group has not early adopted any new accounting and financial reporting standard, amendments to existing standards and interpretations which have been issued but are not yet effective for the financial year beginning 1 January 2015. The Group is still in the process of assessing the impact on the Group.

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

4 JUDGMENT AND ESTIMATE

The preparation of interim financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgment made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2014 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial Risk Factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2014 Financial Statements.

There have been no changes in the risk management policies during the six months ended 30 June 2015.

5.2 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized 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).

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair Value Estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2015.

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	**3,796**	**—**	**17,261**	**21,057**
Available-for-sale financial assets	**—**	**—**	**151,090**	**151,090**
	3,796	**—**	**168,351**	**172,147**

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2014.

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	5,084	15,970	21,054
Available-for-sale financial assets	—	—	138,140	138,140
	—	5,084	154,110	159,194

During the six months ended 30 June 2015, the Group transferred its equity investment in one of the investees from level 2 to level 1. The equity investment was classified as financial assets at fair value through profit or loss and has been fair valued using inputs that are observable as at 31 December 2014, and during the six months ended 30 June 2015, the investee's shares are publicly traded in an active market since its listing on a stock exchange (Note 13).

There were no other changes in valuation techniques during the six months ended 30 June 2015.

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Fair Value Estimation (Continued)

Except for the financial assets at fair value through profit or loss and available-for-sale financial assets, the carrying amounts of financial assets including cash and cash equivalents, short-term deposits, restricted cash, trade 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 as at the period end.

5.3 Group Valuation Process

The Group has a team that performs the valuation of financial assets required for financial reporting purposes, including level 3 fair values.

The main level 3 inputs used by the Group in estimating the fair value for investments classified as available-for-sale financial assets, which is based on those investees' future operating results, are revenue, gross margin and discount rates. The Group prepares detailed forecasts on the investment dates and updates these on a half year basis as part of its normal operating processes. These forecasts use management's evaluation of the revenue, cost and expected margins.

6 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:

– Game Product

– 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, share of loss of investments accounted for using the equity method and income tax expense are also not allocated to individual operating segments.

The revenues from external customers for mobile games and webgames 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, salary and compensation expenses, content cost and agency fees, depreciation and amortization and others.

6 **SEGMENT INFORMATION** (Continued)

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 to or 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 2015 and 2014 is as follows:

	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**

	Unaudited Six Months Ended 30 June 2014		
	Game Product RMB'000	Game Platform RMB'000	Total RMB'000
Segment revenue	232,212	105,240	337,452
Segment cost	(65,187)	(21,754)	(86,941)
Gross profit	167,025	83,486	250,511
Depreciation and amortization included in segment cost	14,523	1,442	15,965

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 six months ended 30 June 2015 and 2014 is as follows:

	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**

	Unaudited Six Months Ended 30 June 2014		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	307,753	29,699	337,452

The reconciliation of gross profit to loss before income tax is shown in the interim 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 2015 and 2014 is as follows:

	Six Months Ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Mobile games	**189,207**	44,590
Webgames	**120,250**	292,862
	309,457	337,452

6 SEGMENT INFORMATION (Continued)

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 2015 and 2014.

Turnover consists of revenues generated by the Group, which accounted for RMB309,457,000, and RMB337,452,000 for the six months ended 30 June 2015 and 2014, respectively.

As at 30 June 2015 and 31 December 2014, the majority of the non-current assets of the Group were located in the PRC.

7 OPERATING LOSS

An analysis of the amounts presented as operating items in the Interim Financial Information is given below.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating items		
Content costs and agency fees	**152,639**	33,641
Employee benefit expenses	**92,290**	156,866
Promotion and advertising expenses	**22,841**	88,289
Bandwidth and server custody fees	**12,587**	22,114
Depreciation of property and equipment	**9,043**	10,249
Amortization of intangible assets	**14,514**	10,234
Other income		
– Interest income arising from cash and cash equivalents	**(14,297)**	(10,901)
Exchange loss, net	**84**	19,474
Loss on disposal of property and equipment, net	**318**	120
Gain on disposal of a subsidiary	**(1,692)**	—

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investment in associates

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**35,126**	—
Additions (Note i)	**6,900**	34,000
Share of loss of associates	**(2,990)**	(1,598)
Share of other net asset changes in associates' equity	**1,154**	607
Converted from a subsidiary to an associate with loss of control (Note ii)	**7,388**	—
At end of period	**47,578**	33,009

(i) During the six months ended 30 June 2015, the Group acquired equity interests of several companies with an aggregate cash consideration of RMB6,900,000. The investees are principally engaged in mobile online services and internet related-business. The Group has significant influence over the investees with equity interests ranging from 20% to 45% and the Company classified the investments as associates.

(ii) On 11 June 2015, the Group has disposed of its 30% interest in Tianjin Laiwan Internet Technology Co., Ltd. ("Tianjin Laiwan") at a consideration of RMB9,000,000, which result in loss of control of Tianjin Laiwan. The Group retains 40% interest in Tianjin Laiwan and classified the investment as an associate. A gain on disposal of the equity interest of RMB725,000 and a gain on retained interest of RMB967,000 were resulted and had been recognized in the profit and loss account for the six months ended 30 June 2015.

(b) Investment in joint venture

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**10,000**	—
Share of loss of joint venture	**(1,959)**	—
At end of period	**8,041**	—

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2015 and 2014 are analyzed as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC enterprise income tax	**(1,481)**	10,674
Deferred income tax	**6,896**	(7,508)
Income tax expense	**5,415**	3,166

(a) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (as revised) 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 2015 and 2014.

(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 2015 and 2014.

(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 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

Weidong and 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. The applicable tax rate was 15% for the period ended 30 June 2015 (period ended 30 June 2014: 15%).

9 INCOME TAX EXPENSE (Continued)

(d) PRC Enterprise Income Tax ("EIT") (Continued)

Feidong and 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 2015 (for the period ended 30 June 2014: 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 has 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 2015 and 2014.

(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 2015, 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 2015.

10 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	
	2015	2014
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company (RMB'000)	**(14,450)**	(21,773)
Weighted average number of ordinary shares in issue	**130,062,163**	126,836,006
Basic loss per share (in RMB/share)	**(0.11)**	(0.17)

(b) Diluted

For the six months ended 30 June 2014, the Company had only one category of dilutive potential ordinary shares: share options granted to directors and employees of the Group under Pre-IPO Share Option Scheme. As the Group incurred loss for the six months ended 30 June 2014, the options are anti-dilutive and not included in the computation of diluted loss per share.

For the six months ended 30 June 2015, the Company had two categories of dilutive potential ordinary shares: share options granted to directors and employees of the Group under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. As the Group incurred loss for the six months ended 30 June 2015, the options are anti-dilutive and not included in the computation of diluted loss per share.

No adjustment has been made to basic loss per share to derive the diluted loss per share for the six months ended 30 June 2015 and 2014.

11 DIVIDENDS

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB'000 (Unaudited)	Intangible Assets RMB'000 (Unaudited)
Six months ended 30 June 2015		
Opening net book amount	**43,365**	**79,284**
Additions	**1,104**	**18,955**
Disposal of a subsidiary	**(101)**	**(4,237)**
Disposals	**(449)**	**—**
Depreciation/amortization charge	**(9,043)**	**(14,514)**
Exchange difference	**8**	**15**
Closing net book amount	**34,884**	**79,503**
Six months ended 30 June 2014		
Opening net book amount	64,209	40,130
Additions	2,629	9,698
Disposals	(697)	—
Depreciation/amortization charge	(10,249)	(10,234)
Exchange difference	—	33
Closing net book amount	55,892	39,627

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**21,054**	18,291
Additions	**—**	2,046
Exchange differences	**3**	315
At end of period, all non-current	**21,057**	20,652
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**—**	—

The Group made investments in some redeemable convertible preferred shares and convertible bonds of certain private companies, which are host debt instruments issued by investees with conversion feature. After considering the Group's investment objectives and intention, the Group does not bifurcate the conversion feature from the host instruments and designates the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in other losses in the consolidated statement of comprehensive loss. The Company determines the respective fair values as at balance sheet date based on the expected revenue and market multiple of comparable companies.

In December 2014, one of the investees span off part of its business to a new company for a listing on a stock exchange. The Group was allotted the listed vehicle's common shares and performance shares with conversion feature as a compensation of the deemed dilution loss of its initial investment in the investee. The common shares of the listed vehicle have become listed in January 2015. As at 30 June 2015, the Company determined the fair value of these common shares with quoted price in the stock market. As at 30 June 2015, the Company determined the fair value for the performance shares using valuation techniques.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**138,140**	32,000
Additions (Note a)	**12,950**	80,500
At end of period, all non-current	**151,090**	112,500

(a) During the six months ended 30 June 2015, the Group acquired equity interests in a number of entities incorporated in the PRC at an aggregate cash consideration of RMB12,950,000. They are principally engaged in the provision of game development and other internet-related businesses. The Group has neither control nor significant influence over these entities. The Company classified these investments as available-for-sale financial assets.

(b) The fair values of these financial assets are based on cash flows discounted using a rate based on the market interest rate and the risk premium (2015: 33.0%). The fair values are within level 3 of the fair value hierarchy. There were no gains or losses arising from the changes in fair value of available-for-sale financial assets during the six months ended 30 June 2015.

15 TRADE RECEIVABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Third parties	**96,798**	94,409
Less: provision for impairment	**(4,721)**	(4,197)
	92,077	90,212

15 TRADE RECEIVABLES (Continued)

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0-30 days	**35,095**	37,556
31-60 days	**15,653**	18,492
61-90 days	**18,165**	10,016
91-180 days	**16,042**	16,849
181-365 days	**5,520**	2,258
Over 1 year	**6,323**	9,238
	96,798	94,409

The sales of the Group are mainly made on credit terms determined on individual basis with normal credit periods of 60 to 180 days from respective invoice dates. As at 30 June 2015 and 31 December 2014, trade receivables which were past due but not impaired were RMB11,502,000 and RMB11,052,000, respectively. These receivables were due from a number of 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.

16 SHARE CAPITAL AND PREMIUM

	Number of Ordinary Shares	**Nominal Value of Ordinary Shares US$**
Authorized:		
As at 30 June and 1 January 2015, 30 June and 1 January 2014	**500,000,000**	**50,000**

16 SHARE CAPITAL AND PREMIUM (Continued)

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
		Unaudited				
Issued:						
As at 1 January 2015		**127,054,229**	**13**	**80**	**1,934,534**	**1,934,614**
Employee share option scheme:						
– new shares issued	a	**487,487**	**—**	**—**	**—**	**—**
New shares issued for placement	b	**19,041,900**	**2**	**12**	**248,237**	**248,249**
Repurchase and cancellation of shares	c	**(220,000)**	**—**	**—**	**(2,611)**	**(2,611)**
As at 30 June 2015		**146,363,616**	**15**	**92**	**2,180,160**	**2,180,252**
As at 1 January 2014		125,940,304	13	80	1,934,534	1,934,614
Employee share option scheme:						
– new shares issued		1,013,547	—	—	—	—
As at 30 June 2014		126,953,851	13	80	1,934,534	1,934,614

(a) During the six months ended 30 June 2015, 487,487 pre-IPO share options with exercise price of US$0.0001 were exercised.

(b) The Company allotted and issued an aggregate of 19,041,900 shares to individual and institutions at the placing price of HK$16.50 per share on 5 June 2015. The gross proceeds from the share placement amounted to HK$314,191,350 (equivalent to RMB251,475,600) and the net proceeds, after the deduction of the placing commission and other related expenses, were approximately HK$310,160,000 (equivalent to RMB248,249,000).

(c) On 27 May 2014, the Company's annual general meeting approved the share repurchase plan, pursuant to which the Company may repurchase from time to time at the board of the Company's discretion, and which should not exceed 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing the relevant shareholder's resolution until the next annual general meeting of the Company. On 26 August 2014, the board of the Company authorized the chairman of the board to repurchase at the price of not more than HK$30 per share, subject to the Company meeting the relevant public float requirement under the Rules Governing the Listing of Securities on the Stock Exchange. Up to 30 June 2015, the Company had repurchased an aggregate of 220,000 shares at an average price of HK$14.78 for an aggregate consideration of HK$3,252,000 (equivalent to RMB2,611,000) under this share repurchase plan.

17 RESERVES

	Unaudited					
	Capital Reserve RMB'000	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
As at 1 January 2015	**30,000**	**10,828**	**180,292**	**28,070**	**(366,265)**	**(117,075)**
Value of employee service						
– Pre-IPO Share Option Scheme	**—**	**—**	**1,400**	**—**	**—**	**1,400**
– Post-IPO Share Option Scheme	**—**	**—**	**5,103**	**—**	**—**	**5,103**
Currency translation differences	**—**	**—**	**—**	**177**	**—**	**177**
Share of other net asset changes in associates' equity	**—**	**—**	**—**	**—**	**1,154**	**1,154**
As at 30 June 2015	**30,000**	**10,828**	**186,795**	**28,247**	**(365,111)**	**(109,241)**
As at 1 January 2014	30,000	10,828	162,235	8,980	(371,889)	(159,846)
Value of employee service						
– Pre-IPO Share Option Scheme	—	—	18,326	—	—	18,326
Currency translation differences	—	—	—	19,631	—	19,631
Share of other net asset changes in associates' equity	—	—	—	—	607	607
As at 30 June 2014	30,000	10,828	180,561	28,611	(371,282)	(121,282)

18 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 recognize 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 recognized 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.

18 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

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 in the number of share options outstanding and their related weighted average exercise prices are as follows:

		Pre-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June	
	Exercise Price	**2015**	2014
At beginning of period		**3,400,276**	5,770,564
Granted	US$0.0001	**—**	—
Exercised	US$0.0001	**(487,487)**	(1,013,547)
Forfeited	US$0.0001	**(640,364)**	(161,309)
At end of period		**2,272,425**	4,595,708

As a result of the options exercised during the six months ended 30 June 2015, 487,487 ordinary shares were issued by the Company (Note 16). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$16.02 (equivalent to RMB12.85) per share.

As at 30 June 2015, all share options granted will 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 were 23% as of the grant dates.

18 SHARE-BASED PAYMENTS (Continued)

(a) Pre-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 of 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	**Pre-IPO Share Option Scheme**
	1 January 2013	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 a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

(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 on the employee completing 2 years of service from the offer date, which is mutually agreed by the employees and the Company. And the vesting of share options granted on 10 June 2015 is subject to certain non-market performance vesting conditions which are related to the financial performance of the Group during the vesting period.

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.

18 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average Exercise Price	Post-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June 2015
At beginning of period		
Granted	HK$21.08	5,753,000
Forfeited	HK$14.61	(175,000)
At end of period		5,578,000

As at 30 June 2015, all share options granted will expire in 2019 with an average exercise price of HK$21.08 per share option.

The fair value of share options was determined 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 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	—	**—**

18 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme (Continued)

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 length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

The Group had conditionally approved and adopted restricted share unit ("RSU") scheme on 1 September 2013. As at 30 June 2015, no RSU had been granted or agreed to be granted by the Group.

19 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 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
0-30 days	**11,482**	7,714
31-60 days	**2,973**	4,368
61-90 days	**5,214**	2,369
91-180 days	**15,170**	8,022
181-365 days	**4,510**	3,299
1-2 years	**188**	155
	39,537	25,927

20 COMMITMENTS

Capital Commitments

As at 30 June 2015, capital expenditure commitments contracted but not provided for amounted to RMB1,332,000. They were related to investment arrangements, acquisitions of intangible assets.

As at 31 December 2014, the capital expenditure contracted but not provided for amounted to RMB5,960,000, which were related to investment arrangements and acquisition of intangible assets.

There were no other commitments authorized but not contracted at the end of each of the reporting dates.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Names and Relationships with Related Parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

Company	Relationship	Period of Related Party Relationship
Beijing Share Times Technology Co., Ltd. ("Share Times")	Associate of the Group	Throughout the Period
Tianjin Feihua Information Technology Co., Ltd. ("Tianjin Feihua")	Associate of the Group (Note i)	Prior to 11 June 2015
Beijing Hongruan Xiechuang Communication Technology Co., Ltd. ("Beijing Hongruan")	Associate of the Group	After 12 February 2015
Tianjin Laiwan Internet Technology Co., Ltd. ("Tianjin Laiwan")	Associate of the Group (Note i)	After 11 June 2015

Note:

(i) Tianjin Feihua is an associate of Tianjin Laiwan, which is one of the group entities. The Group considered Tianjin Feihua was its related party till the Group lost its control in Tianjin Laiwan since 11 June 2015(Note 8(a)(ii)). Tianjin Laiwan became the Group's associate thereafter.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Significant Transactions with Related Parties

In the opinion of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Revenue derived from the Group's provision of publishing services to related parties		
– Tianjin Feihua	**1,417**	—
– Tianjin Laiwan	**37**	—
	1,454	—

(c) Period End Balances Arising from Sales and Purchase of Services

	As at 30 June 2015	As at 31 December 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(i) Receivable from related parties		
– Beijing Hongruan	**1,000**	—
– Share Times	**51**	—
– Tianjin Laiwan	**134**	—
	1,185	—

The receivables due from related parties mainly arose from the revenue sharing generated from games operated and published by related parties.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Period End Balances Arising from Sales and Purchase of Services (Continued)

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
(ii) Prepayment to related parties		
– Share Times	**180**	—

Prepayments to related parties are the revenue sharing paid in advance according to respective cooperation agreements.

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
(iii) Payable to related parties		
– Tianjin Laiwan	**1,591**	—

The payables due to related parties arose from revenue sharing generated from the related parties' games, which the Group provides game platform and publishing services and has a payable to the related parties according to respective cooperation agreements.

Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key Management Personnel Compensations

Key management includes directors, chief executive officer and other senior executives. Key management compensation amounted to RMB4,855,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB10,021,000). See below:

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees, Wages, salaries and bonuses	**2,250**	4,257
Pension costs – defined contribution plans	**30**	29
Other social security costs and housing benefits	**70**	77
Share-based compensation expenses under Pre-IPO Share Option Scheme and Post-IPO Scheme Option Scheme	**2,505**	5,658
	4,855	10,021

22 CONTINGENCIES

As at 30 June 2015, the Group did not have any significant unrecorded contingent liabilities.

23 SUBSEQUENT EVENTS

(a) Share repurchase

On 28 May 2015, the Company's annual general meeting approved a share buy-back plan to grant a general mandate to the directors of the Company to buy back shares of the Company. From 1 July 2015 to 26 August 2015, the Company had bought back an aggregate of 1,316,900 shares at a weighted average price of HK$13.80 for an aggregate consideration of HK$18,168,000 (equivalent to RMB14,332,000) under this share buy-back plan.

DEFINITION

"ARPPU"	average revenue per paying users
"Audit and Compliance Committee"	the audit and compliance committee of the Company
"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, a British Overseas Territory
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this interim 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
"Contractual Arrangements"	a series of contractual arrangements entered into by Feidong, the PRC Operational Entities and their respective shareholders
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report or "CG Code" set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of our Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trusts"	collectively, WANG Trust, Keith Huang Trust, Hao Dong Trust and ZHUANGJG Trust
"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, incorporated under the laws of the PRC on 13 June 2012
"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 company established under the laws of the PRC on 12 April 2004
"Financial Statements"	unaudited consolidated financial statements of the Company for the six months ended 30 June 2015

DEFINITION

"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd. (also referred to as Foga Group Limited), 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
"Founders"	founder(s) of the Company, collectively, Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang
"Group"	the Company and its subsidiaries and the PRC Operational Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements)
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary is Mr. Liao
"Holding Companies"	collectively Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, respectively
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITION

"IFRSs"	the International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
"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
"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 company established under the laws of the PRC on 7 June 2012
"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
"Latest Practicable Date"	31 August 2015, being the latest practicable date prior to the bulk printing and publication of this interim report
"Listing Date"	3 October 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Managecorp Limited"	Managecorp Limited, the trustee of each of the Family Trusts
"Model Code"	the Model Code for Securities Transactions set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵), one of the Founders and the settlor of the Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of the Hao Dong Trust
"Mr. Wang"	Mr. Wang Dongfeng (汪東風), one of the Founders and the settlor of the Wang Trust
"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders

DEFINITION

“Mr. Zhuang”	Mr. Zhuang Jieguang (莊捷廣), one of the Founders and the settlor of the 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 which the pre-IPO option is offered to an eligible participant as defined in the 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 the scheme
“PRC Operational Entities”	collectively, Feiyin, Weidong and Jieyou, the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements
“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 the scheme
“Prospectus”	IPO prospectus of the Company dated 19 September 2013
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“RSUs”	restricted share units granted pursuant to the RSU Scheme
“Restricted Share Unit Scheme”	the scheme conditionally approved and adopted by the Company on or “RSU Scheme” 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
“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

DEFINITION

"Shares"	shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"TA"	TA FG Acquisitions, an exempted company incorporated in the Cayman Islands on 26 April 2012 with limited liability
"Tianjin Laiwan"	Tianjin Laiwan Internet Technology Co., Ltd. (天津萊玩網絡科技有限公司), a limited company established under the laws of the PRC on 1 August 2014
"United States"	the United States of America
"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 company established under the laws of the PRC on 22 January 2007
"Zhengyou"	Guangzhou Zhengyou Information Technology Co., Ltd. (廣州正遊信息科技有限公司), a limited company established under the laws of the PRC on 14 April 2014
"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 platforms, including 91wan.com, 2918.com, 9vs.com, 915.com and 336.com