Forgame

Forgame Holdings Limited
雲 遊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

Annual Report **2013**

China's Leading Developer and Publisher
of Cloud-based Games

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WANG Dongfeng *(Chairman)*
Mr. HUANG Weibing
Mr. LIAO Dong
Mr. ZHUANG Jieguang

Non-executive Directors
Mr. TAN Hainan
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. TAN Hainan
Ms. POON Philana Wai Yin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. WANG Dongfeng
Ms. YUNG Mei Yee

JOINT COMPANY SECRETARIES

Mr. NGAN King Leung Gary
Ms. YUNG Mei Yee

LEGAL ADVISORS

As to Hong Kong law:
Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District, Beijing
100025, China

As to Cayman Islands law:
Walkers
Suite 1501-1507, Alexandra House
18 Chater Road
Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

The offices of Corporate Filing Services Ltd.,
P.O. Box 613
4/F Harbour Centre
George Town
Grand Cayman KY1-1107
Cayman Islands

CORPORATE HEADQUARTERS

38/F, West Hall Renfeng Building
490 Tianhe Road
Guangzhou, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, 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
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank, 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

DATE OF LISTING

October 3, 2013

FINANCIAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

	Year Ended December 31,			
	2013	2012	2011	2010
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**1,183,128**	776,649	384,009	95,078
Gross profit	**1,001,911**	697,561	315,179	40,377
Operating profit/(loss)	**329,215**	283,591	40,513	(40,410)
Non-IFRSs Measures				
– Adjusted Net Profit/(Loss) (unaudited)	**325,202**	240,031	114,938	(40,384)

Note:

(1) We define Adjusted Net Profit as (loss)/profit for the year excluding share-based compensation, fair value change of preferred shares and finance costs relating to the issuance of preferred shares. Adjusted Net Profit eliminates the effect of non-cash share-based compensation and non-cash fair value change of preferred shares as well as the expenses relating to the one-time issuance of preferred shares. The use of Adjusted Net Profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net loss or profit for the years.

CONDENSED CONSOLIDATED BALANCE SHEET

	As of December 31,			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	**170,376**	104,864	62,211	34,094
Current assets	**1,421,100**	417,165	192,606	74,026
Total assets	**1,591,476**	522,029	254,817	108,120
Equity and liabilities				
Total equity/(deficit)	**1,388,082**	(136,663)	95,470	(19,532)
Non-current liabilities	**8,465**	459,290	9,362	5,563
Current liabilities	**194,929**	199,402	149,985	122,089
Total liabilities	**203,394**	658,692	159,347	127,652
Total equity and liabilities	**1,591,476**	522,029	254,817	108,120

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the Board of Forgame, I am pleased to present our annual report for the year ended December 31, 2013.

OVERVIEW

The year 2013 was full of achievements for us, highlighted by encouraging operational and financial results, a successful initial public offering on the Main Board of the Stock Exchange of Hong Kong Limited on October 3, 2013, as well as concrete progress on mobile games and overseas market expansion.

Against the backdrop of a stable macroeconomic environment and the increasing penetration of internet and wireless communications across China, the online game market had continued to grow in 2013. In particular, the proliferation of affordable smart devices and increasing convenience of mobile payment channels have significantly broadened the addressable market for games, setting the stage for the mobile game market to enter into a multi-year, structural growth phase. The PC webgame market has also maintained a healthy growth rate underpinned by the improving fixed-line bandwidth environment across China. In view of these dynamic and exciting trends, we have exerted every effort in bolstering our foundation through continuous refinement of our business strategies.

We are one of the few webgame companies in China with strong capabilities in both game development and publishing. During 2013, we continued to leverage this integrated business model to differentiate ourselves from peers. We have been strengthening our game development capability through overlaying the science of data analytics with the art of game design, to offer a diversified game portfolio that appeals to a wide range of player groups with different preferences. We have also been carefully reviewing the mix of our game portfolio to reduce the risk of overdependence on a few games. To ensure our games' success, we have been placing even more emphasis on fine-tuning the user experience of our games during development. Our popular self-owned webgame publishing platform, *91wan*, also provides an effective channel for our games to reach the targeted players. During the year of 2013, we had devoted considerable marketing efforts to extend *91wan's* reach of webgame players.

Looking ahead, capturing the mobile game market opportunity is clearly our core strategic focus. We have put in place a comprehensive strategy for content acquisition while devoted substantial effort in building our content distribution capability. We are building our mobile game portfolio of various genres and styles through internal development, investment in development studios, as well as licensing from top developer studios globally. Some of our webgame developers have also been redeployed to work on mobile game projects, underscoring our commitment to build a solid pipeline of mobile games. Moreover, we are also evaluating investment opportunities across various parts of the mobile game value chain using the IPO net proceeds and/or our general working capital with the aim of building an ecosystem that would drive organic traffic. We are confident that these investments will bear fruit and drive substantial shareholder value in the future.

CHAIRMAN'S STATEMENT

OUTLOOK AND STRATEGIC INITIATIVES

The year 2014 will be a critical year presenting both challenges and opportunities for Forgame. With our intense focus on driving shareholders' value, we are increasing our investment efforts, especially in the mobile game segment, to better position ourselves to capture the market opportunities.

The competitive landscape of the mobile game market is at an early stage of evolution. As one of the first movers in the industry, we are rapidly building our mobile game pipeline through a combination of internal development, investment in studios as well as licensing. In particular, we have co-founded and invested RMB32 million in the Chengdu Companion Fund that has a mandate of investing in innovative mobile game content to complement our own internally developed content. We have also redeployed some of our webgame developers to engage in mobile game development, and we are confident in extending our leadership from webgames to mobile games. We expect to launch more than 12 mobile games during 2014 that will be sourced from self-development and exclusive licensing from top studios globally.

We have also been actively evaluating investment opportunities in the mobile game value chain. On March 3, 2014, we entered into a conditional Sale and Purchase Agreement to acquire 21% of Magic Feature's equity interest with a cash consideration of US$70 million and a further performance-based contingent consideration of US$24.2 million. Magic Feature, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔), one of the most popular mobile games in Asia that achieved 11 million downloads globally as of March 2014, and has been consistently ranked within the Top 3 games on Apple's AppStore and Google Play in Hong Kong and Taiwan in terms of grossing. The game is also being exclusively published by a subsidiary of Tencent Holdings Limited (a company listed on the Stock Exchange, Stock Code:700) in China through various mobile platforms including WeChat. We believe our strengths and expertise are highly complementary to each other, and we are confident that tremendous synergies can be generated in the long run from this strategic partnership.

The webgame market has entered into a mature growth phase and competition has become keener among the top developers. As one of the top developers with established reputation and a vendor of quality game titles with a strong brand, we are relentlessly focusing on delivering quality games with rich user experience. With the strengthened financial position after the IPO, we are intensifying our investment in some of our key titles, allowing more time for testing and optimization before launch. During the testing process, we gain greater insights from target players, including player demographics, activities, spending patterns, traffic sources, etc, thus maximize the performance of new games upon full launch. We expect to launch around 12 webgames for the year of 2014.

Last but not least, we have established our first overseas development centre in Taiwan in the fourth quarter of 2013, to take advantage of Taiwan's deep talent pool of game developers and artists with a cultural background influenced by Japan and western countries. This development centre will focus on creating mobile games with a global appeal.

While some of these investment initiatives will not immediately generate revenue, we believe these investments are strategically important for the long-term sustainability of our business, and will generate substantial return for us as well as our shareholders in the long run.

CHAIRMAN'S STATEMENT

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2013.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation and wholehearted gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

WANG Dongfeng
Chairman

Hong Kong, March 25, 2014

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The Group principally engages in the development and publishing of webgames in China with a fast-growing mobile game business. During 2013, the Group has launched and operated a total of 14 webgame titles and 5 mobile games. The Group has also continued to expand the reach of webgame publishing platform, *91wan*. Capturing the mobile and overseas opportunities have been the two major strategic directions of the Group, and we have implemented a series of strategic initiatives during 2013 and the first quarter of 2014 by (i) setting up our first overseas office in Taiwan; (ii) co-founding and investing RMB32 million in Chengdu Companion Fund that has a mandate of investing in innovate mobile games; and (iii) investing in Magic Feature.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the Reporting Period.

RESULTS

The results of the Group for the year ended December 31, 2013 are set out in the consolidated statement of comprehensive (loss)/income on page 52 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended December 31, 2013.

SHARE CAPITAL

For the purpose of bringing in strategic investors and the IPO, the Company had issued shares for the year ended December 31, 2013. During the Reporting Period, the Company had also issued shares as a result of the exercise of the options granted under the Pre-IPO Share Options Scheme. Details of the movement in the share capital of the Company during the Reporting Period are set out in note 23 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in (deficit)/equity on page 57 of this annual report and in note 24 to the Financial Statements, respectively.

USE OF PROCEEDS

The net proceeds from the IPO were approximately HK$982.8 million, after deducting the underwriting fees and commissions and related total expenses paid and payable by us in connection thereto. We have, and will continue to utilize the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

DISTRIBUTABLE RESERVES

As of December 31, 2013, the Company had distributable reserves of approximately RMB949.3 million (as of December 31, 2012: Nil), none of which had been proposed as final dividend for the year.

FINANCIAL HIGHLIGHTS

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

DONATIONS

The Group made a donation of RMB12,500 to the poor students during the Reporting Period.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Reporting Period are set out in note 14 to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group during the Reporting Period are set out in note 28 to the Financial Statements.

CONTINGENT LIABILITIES

As of December 31, 2013, the Group did not have any significant unrecorded contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the latest practicable date prior to the publishing of this annual report.

PRE-EMPTIVE RIGHTS

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

REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company during the Reporting Period and up to the latest practicable date prior to the publication of this annual report are:

Executive Directors

Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*	(appointed on July 26, 2011)
Mr. HUANG Weibing	(appointed on June 15, 2012)
Mr. LIAO Dong	(appointed on June 15, 2012)
Mr. ZHUANG Jieguang	(appointed on June 15, 2012)

Non-executive Director

Mr. TAN Hainan	(appointed on June 15, 2012)
Mr. TUNG Hans	(appointed on June 15, 2012)

Independent Non-executive Directors

Mr. LEVIN Eric Joshua	(appointed on November 1, 2012)
Ms. POON Philana Wai Yin	(appointed on September 1, 2013)
Mr. ZHAO Cong Richard	(appointed on September 1, 2013)

Mr. SIPPEL Edward Francis (a Non-executive Director) and Mr. IOSILEVICH Alexander Gennady (an Independent Non-executive Director) resigned on April 18, 2013 and July 31, 2013, respectively.

In accordance with article 104(1) of the Articles, Mr. Huang and Mr. Liao shall retire from office as Directors by rotation and will not offer themselves for re-election as Directors at the Annual General Meeting in order to devote more time to focus on the day-to-day operations of the Group. Mr. Huang will continue to be responsible for managing the research and development of the Group, while Mr. Liao will continue to be responsible for the operation of the Group's game publishing platform, 91wan, as well as the marketing of the Group's games. Having considered the existing board structure of other comparable online/mobile gaming and publishing companies listed on the Main Board of the Stock Exchange, the Board does not see the present need to fill the vacancies occasioned by the retirement of Mr. Huang and Mr. Liao.

In accordance with article 99(3) of the Articles, Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard who were appointed to fill up causal vacancies on the Board shall retire from office as Directors and being eligible, have offered themselves for election as Directors at the forthcoming Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group or Company are set out on pages 44 to 49 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive and Non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from September 1, 2013 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Each of the Independent Non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from September 1, 2013 unless terminated by not less than 30 days' notice in writing served by either the Independent Non-executive Director or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors, namely Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard, has confirmed to the Company their respective independence pursuant to rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of these Directors. We consider that the Independent Non-executive Directors have been independent from the respective dates of their appointment to December 31, 2013.

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

As of December 31, 2013, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 for Securities Transactions by Directors of Listed Companies as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director/ Chief Executives	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Number of Shares/ underlying shares held	Approximate Percentage of Shareholding
WANG Dongfeng (汪東風)	Founder of a Discretionary Trust Interest of Controlled Corporation[1]	The Company	20,889,590 (long position)	16.59%
ZHUANG Jieguang (莊捷廣)	Founder of a Discretionary Trust Interest of Controlled Corporation[2]	The Company	19,840,828 (long position)	15.75%
LIAO Dong (廖東)	Founder of a Discretionary Trust Interest of Controlled Corporation[3]	The Company	13,945,197 (long position)	11.07%
HUANG Weibing (黃衛兵)	Founder of a Discretionary Trust Interest of Controlled Corporation[4]	The Company	8,991,825 (long position)	7.14%
LEVIN Eric Joshua[5]	Beneficial Owner	The Company	69,292 (long position)	0.06%
POON Philana Wai Yin (潘慧妍)[6]	Beneficial Owner	The Company	49,400 (long position)	0.04%
ZHAO Cong Richard (趙聰)[7]	Beneficial Owner	The Company	49,400 (long position)	0.04%

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 March 15, 2013. The beneficiary objects of the Wang Trust include Mr. Wang and certain of his family members. Mr. Wang (as founder of the Wang Trust) and Managecorp Limited are taken to be interested in 20,889,590 Shares held by Foga Group.

2 Foga Development is wholly-owned by Managecorp Limited as the trustee of the ZHUANGJG Trust. The ZHUANGJG Trust is a discretionary trust set up by Mr. Zhuang as settlor and protector and Managecorp Limited as trustee on March 15, 2013. The beneficiary objects of the ZHUANGJG Trust include Mr. Zhuang and certain of his family members. Mr. Zhuang (as founder of the ZHUANGJG Trust) and Managecorp Limited are taken to be interested in 19,840,828 Shares held by Foga Development.

3 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 March 15, 2013. The beneficiary object of the Hao Dong Trust is Mr. Liao himself. Mr. Liao (as founder of the Hao Dong Trust) and Managecorp Limited are taken to be interested in 13,945,197 Shares held by Foga Holdings.

4 Foga Networks is wholly-owned by Managecorp Limited as the trustee of the Keith Huang Trust. The Keith Huang Trust is a discretionary trust set up by Mr. Huang as settlor and protector and Managecorp Limited as trustee on March 15, 2013. The beneficiary objects of the Keith Huang Trust include Mr. Huang and certain of his family members. Mr. Huang (as founder of the Keith Huang Trust) and Managecorp Limited are taken to be interested in 8,991,825 Shares held by Foga Networks.

5 Mr. LEVIN Eric Joshua is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 69,292 Shares.

6 Ms. POON Philana Wai Yin is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares.

7 Mr. ZHAO Cong Richard is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 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 of December 31, 2013.

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

As of December 31, 2013, the following 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 of Shares	Approximate Percentage of Total Issued Shares
Managecorp Limited[(1)(2)(3)(4)]	Trustee	63,667,440 (long position)	50.55%
Foga Group[(1)]	Registered Owner	20,889,590 (long position)	16.59%
Foga Development[(2)]	Registered Owner	19,840,828 (long position)	15.75%
Foga Holdings[(3)]	Registered Owner	13,945,197 (long position)	11.07%
TA	Registered Owner	13,138,353 (long position)	10.43%
Foga Networks[(4)]	Registered Owner	8,991,825 (long position)	7.14%

REPORT OF DIRECTORS

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 March 15, 2013. The beneficiary objects of the Wang Trust include Mr. Wang and certain of his family members. Mr. Wang (as founder of the Wang Trust) and Managecorp Limited are taken to be interested in 20,889,590 Shares held by Foga Group.

2 Foga Development is wholly-owned by Managecorp Limited as the trustee of the ZHUANGJG Trust. The ZHUANGJG Trust is a discretionary trust set up by Mr. Zhuang as settlor and protector and Managecorp Limited as trustee on March 15, 2013. The beneficiary objects of the ZHUANGJG Trust include Mr. Zhuang and certain of his family members. Mr. Zhuang (as founder of the ZHUANGJG Trust) and Managecorp Limited are taken to be interested in 19,840,828 Shares held by Foga Development.

3 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 March 15, 2013. The beneficiary object of the Hao Dong Trust is Mr. Liao himself. Mr. Liao (as founder of the Hao Dong Trust) and Managecorp Limited are taken to be interested in 13,945,197 Share held by Foga Holdings.

4. Foga Networks is wholly owned by Managecorp Limited as the trustee of the Keith Huang Trust. The Keith Huang Trust is a discretionary trust set up by Mr. Huang as settlor and protector and Managecorp Limited as trustee on March 15, 2013. The beneficiary objects or the Keith Huang Trust include Mr. Huang and certain of his family members. Mr. Huang (as founder of the Keith Huang Trust) and Managecorp Limited are taken to be interested in 8,991,825 Shares held by Foga Networks.

Save as disclosed above, as of December 31, 2013, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and Chief Executives Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the Reporting Period and up to the latest practicable date prior to the publication of this annual report was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2013.

CONNECTED TRANSACTIONS

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises, which were issued on December 11, 2001 by the State Council and amended on September 10, 2008, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services. Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP License from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. In addition, a foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("Qualification Requirement"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in China, we entered into a series of contractual arrangements between Feidong, on one hand, the PRC Operational Entities and their respective shareholders on the other hand, which enable the Company to exercise control over the PRC Operational Entities and Feidong, and to consolidate these companies' financial results in our results under IFRSs as if they were wholly-owned subsidiaries of the Company.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of the PRC Operational Entities when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China. After the IPO, Foga Tech has set up a physical office in Hong Kong to provide managerial support to the Group, and a development centre in Taiwan that focuses on developing mobile games with a global appeal. In addition, on March 3, 2014, the Group entered into a Sale and Purchase Agreement to acquire 21% shareholding of Magic Feature with a cash consideration of US$70 million and a further total contingent consideration of US$24.2 million. Magic Feature, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔) in, among others, Hong Kong and Taiwan. The game is also being exclusively published by a subsidiary of Tencent Holding Limited (a company listed on the Stock Exchange, Stock Code: 700) in China through various mobile platforms including WeChat. Please also refer to the paragraph headed "Events After the Reporting Period" below for further details.

Up to the latest practicable date prior to the publication of this annual report, there is no further updates in relation to the Qualification Requirement.

The Contractual Arrangements which were in place during the year ended December 31, 2013 are as follows:

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

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

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

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

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC Operational Entities during the financial year ended December 31, 2013.

Waiver from the Stock Exchange and Annual Review

As Mr. Wang, Mr. Huang, Mr. Liao, and Mr. Zhuang are the Executive Directors, they are therefore the Company's connected persons pursuant to Rule 14A.11(1) of the Listing Rules. Each of Weidong and Feiyin is owned as to 41.10% by Mr. Huang, and are therefore associates of Mr. Huang and the Company's connected person pursuant to Rule 14A.11(4) of the Listing Rules. Jieyou is owned as to 48.61% by Mr. Zhuang and is therefore an associate of Mr. Zhuang and the Company's connected person pursuant to Rule 14A.11(4) of the Listing Rules. The Contractual Arrangements between Feidong, being a wholly-owned subsidiary of the Company, and the PRC Operational Entities would technically constitute connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section headed "Connected Transactions" of the Prospectus.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into:

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

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

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

The Independent Non-executive Directors have also confirmed that (i) the transactions carried out during the year ended December 31, 2013 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and have been operated so that the revenue generated by the PRC Operational Entities has been substantially retained by Feidong; (ii) no dividends or other distributions have been made by the PRC Operational Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) there were no new contracts entered into, renewed or reproduced between the Group and the PRC Operational Entities during the financial year ended December 31, 2013. The auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in 2013:

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

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

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

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

For the year ended December 31, 2013, the services provided by Feidong to the PRC Operational Entities (including sales of intellectual property, provision of system integration services, provision of game maintenance and improvement services) amounted to an aggregate of RMB14.3 million, and the intellectual property purchased by Feidong and after-sale services received by Feidong from the PRC Operational Entities amounted to RMB3.5 million.

During the Reporting Period, no related parties transactions disclosed in note 35 to the Financial Statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.45 and 14A.46 of the Listing Rules. The Company has complied with the disclosable requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2013 and up to the latest practicable date prior to the publication of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As of December 31, 2013, we had 1,980 employees. The remuneration to our employees includes salaries, bonus and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. We also provide intensive customized trainings to our staff to enhance their technical and product knowledge as they will be designated to mentors who are experienced employees in relevant teams or departments. The mentors will provide regular on-the-job trainings to the staff. The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

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

Details of the Directors' remuneration during the Reporting Period are set out in note 9 to the Financial Statements.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme by a resolution of its shareholders on October 31, 2012 and amended on September 1, 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:

Name of Grantee	Number of Shares under the Options Granted	Date of Grant	Vesting period	Option Period	Exercise Price	Exercised since Date of Grant	Cancelled since Date of Grant	Lapsed since Date of Grant	Outstanding as of December 31, 2013
Directors									
Mr. LEVIN Eric Joshua	69,292 Ordinary Shares	January 1, 2013	October 3, 2013 to October 31, 2014	10 years from the date of grant	Par value of the shares	—	—	—	69,292 Ordinary Shares
Ms. POON Philana Wai Yin	49,400 Ordinary Shares	September 1, 2013	October 3, 2013 to September 1, 2015	10 years from the date of grant	Par value of the shares	—	—	—	49,400 Ordinary Shares
Mr. ZHAO Cong Richard	49,400 Ordinary Shares	September 1, 2013	October 3, 2013 to September 1, 2015	10 years from the date of grant	Par value of the shares	—	—	—	49,400 Ordinary Shares
Sub-Total	**168,092 Ordinary Shares**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**168,092 Ordinary Shares**
362 employees	6,272,819 Ordinary Shares	January 1, 2013 to September 1, 2013	October 3, 2013 to July 1, 2017	10 years from the date of grant	Par value of the shares	490,364 Ordinary Shares (Note)	30,930 Ordinary Shares	149,053 Ordinary Shares	5,602,472 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**—**	**490,364 Ordinary Shares**	**30,930 Ordinary Shares**	**149,053 Ordinary Shares**	**5,770,564 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$68.27.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the year ended December 31, 2013, the Company has issued 490,364 shares to the grantees for an aggregate consideration of US$49.0364. 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" of the Prospectus and note 25 to the Financial Statements.

THE RESTRICTED SHARE UNIT SCHEME

The Company has approved and adopted a Restricted Share Unit Scheme by a resolution of its shareholders on September 1, 2013 and a resolution of the Board on September 1, 2013. 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 prior to the publication of this annual report, 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" of the Prospectus.

SHARE OPTION SCHEME

The Company has approved and adopted a Post-IPO Share Option Scheme by a resolution of its shareholders on September 1, 2013 and a resolution of the Board on September 1, 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules. No options were granted under the Post-IPO Share Option Scheme from the date of its adoption to the latest practicable date prior to the publication of this annual report.

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" of the Prospectus.

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 of the Company 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 of September 19, 2013, options to subscribe for an aggregate of 6,303,497 shares were outstanding, representing approximately 5.02% of the issued share capital of the Company as of October 3, 2013. No further option could be granted under the Pre-IPO Share Option Scheme	As of September 19, 2013, the maximum number of shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 6,241,497 shares, representing approximately 4.98% and 4.92% of the issued share capital of the Company as of October 3, 2013 and March 31, 2014, respectively. No option has been granted under the Post-IPO Share Option Scheme The maximum number of the Company's 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 October 31, 2012, the date of adoption of the Pre-IPO Share Option Scheme	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant
5.	Option period	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 period 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 period within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option period is determined by the Board provided that it is no later than the 10th anniversary of the date of grant. There is no minimum period 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 period 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 sub-division, 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 Company's 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 Company's 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 October 3, 2013	It shall be valid and effective for a period of ten years commencing on October 3, 2013

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the percentage of the aggregate revenue attributable to the Group's largest game licensors and five largest game licensors accounted for approximately 6% and 13% of the Group's total revenue, respectively.

During the Reporting Period, the percentage of the aggregate revenue attributable to the Group's largest publishing partners and five largest publishing partners accounted for approximately 13% and 32% of the Group's total revenue, respectively.

During the Reporting Period, the percentage of the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 21% and 40% of the Group's cost of revenue, respectively.

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

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2013.

EVENTS AFTER THE REPORTING PERIOD

On March 3, 2014, we entered into a Sale and Purchase Agreement to acquire 21% of Magic Feature's equity interest with a cash consideration of US$70 million and a further total contingent consideration of US$24.2 million. Magic Feature, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔) in, among others, Hong Kong and Taiwan. The game has also been exclusively licensed to a subsidiary of Tencent Holdings Limited (a company listed on the Stock Exchange, stock code: 700), to publish in China through various platforms including WeChat. After the completion of the acquisition of the equity interest, the Group will account for the investment as an investment in associate.

REPORT OF DIRECTORS

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code. Throughout the Reporting Period, save as disclosed in the annual report, the Company has complied with the mandatory code provisions in the CG Code.

AUDITOR

The Financial Statements of the Group and the Company for the year ended December 31, 2013 have been audited by PricewaterhouseCoopers, certified public accountants.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, May 16, 2014 to Tuesday, May 27, 2014, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the Annual General Meeting to be held on Tuesday, May 27, 2014. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, May 15, 2014.

By order of the Board
WANG Dongfeng
Chairman

Hong Kong, March 25, 2014

DIVISIONAL HIGHLIGHTS

Game development and operations

During 2013, revenue from the game development segment has increased by 47.8% to RMB 799.4 million. This increase was primarily due to greater revenue generated from mobile games and the new webgames we launched during the year.

We have launched and operated a total of 14 webgame titles during 2013, and as of December 31, 2013, we have 35 self-developed webgames in operation. Our key titles have not only performed well financially, but have also received broad industry recognition. For example, 鬥破乾坤(translated as "Conquest of the Universe") has received the Golden Plume Award 2013 for "The Most Popular Webgame Among Players" (金翎獎2013: 玩家最喜愛的網頁遊戲), while 龍戰天下 (translated as "Clash of Dragons") was awarded the Gold Finger Prize for "The Most Anticipated Webgame" at the China Game Industry Annual Conference (2013年度中國動漫遊戲行業金手指獎-最受期待網頁遊戲).

On the mobile side, we have launched and operated a total of 5 mobile games during 2013, and as of December 31, 2013, we have 6 mobile games in operation. Most notably, we have launched "Soul Guardian Mobile Version" (凡人修真手游版), a mobile action role-playing game that has leveraged the brand of our popular "Soul Guardian" (凡人修真) franchise. The initial results have been encouraging and the game's popularity is still rising. We have further enriched our game portfolio by beta testing some innovative mobile game titles in the casual genres such as match-3 puzzle games, providing us with valuable experience in understanding the casual game player population which presents great market potential.

Our average MPU for game development and operations has surged to approximately 710,000 in 2013 from approximately 518,000 in 2012, driven by both (i) the new webgames and mobile games we launched during the year and (ii) the continued growth in popularity from our previously launched games. ARPPU has increased to RMB94 in 2013 from RMB87 in 2012. Such growth is mainly due to the improving monetization of our mature titles partially offset by the newly launched titles that typically will generate a lower ARPPU during its ramp-up phase.

Game publishing platform

During 2013, revenue from the game publishing segment increased by 62.6% to RMB383.7 million, mainly attributed to the successful monetization of the players of both our self-developed and licensed games on the *91wan* platform. We have continued to extend the market reach of our webgame publishing platform, *91wan* to capture a larger player group. As at the end of 2013, our publishing platform, *91wan*, published 105 self-developed and licensed webgames and had attracted over 207 million registered players, a growth rate of 46.8% compared to that as at the end of 2012. The growth in registered players is driven by our continuous efforts on targeted marketing and promotion of our games, as well as a well-balanced game portfolio consisting of both self-developed and licensed games that drive organic traffic to the *91wan* platform.

Our average MPU for game publishing increased to approximately 109,000 in 2013 from approximately 71,000 in 2012, primarily because of (i) the growing registered user base; and (ii) our efforts in providing a high-quality player service to attract a greater number of paying players.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth certain operating statistics relating to our businesses as at the dates and of the periods presented:

	Year Ended December 31,	
	2013	2012
Game Development:		
Average MPUs (in thousands)[(1)]	**710**	518
Monthly ARPPU (RMB)	**94**	87
Game Publishing:		
Registered players (in thousands)	**207,221**	141,147
Average MPUs (in thousands)[(1)]	**109**	71
Monthly ARPPU (RMB)	**293**	278

Note:

(1) The numbers do not eliminate the duplication in paying users of our games published on our own platforms.

The following table sets forth the income statement for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

	Year Ended December 31,		
	2013	2012	
	RMB'000	RMB'000	Change %
Revenue	**1,183,128**	776,649	52.3%
Cost of revenue	**(181,217)**	(79,088)	129.1%
Gross profit	**1,001,911**	697,561	43.6%
Selling and marketing expenses	**(303,425)**	(178,726)	69.8%
Administrative expenses	**(88,739)**	(36,462)	143.4%
Research and development expenses	**(293,174)**	(200,624)	46.1%
Other income	**10,333**	2,788	270.6%
Other gains/(losses)	**2,309**	(946)	-344.1%
Operating profit	**329,215**	283,591	16.1%
Finance income	**7,146**	—	N/A
Finance costs	**(126)**	(3,645)	-96.5%
Finance income/(costs)-net	**7,020**	(3,645)	-292.6%
Fair value loss of convertible redeemable preferred shares	**(741,348)**	(18,769)	3,849.9%
(Loss)/profit before income tax	**(405,113)**	261,177	-255.1%
Income tax expense	**(70,291)**	(43,560)	61.4%
(Loss)/profit for the year	**(475,404)**	217,617	-318.5%

Revenue. Revenue increased by 52.3% to RMB1,183.1 million for the year ended December 31, 2013 from the year ended December 31, 2012. Revenue from game development segment increased by 47.8% to RMB 799.4 million for the year ended December 31, 2013 from the year ended December 31, 2012. The increase was primarily driven by the increase in paying players from approximately 518,000 in 2012 to approximately 710,000 in 2013 mainly as a result of our successful monetization measures and the provision of new webgames and mobile games. Revenue from game publishing segment increased by 62.6% to RMB383.7 million for the year ended December 31, 2013 from the year ended December 31, 2012. Such increase was primarily due to the successful monetization of the players of both our self-developed and licensed games on the *91wan* platform.

The following table sets forth our revenue by segment for the years ended December 31, 2013 and 2012:

	Year Ended December 31,			
	2013		2012	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Revenue by Segment				
– Game development	**799,437**	**67.6**	540,749	69.6
– Game publishing	**383,691**	**32.4**	235,900	30.4
Total Revenue	**1,183,128**	**100.0**	776,649	100.0

Cost of revenue. Cost of revenue increased by 129.1% to RMB181.2 million for the year ended December 31, 2013 from the year ended December 31, 2012. This mainly reflected higher content cost and agency fees. As a percentage of revenue, cost of revenue increased to 15.3% for the year ended December 31, 2013 from 10.2% for the year ended December 31, 2012. The following table sets forth our cost of revenue by segment for the years ended December 31, 2013 and 2012:

	Year Ended December 31,			
	2013		2012	
	(RMB'000)	**(%) of Total Cost of Revenue**	(RMB'000)	(%) of Total Cost of Revenue
Cost of Revenue by Segment				
– Game development	**136,310**	**75.2**	40,556	51.3
– Game publishing	**44,907**	**24.8**	38,532	48.7
Total Cost of Revenue	**181,217**	**100.0**	79,088	100.0

— Cost of revenue for game development segment increased by 236.1% to RMB136.3 million for the year ended December 31, 2013 from the year ended December 31, 2012 mainly due to higher content cost and agency fees and higher server and bandwidth costs as a result of the increase in number of games we operate.

— Cost of revenue for game publishing segment increased by 16.5% to RMB44.9 million for the year ended December 31, 2013 from the year ended December 31, 2012. This mainly reflected higher server and bandwidth costs as a result of the increase in number of games we published on *91wan* and higher salary and compensation expenses of the *91wan* operation team.

Selling and marketing expenses. Selling and marketing expenses increased by 69.8% to RMB303.4 million for the year ended December 31, 2013 from the year ended December 31, 2012. This was mainly attributable to (i) the increase of RMB115.9 million in promotion and advertising expenses to expand the user base of *91wan*, and (ii) the increase in share-based compensation expenses of RMB6.8 million in connection with the option granted to our selling and marketing personnel pursuant to the Pre-IPO Share Option Scheme.

Administrative expenses. Administrative expenses increased by 143.4% to RMB88.7 million for the year ended December 31, 2013 from the year ended December 31, 2012. This increase was primarily due to (i) the increase in share-based compensation expenses of RMB27.0 million in connection with the options granted to our employees pursuant to the Pre-IPO Share Option Scheme; and (ii) the increase of RMB12.6 million in professional service expenses incurred in connection with the IPO which are one-off expenses in 2013 and to support the expanded scale of our business compared to 2012.

Research and development expenses. Research and development expenses increased by 46.1% to RMB293.2 million for the year ended December 31, 2013 from the year ended December 31, 2012. This increase was primarily due to (i) the increase in employee benefit expenses (excluding the share-based compensation expenses) of RMB68.5 million mainly as a result of the increased headcount; and (ii) the share-based compensation expenses of RMB23.6 million as a result of the share option granted to our game development staff pursuant to the Pre-IPO Share Option Scheme.

Other income. Other income increased by 270.6% to RMB10.3 million for the year ended December 31, 2013 from the year ended December 31, 2012 mainly due to (i) the increase in interest income of bank deposits from RMB1.1 million for the year ended 2012 to RMB7.5 million for the year ended 2013; and (ii) the increase in government grant from RMB1.6 million for the year ended 2012 to RMB2.8 million for the year ended 2013.

Other gains/(losses). Other gains for the year ended December 31, 2013 was RMB2.3 million, as compared to other losses of RMB0.9 million for the year ended December 31, 2012. The increase in other gains was primarily due to the fact that we converted our proceeds from our IPO from Hong Kong dollars into Renminbi and recognized an exchange gain from the appreciation of Renminbi in 2013.

Finance income/(costs)-net. Finance income-net for the year ended December 31, 2013 was RMB7.0 million, as compared to finance costs-net of RMB3.6 million for the year ended December 31, 2012. The finance income-net for the year ended December 31, 2013 was primarily attributable to the interest income on short-term deposits and short-term investment as a part of our cash investment management strategy. The finance costs-net for the year ended December 31, 2012 was primarily attributable to the transaction costs for the issuance of convertible redeemable preferred shares.

Fair value loss of convertible redeemable preferred shares. Fair value loss of convertible redeemable preferred shares increased significantly to RMB741.3 million for the year ended December 31, 2013 from RMB18.8 million for the year ended December 31, 2012, which was mainly due to the increase in the valuation of the convertible redeemable preferred shares of the Company. All convertible redeemable preferred shares were automatically converted into ordinary shares upon the IPO in October 2013. We do not expect this cost to recur in future periods.

Income tax expense. Income tax expense increased by 61.4% to RMB70.3 million for the year ended December 31, 2013 from the year ended December 31, 2012. This increase was primarily due to the increase in taxable profit before income tax of the PRC Operational Entities for the year ended December 31, 2013. The effective income tax rate excluding fair value loss of convertible redeemable preferred shares was 20.9% for the year ended December 31, 2013, compared to 15.6% for the year ended December 31, 2012. The increase was due to the increase in expenses not deducted for income tax purpose, such as share-based compensation expenses, in 2013.

(Loss)/profit for the year. As a result of the foregoing, the loss for the year ended December 31, 2013 was RMB475.4 million, as compared to the profit of RMB217.6 million for the year ended December 31, 2012.

NON-IFRSS MEASURES – ADJUSTED NET PROFIT 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 Profit and Adjusted EBITDA, have been presented. These unaudited non-IFRSs financial measures should be considered in addition to, and not as a substitute for, the measures of the Group's financial performance which have been prepared in accordance with IFRSs. The Group's management believes that these non-IFRSs financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash and non-recurring items. The Adjusted Net Profit and Adjusted EBITDA are unaudited figures.

The following tables set forth the reconciliation of the Group's non-IFRSs financial measures for the years ended December 31, 2013 and 2012, to the nearest measures prepared in accordance with IFRSs:

	Year Ended December 31,	
	2013	2012
	(RMB'000)	(RMB'000)
(Loss)/profit for the year	**(475,404)**	217,617
Add:		
Share-based compensation	**59,258**	—
Fair value change of preferred shares	**741,348**	18,769
Finance costs relating to issuance of preferred shares	**—**	3,645
Adjusted Net Profit (unaudited)	**325,202**	240,031
Add:		
Depreciation and amortization	**28,012**	14,731
Interest income and finance income	**(14,639)**	(1,144)
Income tax expense	**70,291**	43,560
Adjusted EBITDA (unaudited)	**408,866**	297,178

Financial Position

As of December 31,2013, total equity of the Group amounted to RMB1,388.1 million, as compared to total deficit of the Group amounted to RMB136.7 million as of December 31, 2012. The increase was mainly due to the increase in share premium net off the loss for the year. The increase in share premium was related to (i) the issuance of ordinary shares related to the IPO, net off underwriting commissions and other issuance costs, and (ii) the conversion of preferred shares to ordinary shares.

The Group's net current assets amounted to RMB1,226.2 million as of December 31, 2013, as compared to RMB217.8 million as of December 31, 2012. This increase was primarily due to the cash generated from our operating activities as well as the net proceeds received from the IPO which was completed in October 2013.

Liquidity and Financial Resources

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Cash at bank and on hand	**943,905**	309,000
Cash at other financial institutions	**2,854**	3,639
Short-term deposits	**325,540**	—
	1,272,299	312,639
Borrowings	**(15,242)**	—
Net cash	**1,257,057**	312,639

Our total cash, cash equivalent and short-term deposits amounted to RMB1,272.3 million as of December 31, 2013, compared to RMB312.6 million as of December 31, 2012, primarily due to the cash generated from our operating activities as well as the net proceeds received from the IPO which was completed in October 2013. Our borrowings are in US dollars and used for our overseas operations' working capital and other general corporate purposes before the IPO. As of December 31, 2013, RMB33.3 million of our financial resources (December 31, 2012: RMB32.3 million) were held in deposits denominated in non-RMB currencies. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange exposure through limiting our foreign currency exposure and constant monitoring. The exposure to fluctuations in exchange rates is set on page 84 of the annual report.

As of December 31, 2013, the Group's bank borrowings were repayable within 1 year and the interest rate is at the LIBOR plus 1.333%. There are no seasonality of borrowings.

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 Renminbi and United States dollars.

As of December 31, 2013, the Group's gearing ratio (calculated by bank borrowing divided by total assets) increased to a level of 1.0% (2012: Nil), which the Board believes is at an acceptable level.

Capital Expenditures

	Year Ended December 31,	
	2013	2012
	(RMB'000)	(RMB'000)
Capital expenditures		
– Purchase of property and equipment	**35,004**	19,662
– Purchase of intangible asset	**21,018**	32,830
Total	**56,022**	52,492

Capital expenditures comprised the purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as intellectual property rights of games developed by third-party developers. The total capital expenditures was RMB56.0 million and RMB52.5 million for the years ended December 31, 2013 and 2012, respectively. The increase of RMB3.5 million in total capital expenditures for the year ended December 31, 2013 from the year ended December 31, 2012 was primarily due to the increase in the purchase of property and equipment of RMB15.3 million to support our business growth and as a result of leasehold improvement for the offices of our PRC Operational Entities, partially offset by the decrease in our purchase of intangible assets.

Pledge of Asset

As of December 31, 2013, we had a pledge of assets of RMB15.7 million as a restricted cash deposit for foreign currency borrowings.

Contingent Liabilities

As of December 31, 2013, the Group did not have any significant unrecorded contingent liabilities.

Human Resources

As of December 31, 2013, we had 1,980 full-time employees, the vast majority of whom are based in Guangzhou. The following table sets forth the number of our employees by function as of December 31, 2013:

	Number of Employees	**% of Total**
Game development	1,431	72%
Publishing	287	15%
Sales and marketing	40	2%
General and Administration	222	11%
Total	1,980	100%

Details of remuneration policies and training schemes are set out in "Report of Directors – Remuneration Policy and Directors' Remuneration".

Details of share option schemes are set out in "Report of Directors – Pre-IPO Share Option Scheme", and "Report of Directors – Share Option Scheme".

MANAGEMENT DISCUSSION AND ANALYSIS

Post Balance Sheet Event

On March 3, 2014, we entered into a Sale and Purchase Agreement to acquire 21% of Magic Feature's equity interest with a cash consideration of US$70 million and a further total contingent consideration of US$24.2 million. Magic Feature, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔) in, among others, Hong Kong and Taiwan. The game has also been exclusively licensed to a subsidiary of Tencent Holdings Limited (a company listed on the Stock Exchange, stock code: 700), to publish in China through various platforms including WeChat. After the completion of the acquisition of the equity interest, the Group will account for the investment as an investment in associate.

Future Plans

We are evaluating investment opportunities across various parts of the mobile game value chain using the IPO net proceeds and/or our general working capital with the aim of building an ecosystem that would drive organic traffic. In particular, we have co-founded and invested RMB32 million in the Chengdu Companion Fund that has a mandate of investing in innovative mobile game content to complement our self-developed content.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended December 31, 2013.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company has applied the principles as set out in the CG Code.

The Directors consider that the Company has complied with the code provisions as set out in the CG Code during the Review Period, save as otherwise disclosed in this Corporate Governance Report:

The Company regularly reviews its corporate governance practices and save as otherwise disclosed in this Corporate Governance Report, the Company was in compliance with the code provisions of the CG Code during the Reporting Period.

A. The Board

1. *Responsibilities*

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

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

2. *Delegation of Management Function*

The Board is responsible for all major matters of the Group including the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors and company secretary (or joint company secretaries) and other significant financial and operational matters.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation.

All Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Under code provision A.1.6 of the CG Code, there should be a procedure agreed by the Board to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expense. As the Company was only listed on the Stock Exchange on October 3, 2013, the Company did not adopt a policy relating to such procedure until the Board meeting held on March 25, 2014 as the need of Directors to seek independent professional advice did not arise after the IPO, and as such, the policy was not formalized then.

The day-to-day management, administration and operation of the Group are delegated to the senior management. The delegated functions are periodically reviewed. Authorisation has to be obtained from the Board prior to any significant transactions entered into by the senior management.

3. *Board Composition*

The Board of the Company comprises the following Directors:

Executive Directors	Mr. WANG Dongfeng Mr. HUANG Weibing Mr. LIAO Dong Mr. ZHUANG Jieguang
Non-executive Directors	Mr. TAN Hainan Mr. TUNG Hans
Independent Non-executive Directors	Mr. LEVIN Eric Joshua Ms. POON Philana Wai Yin Mr. ZHAO Cong Richard

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

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

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

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

4. *Appointment and re-election of directors*

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

Each of the Executive and Non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from September 1, 2013 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Each of the Independent Non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from September 1, 2013 unless terminated by a written notice not less than 30 days' prior to the termination serviced by either the Independent Non-executive Director or the Company. The appointments are subject to the provisions of retirement and rotation of directors under the Articles.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

5. *Induction and Continuing Development for Directors*

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

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

For the year ended December 31, 2013, each of Directors (namely, Mr. WANG Dongfeng, Mr. HUANG Weibing, Mr. LIAO Dong, Mr. ZHUANG Jieguang, Mr. TAN Hainan, Mr. TUNG Hans, Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard) has attended training sessions arranged by the Group's legal advisers on the continuing obligations of listed companies and its directors, disclosure obligations of listed companies and amendments to the Listing Rules and the SFO in relation to "inside information".

On top of the above-mentioned trainings, the Executive Directors (namley, Mr. WANG Dongfeng, Mr. HUANG Weibing, Mr. LIAO Dong, Mr. ZHUANG Jieguang) and members of the senior management have also attended several presentations organised by the Group on case studies relating to compliance of listed companies at the monthly general executive committee meetings.

6. *Directors liability insurance*

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As of December 31, 2013, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company estimates that in the reasonably foreseeable future, there is little risk that there would be any event for which any Director shall take responsibility. Notwithstanding, we have arranged for appropriate directors and officers liability insurance in respect of legal action against the Directors.

7. *Board Meetings and General Meetings*

Number of Meetings and Directors' Attendance

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

The Board met one time during the Review Period for discussing the Group's affairs, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. From 2014 onwards, the Board will meet at least four times per year.

The attendance records of each Director at the Board meetings are set out below:

Name of Director	Attendance/ Number of Board Meetings
Mr. WANG Dongfeng	1/1
Mr. HUANG Weibing	1/1
Mr. LIAO Dong	1/1
Mr. ZHUANG Jieguang	1/1
Mr. TAN Hainan	1/1
Ms. TUNG Hans	1/1
Mr. LEVIN Eric Joshua	1/1
Ms. POON Philana Wai Yin	1/1
Mr. ZHAO Cong Richard	1/1

The Company has not held any general meeting during the period from the Listing Date to December 31, 2013.

Practices and Conduct of Meetings

Annual meeting schedules and draft agendas of each meeting are made available to Directors in advance.

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

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

The Chief Financial Officer, one of the senior management, attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The Joint Company Secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

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

B. Chairman and Chief Executive

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

Mr WANG Dongfeng serves as the Chairman and Chief Executive Offier of the Company. In view of the ever-changing business environment in which the Group operates and the fact that the Company is newly listed, 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.

C. Board Committees

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

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

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

1. Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee consists of two Independent Non-executive Directors, being Mr. ZHAO Cong Richard and Mr. LEVIN Eric Joshua, and one Non-executive Director, being Mr. TUNG Hans. The chairman of the Remuneration Committee is Mr. ZHAO Cong Richard.

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

As the Company was listed on October 3, 2013, no Remuneration Committee meeting was held during the Review Period and there was no change in the policy and structure of the remuneration of the Directors and senior management. From 2014 onwards, the Remuneration Committee will meet at least once a year for reviewing the remuneration policy and structure and making recommendations to the Board on determining the annual remuneration packages of the Executive Directors and the senior management and other related matters.

Please refer to note 9 of the Financial Statements for the remuneration of the senior management by band.

2. *Audit and Compliance Committee*

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. 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. TAN Hainan. 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 primary duties of the Audit and Compliance Committee include, but not limited to: (i) reviewing and monitoring the relationship of the external auditor and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring our policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules; (v) reviewing the financial information of the Group and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to our employees and Directors.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended December 31, 2013 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held one meeting during the Review Period to review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Group's internal control and risk management review and processes, and the re-appointment of the external auditors.

The attendance records of the Audit and Compliance Committee are set out below:

Name of Director	Attendance/ Number of Audit and Compliance Committee Meetings
Mr. LEVIN Eric Joshua *(Chairman)*	1/1
Ms. POON Philana Wai Yin	1/1
Mr. TAN Hainan	1/1

The Group's annual results for the year ended December 31, 2013 have been reviewed by the Audit and Compliance Committee on March 18, 2014.

3. *Nomination Committee*

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.4 of the CG Code. The Nomination Committee consists of one Executive Director, being Mr. WANG Dongfeng, and two Independent Non-executive Directors, being Mr. ZHAO Cong Richard and Ms. POON Philana Wai Yin. The chairman of the Nomination Committee is Mr. Wang Dongfeng. The nomination committee reviews the structure, size and composition at least annually and makes recommendations on any proposed changes (if any) to the Board.

The primary duties of the Nomination Committee include, but not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and general manager of the Company, and identifying candidates for succession planning; (ii) overseeing the process for evaluating the performance of the Board; (iii) developing, recommending to the Board and monitoring nomination guidelines for the Group; and (iv) assessing the independence of independent non-Executive Directors.

As the Company was listed on October 3, 2013, the Nomination Committee considered that it was not necessary to review the size and composition of the Board or identify any new Board member during the Review Period, and no Nomination Committee meeting was held during the Review Period. From 2014 onwards, the Nomination Committee will conduct meeting at least once a year.

Prior to the IPO, the composition and diversity of the Board were considered by taking into account the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. All the Executive Directors possess extensive IT and webgame experience. The Non-executive Directors and the three Independent Non-executive Directors possess professional knowledge in management, investment, finance and legal matters, respectively with broad and extensive experience in business advisory and management, respectively.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the board diversity policy of the Company by making reference to a range of diversity perspectives, including but not limited to the skills, professional experience, knowledge and length of service of the proposed candidates, cultural and educational background, the Company's needs and other relevant statutory requirements and regulations.

D. Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code since the listing of the Company on October 3, 2013 up to December 31, 2013.

The Group's employees, who are likely to be in possession of inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

E. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the Financial Statements of the Group and the Company for the year ended December 31, 2013.

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

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

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Financial Statements is set out in the "Independent Auditor's Report" on pages 50 to 51.

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

For the year ended December 31, 2013, the fees paid/payable to PricewaterhouseCoopers for the audit service are RMB12.0 million. Apart from the provision of annual audit services, the Company's external auditor also act as the reporting accountant for the Company's initial public offering.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year was RMB0.8 million. The non-audit services include professional service for tax issues and internal control of the Group.

G. Internal Controls

During 2013, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational, compliance and risk management aspects of the Group.

The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and Group assets, and reviewing the effectiveness of such on an annual basis through the Audit and Compliance Committee.

H. Communications with Shareholders and Investors

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

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

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

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

During the Review Period, the Company has not amended the Articles.

I. Shareholder Rights

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

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

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

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules.

In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholder meeting.

J. Joint Company Secretaries

Mr. NGAN King Leung Gary and Ms. YUNG Mei Yee are the Company's Joint Company Secretaries. Mr. NGAN King Leung Gary is a full-time employee of the Group and is the primary corporate contact person.

Mr. NGAN King Leung Gary has day-to-day knowledge of the Group's affairs. He is also the Chief Financial Officer of the Company and he reports to the Chairman and Chief Executive Officer. All Directors have access to the advice and services of the Joint Company Secretaries of the Company to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. YUNG Mei Yee, senior manager of KCS Hong Kong Limited (a company secretarial service provider), as its Joint Company Secretary to assist Mr. NGAN King Leung Gary to discharge his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. NGAN King Leung Gary, the Chief Financial Officer and Joint Company Secretary of the Company.

For the financial year ended December 31, 2013, Mr. NGAN and Ms. YUNG have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company during the year ended December 31, 2013 and up to the date of this report were:

DIRECTORS

Executive Directors

Mr. WANG Dongfeng *(Chairman)*
Mr. HUANG Weibing
Mr. LIAO Dong
Mr. ZHUANG Jieguang

Non-executive Directors

Mr. TAN Hainan
Mr. TUNG Hans

Independent Non-executive Directors

Mr. LEVIN Eric Joshua
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

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

BIOGRAPHICAL DETAILS OF DIRECTORS

WANG Dongfeng, aged 37, co-founded the Group in September 2009 and was appointed as our Chairman and Executive Director on July 26, 2011. Since Mr. Wang acquired interests in Feiyin and Weidong, he has been involved in our 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 authorized representative on February 4, 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 our 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 13 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 chairman of Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

HUANG Weibing (alias: **HUANG Kai**), aged 34, was nominated as co-president of the Company in July 2011 and was appointed as the Executive Director on June 15, 2012. Mr. Huang co-founded the Group in September 2009. Mr. Huang is responsible for managing the research and development of the Group and has more than four years of experience in the webgame industry with the Group. He is also responsible for the overall management of Feiyin, one of the Group's game development brands. In addition, he focuses on leading the Group's business development, in terms of the expansion and maintenance of the Group's publishing network. Mr. Huang was involved in the Group since 2006 through Feiyin where he assumed the position of project manager in Feiyin from October 2006 to September 2009, legal representative and executive director from September 2009 to May 2011, and chief executive officer since May 2011. He was also appointed as director of Foga Tech in June 2012.

Prior to joining the Group, Mr. Huang served as marketing manager of ZCOM from September 2005 to October 2006 where he was responsible for product sales. He also took up the role as a programmer in Guangzhou Aochuang Information Technology Co. Ltd from August 2004 to August 2005.

Mr. Huang was awarded a bachelor of engineering degree from Northeast Petroleum University, the PRC (formerly known as Daqing Petroleum Institute), with a computer science and technology major in July 2003. Mr. Huang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

LIAO Dong, aged 28, was nominated as co-president of the Company in July 2011 and was appointed as the Executive Director on June 15, 2012. Mr. Liao co-founded the Group in September 2009. Mr. Liao is responsible for the operation of the group's game publishing platform, *91wan*, as well as the marketing of the Group's games. He also plays an important role in the expansion of our licensed game portfolio through collaborating with high-quality third-party developers. In addition, he has taken up various roles in the Group, namely the chief executive officer of Weidong since January 2007, the executive director of Feidong since June 2012 and the director of Foga Tech since June 2012.

Mr. Liao is also the founder of Foshan Jiyichuang Network Technology Co., Ltd where he served as general manager from January 2005 to December 2006 and was responsible for overseeing the company's operations in Internet products sales and marketing, such as for Interactive Voice Response (IVR) software.

Mr. Liao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

ZHUANG Jieguang, aged 32, co-founded the Group in September 2009 and was appointed as the Executive Director and co-president on June 15, 2012. He is responsible for the overall management of Jieyou. In addition, he plays a significant role in setting the strategic direction of the Group's research and development process. Mr. Zhuang has also been serving as a director of Foga Tech since June 2012 and supervisor of Weidong since May 2011. From June 2011 to June 2012, Mr. Zhuang was the consultant of Feiyin where he provided general advice on research.

He has more than five years of experience in the webgame industry. From April 2008 to June 2012, he worked in Guangzhou Jieyou Information Technology Co. Ltd, a former related-party of the Company until July 2011, where he was responsible for managing the research and development as general manager of the company.

Mr. Zhuang graduated from South China Normal University, the PRC where he was awarded a college diploma in E-commerce in July 2004. Mr. Zhuang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

TAN Hainan, aged 36, was appointed as the Non-executive Director on June 15, 2012.

Mr. Tan works for Tiger Global Management as a managing director since February 2014. He previously worked for TA Associates Asia Pacific Ltd. from May 2011 to December 2013 and became the director of the China Division since May 2012, where he focused on investments in growth companies in the PRC. Prior to joining TA Associates Asia Pacific Ltd., he was an associate consultant in Bain & Company, Inc. from August 2004 to July 2006, and was an associate in Crimson Investment SV, LLC from August 2006 to August 2007. From August 2007 to May 2011, he served as vice president of Summit Partners and became the director of Business Development in China from May 2011 where he led the firm's Asia Pacific practice and was responsible for managing transactions in the region. Prior to joining the Group from January 2008 to March 2011, he also served as the non-executive director of Announce Media, a company which provides Internet services.

From September 1999 to June 2004, Mr. Tan attended Northwestern University, Illinois, U.S., where he obtained a concurrent bachelor of arts in economics and Chinese culture and language, and masters of arts in economics. Mr. Tan is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Tan is a member of the Audit and Compliance Committee.

TUNG Hans, aged 43, was appointed as the Non-executive Director on June 15, 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 a founding member 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, 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 Remuneration Committee.

LEVIN Eric Joshua, aged 51, was appointed as an Independent Non-executive Director on November 1, 2012.

He has been the financial director of Ecolab (China) Investment Co. Ltd since October 2012, 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 (HKSE Stock Code: 583), a company listed on the Hong Kong 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 (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 Eric Joshua is the chairman of Audit and Compliance Committee and a member of Remuneration Committee.

POON Philana Wai Yin, aged 46, was appointed as an Independent Non-Executive Director on September 1, 2013.

Ms. Poon has been the group company secretary of PCCW Limited (HKSE Stock Code: 0008) ("PCCW"), a Hong Kong based company which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses, since August 2012, and was previously the group general counsel from February 2004 to November 2011 and company secretary from February 2007 to November 2011 of PCCW. She has also been the group general counsel and company secretary of the HKT Trust and HKT Limited (HKSE Stock Code: 6823) ("HKT"), a Hong Kong based telecommunications service provider majority owned by PCCW since its listing in November 2011 as Hong Kong's first listed investment trust. Ms. Poon is primarily responsible for legal and secretarial matters of the PCCW and HKT Groups. She has over 15 years of post-qualification experience in both private practice and as in-house counsel. Ms. Poon has held various senior positions within the PCCW Group since she joined Hong Kong Telecommunications Limited in March 1998.

In November 1989, Ms. Poon graduated from the University of Toronto, Canada, where she obtained a bachelor of commerce degree. In May 1992, she was awarded a doctor of law degree with specialization in international legal affairs from Cornell University, New York, U.S.. Ms. Poon has been serving as an Independent Non-executive Director of AZ Electronic Materials S.A. (Stock Code: AZEM), a company listed on the London Stock Exchange, since June 2012. 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 Audit and Compliance Committee and Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

ZHAO Cong, Richard, aged 63, was appointed as an Independent Non-Executive Director on September 1, 2013.

Mr. Zhao has been serving as the managing director of Yangtze Ventures Management Limited since March 2002. Mr. Zhao has over 20 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 (HKSE 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 (HKSE 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 (HKSE 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 Remuneration Committee and a member of Nomination Committee.

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 our 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 of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of the Group:

Name	Age	Position/Title	Date of Appointment
YANG Tao	37	Chief Product Officer	June 15, 2012
NGAN King Leung Gary	30	Chief Financial Officer/ Joint Company Secrectary	May 1, 2012/February 4, 2013

DIRECTORS AND SENIOR MANAGEMENT

YANG Tao, aged 37, was appointed as our chief product officer on June 15, 2012. He joined the Group in June 2010 through Feiyin where he was the game producer until November 2011. From December 2011 onwards, he became the vice president where he was in charge of overseeing the development of webgames and products of the Group. Mr. Yang is primarily responsible for the research and development of webgame products at the Group and drives the planning and selection of the genres, features and design of our webgames. Mr. Yang possesses management and development experience in the webgame industry, which is underpinned by his work in pioneering the Group's 凡人修真 (translated as "Soul Guardian") flagship webgame series.

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

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

NGAN King Leung Gary, CFA, aged 30, was appointed as our chief financial officer on May 1, 2012 and as our joint company secretary on February 4, 2013. He oversees the corporate finance, investor relations and financial management of our Group, and is also responsible for our Group's strategy planning and implementation.

Mr. Ngan possesses extensive knowledge in the Internet industry. Prior to joining the Group, he was a director and the head of Hong Kong and China Internet research at UBS AG, where he worked from July 2006 to April 2012. Mr. Ngan graduated from the Wharton School, University of Pennsylvania, U.S., obtaining a Bachelor of Science in Economics degree in June 2006. Mr. Ngan is a CFA charterholder.

Mr. Ngan is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Forgame Holdings Limited ("the Company") and its subsidiaries (together, the "Group") set out on pages 52 to 135, which comprise the consolidated and company balance sheets as of December 31, 2013, and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as of December 31, 2013, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 25, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Note	Year Ended December 31, 2013 RMB'000	2012 RMB'000
Revenue	5	**1,183,128**	776,649
Cost of revenue	6	**(181,217)**	(79,088)
Gross profit		**1,001,911**	697,561
Selling and marketing expenses	6	**(303,425)**	(178,726)
Administrative expenses	6	**(88,739)**	(36,462)
Research and development expenses	6	**(293,174)**	(200,624)
Other income	7	**10,333**	2,788
Other gains/(losses)	8	**2,309**	(946)
Operating profit		**329,215**	283,591
Finance income	10	**7,146**	—
Finance costs	10	**(126)**	(3,645)
Finance income/(costs)-net	10	**7,020**	(3,645)
Fair value loss of convertible redeemable preferred shares	31	**(741,348)**	(18,769)
(Loss)/profit before income tax		**(405,113)**	261,177
Income tax expense	11	**(70,291)**	(43,560)
(Loss)/profit for the year		**(475,404)**	217,617
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**6,326**	2,654
Total comprehensive (loss)/income for the year		**(469,078)**	220,271
Attributable to:			
– Equity holders of the Company		**(469,078)**	220,271
– Non-controlling interests		**—**	—
		(469,078)	220,271
(Loss)/earnings per share (expressed in RMB per share)	12		
– Basic		**(10.10)**	4.02
– Diluted		**(10.10)**	2.30
Dividends	13	**—**	90,500

The notes on pages 59 to 135 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As of December 31,	
		2013	2012
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property and equipment	14	**64,209**	46,700
Intangible assets	16	**40,130**	31,349
Investment in an unlisted security	18	**18,291**	—
Available-for-sale financial assets	19	**32,000**	—
Prepayments and other receivables	21	**2,512**	2,352
Deferred income tax assets	32	**13,234**	24,463
		170,376	104,864
Current assets			
Trade receivables	20	**92,194**	84,293
Prepayments and other receivables	21	**40,937**	20,233
Restricted cash	22	**15,670**	—
Short-term deposits	22	**325,540**	—
Cash and cash equivalents	22	**946,759**	312,639
		1,421,100	417,165
Total assets		**1,591,476**	522,029
EQUITY			
Share capital	23	**80**	49
Share premium	23	**1,934,534**	—
Reserves	24	**(159,846)**	(228,351)
(Accumulated losses)/retained earnings		**(386,686)**	91,639
Total equity/(deficit)		**1,388,082**	(136,663)

CONSOLIDATED BALANCE SHEET

	Note	As of December 31, 2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue	27	**8,465**	7,987
Convertible redeemable preferred shares	31	**—**	451,153
Deferred income tax liabilities	32	**—**	150
		8,465	459,290
Current liabilities			
Borrowings	28	**15,242**	—
Trade payables	29	**34,990**	10,168
Other payables and accruals	30	**76,675**	41,622
Income tax liabilities		**19,674**	20,467
Deferred revenue	27	**48,348**	127,145
		194,929	199,402
Total liabilities		**203,394**	658,692
Total equity and liabilities		**1,591,476**	522,029
Net current assets		**1,226,171**	217,763
Total assets less current liabilities		**1,396,547**	322,627

These consolidated financial statements on pages 52 to 135 were approved by the Board of Directors on March 25, 2014 and were signed on its behalf.

The notes on pages 59 to 135 are integral parts of these consolidated financial statements.

WANG Dongfeng
Director

LIAO Dong
Director

BALANCE SHEET - COMPANY

	Note	As of December 31, 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	15	**140,793**	102,977
Amounts due from subsidiaries	15	**48,776**	31,427
		189,569	134,404
Current assets			
Prepayments and other receivables	21	**940**	—
Amounts due from Founders	35(c)	**—**	64
Cash and cash equivalents	22	**781,329**	28,706
		782,269	28,770
Total assets		**971,838**	163,174
EQUITY			
Share capital	23	**80**	49
Share premium	23	**1,934,534**	—
Reserves	24	**(206,158)**	(266,532)
Accumulated losses	26	**(779,105)**	(23,677)
Total equity/(deficit)		**949,351**	(290,160)
LIABILITIES			
Non-current liabilities			
Convertible redeemable preferred shares	31	**—**	451,153
Current liabilities			
Other payables and accruals	30	**22,487**	2,181
Total liabilities		**22,487**	453,334
Total equity and liabilities		**971,838**	163,174
Net current assets		**759,782**	26,589
Total assets less current liabilities		**949,351**	160,993

These consolidated financial statements on pages 52 to 135 were approved by the Board of Directors on March 25, 2014 and were signed on its behalf.

The notes on pages 59 to 135 are integral parts of these consolidated financial statements.

WANG Dongfeng
Director

LIAO Dong
Director

CONSOLIDATED STATEMENT OF CHANGES IN (DEFICIT)/EQUITY

	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	(Accumulated Losses)/ Retained Earnings RMB'000	Total Equity/ (Deficit) RMB'000
		Attributable to Owners of the Company				
Balance at January 1, 2012		64	—	125,930	(30,524)	95,470
Comprehensive income						
Profit for the year		—	—	—	217,617	217,617
Other comprehensive income:						
– Currency translation differences	24	—	—	2,654	—	2,654
Total comprehensive income		—	—	2,654	217,617	220,271
Total contributions by and distributions to owners of the Company recognized directly in equity						
Repurchase of ordinary shares from two Pre-Series A Investors	23, 24	(15)	—	(371,889)	—	(371,904)
Capital contribution from the Founders	24	—	—	10,000	—	10,000
Dividends	13	—	—	—	(90,500)	(90,500)
Total contributions by and distributions to owners of the Company for the year		(15)	—	(361,889)	(90,500)	(452,404)
Profit appropriations to statutory reserves	24	—	—	4,954	(4,954)	—
Balance at December 31, 2012		49	—	(228,351)	91,639	(136,663)

CONSOLIDATED STATEMENT OF CHANGES IN (DEFICIT)/EQUITY

		Attributable to Owners of the Company				
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	(Accumulated Losses)/ Retained Earnings RMB'000	Total Equity/ (Deficit) RMB'000
Balance at January 1, 2013		49	—	(228,351)	91,639	(136,663)
Comprehensive loss						
Loss for the year		—	—	—	(475,404)	(475,404)
Other comprehensive income:						
– Currency translation differences	24	—	—	6,326	—	6,326
Total comprehensive loss		—	—	6,326	(475,404)	(469,078)
Total contributions by and distributions to owners of the Company recognized directly in equity						
Issuance of ordinary shares related to initial public offering, net off underwriting commissions and other issuance costs	23	13	761,520	—	—	761,533
Conversion of preferred shares to ordinary shares	23	18	1,173,014	—	—	1,173,032
Employee share-based compensation scheme:						
– Value of employee services	24	—	—	59,258	—	59,258
Total contributions by and distributions to owners of the Company for the year		31	1,934,534	59,258	—	1,993,823
Profit appropriations to statutory reserves	24	—	—	2,921	(2,921)	—
Balance at December 31, 2013		80	1,934,534	(159,846)	(386,686)	1,388,082

The notes on pages 59 to 135 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year Ended December 31,	
		2013	2012
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**348,994**	344,145
Income tax paid		**(60,005)**	(44,516)
Net cash generated from operating activities		**288,989**	299,629
Cash flows from investing activities			
Purchase of property and equipment		**(33,952)**	(19,662)
Proceeds from disposals of property and equipment and intangible assets	33	**1,231**	520
Purchase of intangible assets		**(21,262)**	(32,830)
Payment for acquisition of investment in an unlisted security	18	**(18,725)**	—
Purchase of available-for-sale financial assets	19	**(32,000)**	—
Payments for short-term deposits	22	**(325,540)**	—
Payment for restricted cash	22	**(15,670)**	—
Interest received from short-term deposits		**2,192**	—
Payment for short-term investment		**(330,000)**	—
Proceeds from matured short-term investment		**330,000**	—
Interest received from short-term investment		**3,140**	—
Net cash used in investing activities		**(440,586)**	(51,972)
Cash flows from financing activities			
Payments for repurchase of ordinary shares from two Pre-Series A Investors	23	**—**	(371,904)
Capital contributions from the Founders	24	**—**	10,000
Proceeds from issuance of ordinary shares, net off underwriting commissions and other issuance costs	23	**771,765**	—
Dividends paid	13	**—**	(90,500)
Proceeds from issuance of convertible redeemable preferred shares	31	**—**	435,153
Payments of issuance costs of convertible redeemable preferred shares	10	**—**	(3,645)
Proceeds from borrowings	28	**15,242**	—
Interest paid		**(65)**	—
Net cash generate from/(used in) financing activities		**786,942**	(20,896)
Net increase in cash and cash equivalents		**635,345**	226,761
Cash and cash equivalents at beginning of year		**312,639**	85,993
Exchange losses on cash and cash equivalents		**(1,225)**	(115)
Cash and cash equivalents at end of year		**946,759**	312,639

The notes on pages 59 to 135 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

(a) General Information

Forgame Holdings Limited (the "Company"), previously known as Foga Holdings Limited, was incorporated in the Cayman Islands on July 26, 2011 as an exempted company with limited liability under the Companies Law (2011 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 613, 4th Floor Harbour Centre, George Town, Grand Cayman KY1-1107, 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 October 3, 2013, the Company completed its initial public offering ("IPO") on the Main Board of the Stock Exchange of Hong Kong Limited and the underwriter subsequently exercised their over-allotment option ("Over-allotment") on October 11, 2013. Upon the completion of the IPO, all of the Company's 29,059,440 outstanding convertible redeemable preferred shares were converted into ordinary shares on a one-to-one basis immediately as of the same date. In the IPO and Over-allotment, the Company issued and sold a total of 20,390,500 ordinary shares and the then shareholders sold 15,685,000 ordinary shares to the public at a price of Hong Kong dollars ("HK$")51 per share. The net proceeds to the Company from the IPO, after deducting underwriting commissions and other issuance costs paid and payable, were approximately RMB761,533,000.

As of December 31, 2013, Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders") collectively own approximately 51% equity interests in the Company through their respective wholly-owned companies namely Foga Group Ltd., Foga Networks Development Ltd., Foga Holdings Ltd., Foga Internet Development Ltd. and Foga Development Co., Ltd. (collectively as "Founder Companies").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on March 25, 2014.

(b) History and Reorganization of the Group

Prior to the incorporation of the Company and completion of the group reorganization (as explained below), the Group's Game Business was carried out through several domestic operating companies, incorporated in the PRC, namely Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin") and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou"). Feiyin and Weidong were incorporated on April 12, 2004 and January 22, 2007 and were acquired by the Founders in September 2009 at consideration of RMB10,000,000 and RMB10,000,000, respectively, while Jieyou was incorporated by the Founders on June 7, 2012. Weidong, Feiyin and Jieyou are collectively defined as the "PRC Operational Entities" thereafter.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (Continued)

(b) History and Reorganization of the Group (Continued)

The Group underwent reorganization (the "Reorganization"), pursuant to which the beneficial interests in the companies engaged in the Business were transferred to the Company. The Reorganization involved the following:

(i) On July 25, 2011, the Founder Companies were established in the British Virgin Islands (the "BVI") by the respective Founders.

(ii) On July 26, 2011, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000, consisting of 50,000 ordinary shares of US$1.00 each. 10,000 ordinary shares with par value of US$1.00 each were allocated and issued to the Founder Companies.

(iii) On August 9, 2011, Foga Tech Limited ("Foga Tech") was incorporated in Hong Kong as a wholly-owned subsidiary of the Company.

(iv) On March 22, 2012, Hongkong Ledong Tech Limited ("Ledong") was incorporated in Hong Kong as a wholly-owned subsidiary of Foga Tech.

(v) On June 13, 2012, Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") was established as a wholly foreign-owned enterprise in the PRC with Foga Tech being its sole equity-holder. It was established to carry out the business of software development and to provide related information technical services.

(vi) Pursuant to a series of contractual agreements signed in June and July 2012 (the "Contractual Arrangements") among Feidong, the PRC Operational Entities and their respective equity holders, Feidong acquired effective control over the financial and operational policies of the PRC Operational Entities and became entitled to economic benefits generated by these entities. Accordingly, the PRC Operational Entities became the consolidated structured entities (Note 15) of Feidong. Further details of the Contractual Arrangements are set out in Note 2.2.1(a) below. Upon completion of the Reorganization, the Company became the holding company of the Group.

The Group's major subsidiaries are based in the PRC and majority of their transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of December 31, 2013 and 2012, other than the restrictions from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

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

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION (Continued)

(c) Basis of Presentation

Immediately prior to and after the Reorganization, the Group's Game Business was carried out by the PRC Operational Entities which were under the control of the Founders. Pursuant to the Reorganization, both the PRC Operational Entities and the Group's Game Business are put under the effective control of Feidong, and ultimately the Company, through the Contractual Arrangements.

The Company has not been involved in any other business prior to the Reorganization and its operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Group's Game Business and does not result in any changes in business substance, nor in any management or Founders of the Group's Game Business, before and after the Reorganization. Accordingly, the financial statements of the companies now comprising the Group is presented using the carrying value of the Group's Game Business for the years ended December 31, 2013 and 2012.

Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2.1.1 Changes in Accounting Policy and Disclosures

(a) Changes in Accounting Policy and Disclosures

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning January 1, 2013 that are relevant to the operations of the Group but have not been early adopted.

– IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch.

– Amendments to IAS 32 "Financial instruments: presentation" on asset and liability offsetting, these amendments are to the application guidance in IAS 32, "Financial instruments: Presentation," and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

– Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures for non-financial assets, these amendments require additional disclosure of fair value information should the recoverable amount of impaired assets be based on fair value less costs of disposal. In addition, it removes the requirements of disclosing recoverable amounts in annual impairment test of goodwill and intangible assets with indefinite useful lives if not impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Changes in Accounting Policy and Disclosures (Continued)

(a) Changes in Accounting Policy and Disclosures (Continued)

– IFRIC 21, "Levies", addresses the accounting for a liability to pay a levy imposed by governments in accordance with legislation if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

The Group will adopt amendments to IAS 32, amendments to IAS 36 and IFRIC 21 on January 1, 2014 and IFRS 9 on January 1, 2015. The Group is in the process of making an assessment of the impact of the above standards, amendments to standards and interpretation on the financial statements of the Group in their initial application.

2.2 Subsidiaries

2.2.1 Consolidation

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Subsidiaries Arising from Reorganization

The wholly-owned subsidiary, Feidong, has entered into Contractual Arrangements with the PRC Operational Entities and their respective equity holders, which enables Feidong and the Group to:

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

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

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

– obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operational Entities from the respective equity holders. The right automatically renews upon expiry until Feidong specifies a renewal term;

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

The Group does not have any equity interest in PRC Operational Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the PRC Operational Entities and has the ability to affect those returns through its power over the PRC Operational Entities and is considered to control the PRC Operational Entities. Consequently, the Company regards the PRC Operational Entities as consolidated structured entities under IFRSs. The Group has included the financial position and results of the PRC Operational Entities in the consolidated financial statements during the years ended December 31, 2013 and 2012. Please refer to Note 1(c) for details of the related presentation basis.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Subsidiaries Other than from Reorganization

Except for the Reorganization of which the accounting treatment is described in Note 1(c) above, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Changes in Ownership Interests in Subsidiaries without Change of Control

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

2.2.2 Separate Financial Statements

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

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

2.3 Segment Reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group during the year ended December 31, 2013 and 2012 are within the PRC, the Group determined to present its financial statements in RMB (unless otherwise stated).

(b) Transactions and Balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income/(costs)-net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains/(losses)".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign Currency Translation (Continued)

(c) Group Companies

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

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

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

– all resulting currency exchange differences are recognized in other comprehensive income.

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

2.5 Property and Equipment

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property and Equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.6 Intangible Assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of the non-controlling interest in the acquiree.

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

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

(b) *Computer Software*

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 10 years), and recorded in amortization within operating expenses in the consolidated statement of comprehensive income.

(c) *Game Intellectual Properties and Licenses*

Game intellectual properties and licenses are initially recorded at cost or estimated fair value of intangible assets acquired through business combinations. These intangible assets are amortized on a straight-line basis over their estimate useful lives (ranged from 3 to 10 years).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible Assets (Continued)

(d) Research and Development Expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the years ended December 31, 2013 and 2012, there were no development costs meeting these criteria and capitalized as intangible assets.

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

2.7 Impairment of Non-financial Assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "short-term deposits", "restricted cash" and "cash and cash equivalents" in the balance sheet (Notes 2.11 and 2.12).

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial Assets (Continued)

(b) *Recognition and Measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Equity instruments that do not have any quoted market price in an active market and whose fair value cannot be reliably measured and derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently carried at actual cost.

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Impairment of Financial Assets

(a) Assets Carried at Amortized Cost

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of Financial Assets (Continued)

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment loss recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.11 Trade Receivables and Other Receivables

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

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.12 Cash and Cash Equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Share Capital and Premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.15).

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

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

2.14 Trade Payables

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

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

2.15 Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares (Note 31) are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 31.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the profit or loss.

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting year.

All convertible redeemable preference shares of the Company had been converted into ordinary shares of the Company upon its IPO (see Note 31).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

2.17 Current and Deferred Income Tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current Income Tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Current and Deferred Income Tax (Continued)

(b) Deferred Income Tax

Inside Basis Differences

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

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

Outside Basis Differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

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

2.18 Employee Benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based Payments

(a) *Equity-settled Share-based Payments Transactions*

The Group operates the Pre-IPO Share Option Scheme, under which the Group receives services from employees or other service providers as consideration for equity instruments (options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognized as expense.

In terms of share options awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

– including any market performance conditions;

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

– including the impact of any non-vesting conditions.

In terms of share options, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

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

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based Payments (Continued)

(b) Share-based Payments Transactions among Group Entities

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

2.20 Provisions

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

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

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

2.21 Revenue Recognition

The Group engaged in provision of webgames and mobile games development service ("Game Development") and publishing services ("Game Publishing"). The Group's revenue is principally derived from the sales of virtual items in games from both Game Development and Game Publishing. Revenues reported in the financial statements are net of sales tax and related surcharges.

(a) Game Development Revenue

The Group provides Game Development service through its own web-based platforms (91wan.com, 2918.com, 9vs.com, 915.com and 336.com, collectively "*91wan*"), third party web-based platforms, such as Tencent, Qihoo and YY; and certain mobile-based platforms (collectively "Platforms" thereafter). The Group is responsible for hosting the games, providing on-going updates of new contents, sales of in-game virtual items, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities, etc. Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the games.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition (Continued)

(a) Game Development Revenue (Continued)

The Group's games are free-to-play and players can pay for virtual items for better in-game experience. Players purchase the Group's game credits ("Paying Players") through Platform's own charging system and use the game credits to exchange in-game virtual items. Paying Players usually exchange their game credits for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Revenue shared by the Group generally ranged from 20% to 40% for each game. Platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and used in the respective games. As a result, the proceeds from the sales of virtual items are initially recorded in deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

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

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

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

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items of a specific game, the Group recognizes revenue derived from both durable and consumable virtual items of that game ratably by taking reference to the Player Relationship Period of the respective games, and other similar types of games.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition (Continued)

(a) Game Development Revenue (Continued)

For revenues relating to games developed by the Group which are published on third party Platforms, the Group has evaluated the roles and responsibilities in the delivery of game experience to the Paying Players and concluded the Group takes the primary responsibilities in the rendering service. The Group is determined to be the primary obligor and reports gross revenue. However, the Group operates across a large number of Platforms, some of which offer various marketing discounts from time to time to Paying Players. The actual prices paid by individual paying players may be lower than the standard prices of virtual items purchased with the balance being subsidized by the Platforms and such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (i.e., the actual prices paid by the Paying Players). Accordingly, the Group reports net revenue for the games whose gross revenue cannot be reasonable estimated to the extent of the amounts received and receivable from third party Platforms under Revenue Sharing Arrangement when the services are rendered.

Starting from the second half of 2013, the Group derived more substantial revenue from mobile games development through placing its games on certain mobile-based Platforms. The Group recognizes these revenues at gross before deduction of revenue shared to the mobile-based Platforms as the Group is able to make a reasonable estimation through more efforts to track the players' purchase data available on these mobile-based Platforms. The revenue shared to these mobile-based Platforms is recognized as cost of revenue.

The Group also derives revenue from licensing and technical support service on a game-by-game basis. Licensing revenue is primarily from oversea Platforms and recognized on a straight-line basis over the licensing period. Technical support revenue is recognized when technical support services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition (Continued)

(b) Game Publishing Revenue

The Group provides Game Publishing service through cooperation with game developers to Paying Players. The Group publishes its self-developed and third party developers' games on its own web-based Platforms. Similar to the Group's games published in other Platforms (details described in section (a) above), the games published on *91wan* are free-to-play and players can pay for virtual items for better in-game experience.

The Group's Game Publishing revenue mainly derives from Revenue Sharing Arrangements (details described in section (a) above) from game developers. The games published on *91wan* are hosted, maintained and updated by the game developers, and the Group mainly provides access to *91wan* and limited after-sale basic technical support to the Paying Players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the Paying Players as a Platform. Accordingly, the Group records its revenue, net of the portion of sharing of revenues with the game developers.

The Group believes that its implied obligation to the game developers corresponds to the game developers' implied obligation to provide the service which enables the virtual items to be displayed and used in the games. Given that games are hosted, managed and administered by the game developers, the Group does not have access to the data on the consumption details and the types of virtual items purchased by the Paying Players. However, the Group maintains individual Paying Player's purchase history of game credits which are used for exchange for virtual items. As such, the Group has adopted a policy to recognize revenues for both consumable and durable items exchanged by game credits over the Player Relationship Period on a game-by-game basis.

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

The Group allows Paying Players on *91wan* to make payments through cooperation with various third-party online payment Platforms such as Alipay, 99bill and Yeepay and certain major pre-paid card service providers in China such as Shenzhoufu. These online payment Platforms charge the Group payment handling costs ("Payment handling cost") with pre-agreed charge rates over the total payments received and the Group recorded the charge in "cost of revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Interest Income

Interest income mainly represents interest income from bank deposits and is recognized using effective interest method.

2.23 Government Grants

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

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

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

2.24 Leases

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

2.25 Dividend Distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market Risk

(i) Foreign Exchange Risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Company's foreign exchange risk primarily arose from the cash and cash equivalents denominated in RMB held by the Company. If RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the post-tax loss for the year ended 31 December 2013 would have been approximately RMB35,972,000 lower/higher (2012: Nil).

The Group's subsidiaries mainly operate in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. As of December 31, 2013 and 2012, the Group's PRC subsidiaries did not have significant exchange risk from the operation as the oversea receivable is not substantial.

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

(ii) Interest Rate Risk

Other than interest-bearing cash and cash equivalents and short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group has the interest-bearing liabilities of borrowings, the borrowings issued at variables rates expose the Group to cash flow interest rate risk. The directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rates.

(iii) Price Risk

The Group is exposed to price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. For the year ended December 31, 2013, the Group did not have significant price risk arising from these investments.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk

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

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

For trade receivables, a significant portion of trade receivables at the end of the year was due from those Platforms in cooperation with the Group. If the strategic relationship with the Platforms is terminated or scaled-back; or if the Platforms alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's Game Development receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the Platforms to ensure the effective credit control. In view of the history of cooperation with the Platforms and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from Platforms is low.

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

The Company's maximum exposure to credit risk is in relation to its cash and cash equivalent and other receivables. The Company follows the Group's policy to manage the credit risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk

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

The table below analyzes the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Less than 3 Months RMB'000**	**Between 3 Months and 1 year RMB'000**
As of December 31, 2013		
Borrowings	**—**	**15,242**
Trade payables	**34,990**	**—**
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**34,197**	**—**
As of December 31, 2012		
Trade payables	10,168	—
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	11,813	—

Company	**Less than 3 Months RMB'000**	**Between 3 Months and 1 year RMB'000**
As of December 31, 2013		
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**22,422**	**—**
As of December 31, 2012		
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	1,858	—

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital Management

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

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

3.3 Fair Value Estimation

Financial instruments are carried at fair value, by valuation method. The different levels have been defined 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).

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss				
– Investment in an unlisted security	—	—	18,291	18,291
Available-for-sale financial assets	—	—	32,000	32,000
	—	—	50,291	50,291

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2012.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring Fair Value Measurements:				
Liabilities:				
Financial liabilities at fair value through profit or loss				
– Convertible redeemable preferred shares	—	—	451,153	451,153

The fair value of financial instruments traded in active markets is determined based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate.

– A combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.

There were no changes in valuation techniques during the year.

The changes in level 3 instruments for the years ended December 31, 2013 and 2012 are presented in Notes 18, 19, and 31.

The Group determines the fair value of the Group's financial instrument carried at fair value in level 3 at each of the reporting dates.

Except for the investment in an unlisted security, available-for-sale financial assets and convertible redeemable preferred shares, 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 borrowings, trade payables and other payables and accruals, approximate their respective fair value due to their short maturity at each of the reporting dates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of Player Relationship Period in the Group's Game Development and Game Publishing Services

As described in Note 2.21, the Group recognizes revenue from durable virtual items in Game Development and both durable and consumable items in Game Publishing ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(b) Income Tax

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

(c) Recognition of Share-based Compensation Expenses

As mentioned in Note 25, the Group has granted share options to its directors and employees. The directors have used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

4.2 Critical Judgments in Applying the Group's Accounting Policies

(a) Revenue Presentation and Recognition

Net Revenue Presentation for Webgames

For revenues relating to webgames developed by the Group which are published on third party Platforms, as described in Note 2.21, the Group is unable to make a reasonable estimate of the gross revenue because the third parties Platforms have discretion determining the actual price of the virtual items purchased by the Paying Players and in offering discounts. Accordingly, such revenue is recognized based on the net amount received from the third party Platforms.

Gross Revenue Presentation for Mobile Games

For revenues relating to mobile games developed by the Group which are published on third party Platforms, the Group is able to make a reasonable estimate of the gross revenue because the Group's mobile games are published through a small number of Platforms and the Group can obtain the data from these mobile Platforms in determining the actual price of the virtual items purchased by the Paying Players. Accordingly, such revenue is recognized on a gross basis.

5 SEGMENT INFORMATION

The Group's Game Business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the 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 Development

– Game Publishing

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 gains/(losses), finance income/(costs)-net, fair value loss of convertible redeemable preferred shares, income tax expense are also not allocated to individual operating segments.

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Cost of revenue primarily comprises bandwidth and server custody fees, salary and compensation expenses, content cost and agency fees, depreciation and amortization and others.

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

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2013 and 2012 is as follows:

	Year Ended December 31, 2013		
	Game Development RMB'000	**Game Publishing RMB'000**	**Total RMB'000**
Segment revenue	799,437	383,691	1,183,128
Segment cost	(136,310)	(44,907)	(181,217)
Gross profit	663,127	338,784	1,001,911
Depreciation and amortization included in segment cost	18,306	3,339	21,645

5 SEGMENT INFORMATION (Continued)

	Year Ended December 31, 2012		
	Game Development RMB'000	Game Publishing RMB'000	Total RMB'000
Segment revenue	540,749	235,900	776,649
Segment cost	(40,556)	(38,532)	(79,088)
Gross profit	500,193	197,368	697,561
Depreciation and amortization included in segment cost	9,143	3,538	12,681

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the years ended December 31, 2013 and 2012 is as follows:

	Year Ended December 31, 2013		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**1,099,736**	**83,392**	**1,183,128**

	Year Ended December 31, 2012		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	700,252	76,397	776,649

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

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the years ended December 31, 2013 and 2012.

Turnover consists of revenues generated by the Group, which accounted for RMB1,183,128,000, and RMB776,649,000 for the years ended December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, majority of the non-current assets of the Group were located in the PRC.

6 EXPENSES BY NATURE

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Employee benefit expenses (Note 9)	**341,174**	200,032
Promotion and advertising expenses	**288,719**	172,193
Content cost and agency fees	**87,698**	27,923
Bandwidth and server custody fees	**47,693**	34,360
Operating lease rentals in respect of office buildings	**27,880**	12,288
Depreciation of property and equipment (Note 14)	**16,875**	10,578
Amortization of intangible assets (Note 16)	**11,137**	4,153
Travelling and entertainment expenses	**8,115**	8,601
Auditors' remuneration	**5,402**	6,089
Others	**31,862**	18,683
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**866,555**	494,900

7 OTHER INCOME

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Interest income	**7,493**	1,144
Government grants	**2,840**	1,644
	10,333	2,788

8 OTHER GAINS/(LOSSES)

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Exchange gains/(losses), net	**2,798**	(546)
Loss on disposal of property and equipment, net	**(489)**	(400)
	2,309	(946)

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS)

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Wages, salaries and bonuses	**236,031**	159,822
Pension costs – defined contribution plans	**13,799**	5,830
Other social security costs, housing benefits and other employee benefits	**32,086**	34,380
Share-based compensation expenses under Pre-IPO Share Option Scheme	**59,258**	—
	341,174	200,032

(a) Pension Costs – Defined Contribution Plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (2013 and 2012: 12%-20%) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees. The Group contributes to the Mandatory Provident Fund at a fixed percentage of 5% of the employee's relevant income up to a maximum of HK$1,250 (prior to June 1, 2012: HK$ 1,000) per employee per month organized by the Hong Kong government authorities for the employees of the Group in Hong Kong.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments

The remuneration of each director and chief executive for the year ended December 31, 2013 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs – Defined Contribution Plans	Other Social Security Costs and Housing Benefits	Share-based Compensation Expenses under Share Option Scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Wang Dongfeng (i)	—	228	—	12	22	—	262
Huang Weibing (ii)	—	408	—	10	33	—	451
Liao Dong (ii)	—	228	—	12	22	—	262
Zhuang Jieguang (ii)	—	408	—	6	13	—	427
Non-executive Directors							
Sippel Edward Francis (iii)	—	—	—	—	—	—	—
Tan Hainan (iii)	—	—	—	—	—	—	—
Tung Hans (iii)	—	—	—	—	—	—	—
Independent Non-executive Directors							
Iosilevich Alexander Gennady (iv)	144	—	—	—	—	562	706
Levin Eric Joshua (iv)	297	—	—	—	—	1,202	1,499
Poon Philana Wai Yin (v)	82	—	—	—	—	646	728
Zhao Cong Richard (v)	82	—	—	—	—	646	728
	605	1,272	—	40	90	3,056	5,063

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments (Continued)

The remuneration of each director and chief executive for the year ended December 31, 2012 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs – Defined Contribution Plans	Other Social Security Costs and Housing Benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors						
Wang Dongfeng (i)	—	228	—	12	21	261
Huang Weibing (ii)	—	394	—	14	24	432
Liao Dong (ii)	—	228	—	12	21	261
Zhuang Jieguang (ii)	—	181	—	3	8	192
Non-executive Directors						
Sippel Edward Francis (iii)	—	—	—	—	—	—
Tan Hainan (iii)	—	—	—	—	—	—
Tung Hans (iii)	—	—	—	—	—	—
Independent Non-executive Directors						
Iosilevich Alexander Gennady (iv)	42	—	—	—	—	42
Levin Eric Joshua (iv)	50	—	—	—	—	50
	92	1,031	—	41	74	1,238

Notes:

(i) Mr. Wang Dongfeng was appointed as executive director and the chief executive officer ("CEO") of the Company on July 26, 2011.

(ii) Mr. Huang Weibing and Mr. Liao Dong were appointed as co-presidents of the Company in July 2011, while Mr. Zhuang Jieguang was appointed as co-president of the Company on June 15, 2012. All of them were appointed as Executive Directors on June 15, 2012.

(iii) On June 15, 2012, Mr. Sippel Edward Francis, Mr. Tan Hainan and Mr. Tung Hans were appointed as non-Executive Directors of the Company. They had not received and were not entitled to receive any emoluments during the year ended December 31, 2013.

Mr. Sippel Edward Francis resigned as a non-executive director of the Company with effect from April 18, 2013.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments (Continued)

(iv) On November 1, 2012, Mr. Iosilevich Alexander Gennady and Mr. Levin Eric Joshua were appointed as independent non-Executive Directors of the Company.

Mr. Iosilevich Alexander Gennady resigned as an independent non-executive director of the Company with effect from July 31, 2013.

(v) On September 1, 2013, Ms. Poon Philana Wai Yin and Mr. Zhao Cong Richard were appointed as independent non-Executive Directors of the Company.

(vi) The Founders are also employees of other Group companies and the Group paid employee benefits to them before their respective appointments of directorship.

(vii) During the years ended December 31, 2013 and 2012, no directors waived or agreed to waive any emoluments.

(c) Senior Management's Emoluments

Senior management includes directors, CEO and other senior executives. The aggregate compensation paid/payable to senior management for employee services is as follows:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Fees, Wages, salaries and bonuses	**6,462**	7,316
Pension costs – defined contribution plans	**53**	58
Other social security costs and housing benefits	**207**	602
Share-based compensation expenses under Pre-IPO Share Option Scheme	**18,929**	--
	25,651	7,976

The number of the senior management fell within the following bands:

	Year Ended December 31,	
	2013	2012
Emolument bands		
HK$1 - HK$5,000,000	**8**	7
HK$5,000,001 - HK$10,000,000	**1**	1
HK$10,000,001 - HK$15,000,000	**-**	-
HK$15,000,001 - HK$20,000,000	**1**	-
	10	8

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND SENIOR MANAGEMENTS' EMOLUMENTS) (Continued)

(d) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group include no directors/chief executives for each of the years ended December 31, 2013 and 2012. The emoluments paid and payable to the five highest paid individuals for each of the years ended December 31, 2013 and 2012 are as follows:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Wages, salaries and bonuses	**7,641**	16,619
Pension costs – defined contribution plans	**25**	39
Other social security costs, housing benefits and other employee benefits	**144**	1,321
Share-based compensation expenses under Pre-IPO Share Option Scheme	**38,100**	—
	45,910	17,979

The number of these individuals fell within the following bands:

	Year Ended December 31,	
	2013	2012
Emolument bands		
HK$1,000,001 - HK$1,500,000	**—**	1
HK$1,500,001 - HK$2,000,000	**—**	2
HK$2,500,001 - HK$3,000,000	**—**	1
HK$3,500,001 - HK$4,000,000	**—**	1
HK$4,500,001 - HK$5,000,000	**1**	—
HK$6,500,001 - HK$7,000,000	**1**	—
HK$8,000,001 - HK$8,500,000	**1**	—
HK$18,500,001 - HK$19,000,000	**2**	—
	5	5

(e) During the year, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

10 FINANCE INCOME/(COSTS) - NET

	Year Ended December 31, 2013 RMB'000	2012 RMB'000
Finance costs:		
– Interest expense from bank borrowings	**(126)**	—
– Issuance costs of Series A Preferred Shares (Note 31)	**—**	(3,645)
	(126)	(3,645)
Finance income:		
– Interest income on short-term investment	**3,140**	—
– Interest income on short-term deposits	**4,006**	—
	7,146	—
Finance income/(costs)-net	**7,020**	(3,645)

11 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended December 31, 2013 and 2012 are analyzed as follows:

	Year Ended December 31, 2013 RMB'000	2012 RMB'000
Current income tax:		
– PRC corporate income tax	**59,212**	48,610
Deferred income tax (Note 32)		
– Origination and reversal of temporary differences	**11,079**	(5,050)
Income tax expense	**70,291**	43,560

11 INCOME TAX EXPENSE (Continued)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to (losses)/profits of the consolidated entities as follows:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
(Loss)/Profit before income tax	**(405,113)**	261,177
Add back: Loss of the Company (Note i)	**755,428**	23,677
	350,315	284,854
Tax calculated at statutory income tax rates applicable to (losses)/profits of the consolidated entities in their respective jurisdictions	**90,454**	65,434
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(33,017)**	(24,335)
Tax losses for which no deferred income tax asset was recognized	**1,944**	269
Super deduction for research and development expenses	**(7,105)**	(4,840)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**6,151**	—
– Others	**9,865**	7,032
Re-measurement of deferred income tax – change in enacted income tax rate of Feidong	**1,999**	—
Income tax expense	**70,291**	43,560

11 INCOME TAX EXPENSE (Continued)

Note:

(i) The Company is exempt from Cayman Islands income tax. As such, the operating results reported by the Company on a standalone basis, including the fair value loss of re-measurement of Series A Preferred Shares, is not subject to any income tax.

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2013 and 2012. 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 years ended December 31, 2013 and 2012.

(c) Taiwan Business income tax

Forgame International Co. Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the year ended December 31, 2013.

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

Except for Weidong, Feiyin and Feidong, the income tax provision of the operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the years ended December 31, 2013 and 2012, based on the existing legislation, interpretations and practices in respect thereof.

Weidong, Feiyin were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013 and 2012. Therefore, they were entitled to a preferential income tax rate of 15% on their estimated assessable profits for the years ended December 31, 2013 and 2012.

Before 2013, the applicable income tax rate of Feidong was 25%. In 2013, Feidong was accredited as a "software enterprise" under the relevant PRC laws, regulations and rules. Therefore, under the EIT Law, Feidong was exempted from EIT in 2013 and will enjoy a reduced income tax rate of 12.5% from 2014 to 2016, provided that it continues to be qualified as software enterprise during such period.

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 for the year ended December 31, 2013.

11 INCOME TAX EXPENSE (Continued)

(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 January 1, 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 of December 31, 2013, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of December 31, 2013.

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended December 31, 2013 and 2012 are calculated by dividing the (loss)/profit of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective year.

	Year Ended December 31,	
	2013	2012
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(475,404)**	217,617
Weighted average number of ordinary shares in issue (Note i)	**47,075,903**	54,066,667
Basic (loss)/earnings per share (in RMB/share)	**(10.10)**	4.02

Note:

(i) As detailed in Note 23(c), in connection with the issuance of Series A Preferred Shares on June 15, 2012, the Founders' ordinary shares were put on escrow with the Company as Restricted Shares (as defined in Note 23(c)). As these Restricted Shares are contingently returnable, they are not treated as outstanding and are excluded from the calculation of basic earnings per share until upon the completion of the IPO on October 3, 2013. Should these shares had not been put on escrow with the Company as Restricted Shares, the respective weighted average number of ordinary shares in issue for the years ended December 31, 2013 and 2012 for purpose of computing the basic (loss)/earnings per share would be 88,303,300 and 87,000,000, and the unaudited basic (loss)/earnings per share would be RMB(5.38)/share, and RMB2.50/share, respectively.

12 (LOSS)/EARNINGS PER SHARE (Continued)

(b) Diluted

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

For the year ended December 31, 2012, the Company had two categories of dilutive potential ordinary shares, the Restricted Shares and Series A Preferred Shares. Restricted Shares were assumed to have been fully vested and released from restrictions with no impact on earnings. The Series A Preferred Shares were assumed to have been converted into ordinary shares, and the net profit had been adjusted to eliminate the fair value loss of convertible redeemable preferred shares less related income tax effect.

For the year ended December 31, 2013, the Company had three categories of dilutive potential ordinary shares, the Restricted Shares, Series A Preferred Shares before its conversion to ordinary shares on October 3, 2013, share options granted to employees under Pre-IPO Share Option Scheme. As the Group incurred loss for the year ended December 31, 2013, the Restricted Shares, Series A Preferred Shares and share options are anti-dilutive and not included in the computation of diluted loss per share.

	Year Ended December 31,	
	2013	2012
(Loss)/profit attributable to equity holders of the Company (RMB'000)	**(475,404)**	217,617
Fair value loss of convertible redeemable preferred shares (Note 31) (RMB'000)	**—**	18,769
(Loss)/profit used to determine diluted (loss)/earnings per share (RMB'000)	**(475,404)**	236,386
Weighted average number of ordinary shares in issue	**47,075,903**	54,066,667
Adjustments for Restricted Shares	**—**	32,933,333
Adjustments for conversion of convertible redeemable preferred shares	**—**	15,740,530
Adjustments for share options	**—**	—
Weighted average number of ordinary shares for calculating diluted (loss)/earnings per share	**47,075,903**	102,740,530
Diluted (loss)/earnings per share (in RMB/share)	**(10.10)**	2.30

13 DIVIDENDS

	Year Ended December 31, 2013 RMB'000	2012 RMB'000
Dividends declared by Weidong and Feiyin	—	90,500

The Board does not recommend payment of a final dividend for the year ended December 31, 2013.

No dividends has been paid or declared by the Company since its incorporation.

Pursuant to the resolutions of the shareholders' meetings of Weidong and Feiyin held on May 21, 2012 and May 23, 2012, dividends of RMB78,000,000 and RMB12,500,000 were declared and paid to the then equity owners, respectively.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the year ended December 31, 2012.

14 PROPERTY AND EQUIPMENT

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
At January 1, 2012					
Cost	4,600	39,574	261	2,220	46,655
Accumulated depreciation	(733)	(6,977)	—	(409)	(8,119)
Net book amount	3,867	32,597	261	1,811	38,536
Year ended December 31, 2012					
Opening net book amount	3,867	32,597	261	1,811	38,536
Additions	5,262	12,805	1,577	18	19,662
Disposals	(280)	(640)	—	—	(920)
Depreciation charge	(1,067)	(8,499)	(154)	(858)	(10,578)
Closing net book amount	7,782	36,263	1,684	971	46,700
At December 31, 2012					
Cost	9,424	51,617	1,838	2,238	65,117
Accumulated depreciation	(1,642)	(15,354)	(154)	(1,267)	(18,417)
Net book amount	7,782	36,263	1,684	971	46,700

14 PROPERTY AND EQUIPMENT (Continued)

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
Year ended December 31, 2013					
Opening net book amount	7,782	36,263	1,684	971	46,700
Additions	3,434	13,250	584	17,736	35,004
Disposals	(470)	(150)	—	—	(620)
Depreciation charge	(2,199)	(10,837)	(419)	(3,420)	(16,875)
Closing net book amount	8,547	38,526	1,849	15,287	64,209
At December 31, 2013					
Cost	11,975	64,635	2,422	19,974	99,006
Accumulated depreciation	(3,428)	(26,109)	(573)	(4,687)	(34,797)
Net book amount	8,547	38,526	1,849	15,287	64,209

Depreciation charges were included in the following categories in the profit or loss:

	Year Ended December 31, 2013 RMB'000	2012 RMB'000
Cost of revenue	11,329	8,708
Administrative expenses	1,562	872
Research and development expenses	3,890	946
Selling and marketing expenses	94	52
	16,875	10,578

15 INTERESTS IN SUBSIDIARIES – COMPANY

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Investments in subsidiaries (including structured entities):		
– Deemed investments arising from share-based compensation (Note a)	**140,793**	102,977
Amount due from subsidiaries (Note b)	**48,776**	31,427
	189,569	134,404

(a) The amount represents share-based compensation expenses arising from the grant of awarded shares of the Company to Pre-Series A Investors (as defined in Note 23) in 2009, two Founders in 2011 and share options granted to eligible employees of certain subsidiaries on January 1, 2013, July 1, 2013 and September 1, 2013 (Note 25) in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

(b) The balance is unsecured, interest-free and its repayment is neither planned nor likely to occur in the foreseeable future.

15 INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

The following is a list of the principal subsidiaries (including structured entities) as of December 31, 2013:

Company Name	Kind of legal entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/ Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company					
Foga Tech Limited ("Foga Tech")	Limited liability company	Hong Kong/ August 9, 2011	HK$1	100%	Investment holding, operation of webgames and mobile games, Hong Kong
Indirectly held by the Company					
Hongkong Ledong Tech Limited ("Ledong")	Limited liability company	Hong Kong/ March 22, 2012	HK$10,000	100%	Development and operation of webgames, Hong Kong
Forgame International Co., Ltd. (雲遊股份有限公司) ("Yunyou")	Limited liability company	Taiwan/ October 11, 2013	New Taiwan dollars ("NT$") 15,000,000	100%	Development of webgames and mobile games, and technology services, Taiwan
Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司) ("Feidong")	Limited liability company	PRC/ June 13, 2012	US$5,000,000	100%	Software development and provision of information technology services, the PRC
Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司) ("Feiyin")*	Limited liability company	PRC/ April 12, 2004	RMB10,000,000	100%	Development of webgames and mobile games, the PRC
Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司) ("Weidong")*	Limited liability company	PRC/ January 22, 2007	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC
Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司) ("Jieyou")*	Limited liability company	PRC/ June 7, 2012	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC

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

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

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer Software RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
At January 1, 2012				
Cost	1,586	98	1,769	3,453
Accumulated amortization	—	(12)	(769)	(781)
Net book amount	1,586	86	1,000	2,672
Year ended December 31, 2012				
Opening net book amount	1,586	86	1,000	2,672
Additions	—	1,590	31,240	32,830
Amortization charge	—	(189)	(3,964)	(4,153)
Closing net book amount	1,586	1,487	28,276	31,349
At December 31, 2012				
Cost	1,586	1,688	33,009	36,283
Accumulated amortization	—	(201)	(4,733)	(4,934)
Net book amount	1,586	1,487	28,276	31,349
Year ended December 31, 2013				
Opening net book amount	**1,586**	**1,487**	**28,276**	**31,349**
Additions	**—**	**6,388**	**14,630**	**21,018**
Disposals	**—**	**—**	**(1,100)**	**(1,100)**
Amortization charge	**—**	**(868)**	**(10,269)**	**(11,137)**
Closing net book amount	**1,586**	**7,007**	**31,537**	**40,130**
At December 31, 2013				
Cost	**1,586**	**8,076**	**46,139**	**55,801**
Accumulated amortization	**—**	**(1,069)**	**(14,602)**	**(15,671)**
Net book amount	**1,586**	**7,007**	**31,537**	**40,130**

16 INTANGIBLE ASSETS (Continued)

Amortization charges were included in the following categories in the profit or loss:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
Cost of revenue	**10,316**	3,973
Administrative expenses	**491**	137
Research and development expenses	**330**	43
	11,137	4,153

17 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

	As of December 31,	
Group	**2013**	2012
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	**92,194**	84,293
– Other receivables (excluding prepayments)	**17,897**	7,065
– Restricted cash	**15,670**	—
– Short-term deposits	**325,540**	—
– Cash and cash equivalents	**946,759**	312,639
Financial assets at fair value through profit or loss		
– Investment in an unlisted security	**18,291**	—
Available-for-sale financial assets	**32,000**	—
	1,448,351	403,997
Liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Borrowings	**15,242**	—
– Trade payables	**34,990**	10,168
– Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**34,197**	11,813
Financial liabilities at fair value through profit or loss		
– Convertible redeemable preferred shares	**—**	451,153
	84,429	473,134

17 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

	As of December 31,	
Company	**2013**	2012
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Cash and cash equivalents	**781,329**	28,706
– Amount due from Founders	**—**	64
– Other receivables (excluding prepayments)	**664**	—
	781,993	28,770
Liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**22,422**	1,858
Financial liabilities at fair value through profit or loss		
– Convertible redeemable preferred shares	**—**	451,153
	22,422	453,011

18 INVESTMENT IN AN UNLISTED SECURITY

	RMB'000
At January 1, 2013	**—**
Additions – unlisted security of Appionics Holdings Limited ("Appionics") (Note a)	**18,725**
Exchange differences	**(434)**
At December 31, 2013	**18,291**
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the reporting year	**—**

(a) On April 18, 2013, the Group acquired certain redeemable convertible Series B preferred share of Appionics, for an aggregate cash consideration of US$3,000,000 (equivalent to approximately RMB18,725,000). The Group does not bifurcate the conversion feature from its host instrument and designates the entire hybrid contract as a financial asset 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)/ income.

The directors determined the fair value as of the balance sheet date based on the expected revenue in Appionics and market multiple of comparable companies. The directors consider that there was no significant change in the fair value up to December 31, 2013.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS- GROUP

	RMB'000
At January 1, 2013	**—**
Additions (Note a)	**32,000**
At December 31, 2013	**32,000**

(a) In December 2013, the Group set up an equity investment fund (the "Fund") with two independent third party partners. The Group is a limited partner in the Fund and does not have control or significant influence in the Fund. The directors classified the investment as available-for-sale financial assets. This Fund is set up to invest in mobile games and application companies, and obtain capital appreciation and investment income.

The directors consider that there was no significant change in the fair value up to December 31, 2013 as the Fund is still in pre-operating stage.

20 TRADE RECEIVABLES

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Third parties	**93,929**	86,913
Less: provision for impairment	**(1,735)**	(2,620)
	92,194	84,293

As of December 31, 2013 and 2012, the fair values of trade receivables approximate their carrying amounts.

20 TRADE RECEIVABLES (Continued)

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

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
0-30 days	**57,303**	59,498
31-60 days	**18,995**	17,803
61-90 days	**5,534**	4,948
91-180 days	**7,249**	1,230
181-365 days	**3,113**	814
Over 1 year	**1,735**	2,620
	93,929	86,913

(b) The sales of the Group are mainly made on credit terms determined on individual basis with normal credit periods of 30 to 60 days from respective invoice dates. As of December 31, 2013 and 2012, trade receivables that are past due but not impaired were RMB7,647,000 and RMB3,623,000, respectively. These receivables are due from a number of Platforms which are assessed to have no significant financial difficulty. Management of the Group had assessed, based on past experience, that these overdue amounts could be recovered. The aging of this category of trade receivables is less than one year.

(c) Movements on the Group's provision for impairment of trade receivables are as follows:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
At beginning of year	**2,620**	2,224
Provision for impairment	**1,271**	561
Receivables written off during the year as uncollectible	**(1,683)**	(165)
Reversal	**(473)**	—
At end of year	**1,735**	2,620

The provision and reversal of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive (loss)/income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

20 TRADE RECEIVABLES (Continued)

(d) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As of December 31, 2013 RMB'000	2012 RMB'000
RMB	**71,007**	72,076
US$	**17,582**	14,837
NT$	**5,340**	—
	93,929	86,913

(e) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

(f) As of December 31, 2013 and 2012, 22% and 31% of trade receivables are due from 2 and 2 major Platforms in cooperation with the Group for its game development business.

21 PREPAYMENTS AND OTHER RECEIVABLES

Group	As of December 31, 2013 RMB'000	2012 RMB'000
Included in non-current assets		
Rental and other deposits	**2,512**	2,352
Included in current assets		
Amount due from Founders (Note 35)	**—**	64
Rental and other deposits	**10,701**	3,434
Prepaid advertising costs (Note a)	**17,965**	9,883
Staff advance	**1,116**	1,719
Prepayments for outsourcing of game development charges	**1,947**	2,660
Prepaid technical services fee	**—**	566
Interest receivable	**2,732**	—
Others	**6,476**	2,411
	40,937	20,737
Less: provision for impairment of other receivables	**—**	(504)
	40,937	20,233

21 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Note:

(a) The Group engages various online advertising suppliers and makes prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized in the "selling and marketing expenses" when the advertising services are rendered.

As of December 31, 2013 and 2012, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximate their fair values due to their short maturity at each of the reporting dates. As of December 31, 2013 and 2012, there were no significant balances that are past due.

The maximum exposure to credit risk as of the reporting date is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

Provision is written off, when there is no expectation of recovering additional cash. For the year ended December 31, 2013, receivables written off as uncollectible were RMB504,000.

As of December 31, 2013, prepayments and other receivables included in the Company's separate balance sheet primarily consist of amount due from a subsidiary. The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

22 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSITS/RESTRICTED CASH – GROUP AND COMPANY

(a) Cash and Cash Equivalents

	As of December 31,	
Group	**2013**	2012
	RMB'000	RMB'000
Cash at bank and on hand	**943,905**	309,000
Cash at other financial institutions	**2,854**	3,639
Cash and cash equivalents	**946,759**	312,639
Maximum exposure to credit risk	**946,759**	312,639

22 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSIT/RESTRICTED CASH – GROUP AND COMPANY (Continued)

(a) Cash and Cash Equivalents (Continued)

Company	As of December 31, 2013 RMB'000	2012 RMB'000
Cash and cash equivalents	**781,329**	28,706
Maximum exposure to credit risk	**781,329**	28,706

Cash and cash equivalents are denominated in the following currencies:

Group	As of December 31, 2013 RMB'000	2012 RMB'000
RMB	**913,453**	280,376
US$	**22,793**	32,263
HK$	**7,744**	—
NT$	**2,769**	—
	946,759	312,639

Company	As of December 31, 2013 RMB'000	2012 RMB'000
RMB	**755,388**	—
US$	**18,727**	28,706
HK$	**7,214**	—
	781,329	28,706

(b) Short-term Deposits

As of December 31, 2013, the short-term deposits amounted to RMB325,540,000 (2012: Nil) are bank deposits with original maturities of three months and redeemable on maturity. The short-term deposits are denominated in RMB and the weighted average effective interest rate was 4.23% for the year ended December 31, 2013.

(c) Restricted Cash

As of December 31, 2013, RMB15,670,000 (2012: Nil) were restricted deposits held at bank as security for a revolving loan facility provided by a bank to the Group (Note 28).

23 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$	Number of Preferred Shares	Nominal Value of Preferred Shares US$
Authorized:					
As of January 1, 2012		50,000	50,000	—	—
First Share Split	b	49,950,000	—	—	—
Reclassification and re-designation	b	(2,905,944)	(2,906)	2,905,944	2,906
Second Share Split	d	423,846,504	—	26,153,496	—
As of December 31, 2012		**470,940,560**	**47,094**	**29,059,440**	**2,906**
Cancellation and re-authorization	h	29,059,440	2,906	(29,059,440)	(2,906)
As of December 31, 2013		**500,000,000**	**50,000**	**—**	**—**

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued:						
As of January 1, 2012	a	10,000	10	64	—	64
First Share Split	b	9,990,000	—	—	—	—
Repurchase of ordinary shares	c	(2,400,000)	(2)	(15)	—	(15)
Second Share Split	d	68,400,000	—	—	—	—
As of December 31, 2012		**76,000,000**	**8**	**49**	**—**	**49**
Initial public offering	e	20,390,500	2	13	761,520	761,533
Conversion of preferred shares to ordinary shares	f	29,059,440	3	18	1,173,014	1,173,032
Employee share option scheme:						
– number of shares issued	g	490,364	—	—	—	—
As of December 31, 2013		**125,940,304**	**13**	**80**	**1,934,534**	**1,934,614**

23 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (Continued)

Notes:

(a) The Company was incorporated on July 26, 2011 with an authorized share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. On the same date, 10,000 ordinary shares of US$1 each were issued, totaling US$10,000 (equivalent to approximately RMB64,000), to the Founder Companies. On September 15, 2011, the Founders entered into a cooperation agreement with Ms. Wang Baoshan and Mr. Wang Po Tsan (collectively, the "Pre-Series A Investors"), in which Foga Networks agreed to transferred 1,600 and 800 Ordinary Shares to two offshore entities 100% owned by the Pre-Series A Investors, for a nominal cash consideration of US$1.00 each.

(b) On June 15, 2012, the Board of Directors of the Company approved a share split of the Company's share capital at a ratio of 1 to 1,000 (the "First Share Split"). Immediately after this split, the Company re-classified and re-designated authorized share capital into 47,094,056 ordinary shares of par value of US$0.001 each and 2,905,944 preferred shares of par value of US$0.001 each.

(c) On June 15, 2012, the Company, the Pre-Series A Investors and certain institutional investors entered into a Series A Preferred Share Purchase Agreement under which the Company issued 2,905,944 Series A Preferred Shares of US$0.001 each to these institutional investors for an aggregate cash consideration of US$68,800,000 (equivalent to approximately RMB435,153,000) and repurchased 2,400,000 ordinary shares of US$0.001 each from the Pre-Series A Investors for a total cash consideration of US$58,800,000 (equivalent to approximately RMB371,904,000). The repurchased ordinary shares were cancelled immediately and the share capital of the Company was reduced by US$2,000 (equivalent to approximately RMB15,000). The directors of the Company concluded that there was no separate component in the transaction to be recognized. Hence, the repurchase transaction is accounted for as the transaction between the Company and the shareholders. The difference of US$58,798,000 (equivalent to approximately RMB371,889,000) between the repurchase amount and the initial value of related share capital was debited to other reserves.

As a closing condition to the Series A Preferred Share Purchase Agreement, on June 15, 2012, the Founders, the Series A Preferred Shareholders and the Company, entered into a share restriction agreement ("Share Restriction Agreement"). Pursuant to the Share Restriction Agreement, the ordinary shares ("Restricted Shares") of the Company held by the Founders on June 15, 2012 were subject to vesting conditions and repurchase right of the Company until the Restricted Shares became vested. Twenty percent of the Restricted Shares vested upon the closing of the Series A Preferred Share Purchase Agreement, and twenty percent of the Restricted Shares would vest on each of the first, second, third and fourth anniversaries of the closing of the Series A Preferred Share Purchase Agreement so long as the Founders remain employees of a member of the Group. Vesting of all Restricted Shares was accelerated upon the completion of an IPO or change of control events as defined in the Share Restriction Agreement. The restrictions and vesting of these shares do not give rise to any additional value and benefits to the Founders and therefore the arrangement has not been accounted for as share-based payments. As of December 31, 2012 60,800,000 Restricted Shares were yet to be vested and still subject to repurchase right of the Company but all Restricted Shares were vested upon the completion of the IPO of the Company on October 3, 2013.

(d) On August 21, 2012, the Board of Directors of the Company approved another share split of the Company's share capital at a ratio of 1 to 10 (the "Second Share Split"). As a result, the authorized share capital became US$50,000 divided into 470,940,560 ordinary shares of par value of US$0.0001 each and 29,059,440 preferred shares of par value of US$0.0001 each, while the issued share capital became 76,000,000 ordinary shares of US$0.0001 each and 29,059,440 Series A Preferred Shares of US$0.0001 each.

(e) On October 3, 2013, the Company completed its IPO on the Main Board of the Stock Exchange of Hong Kong Limited. In the IPO, the Company issued and sold a total of 20,390,500 ordinary shares to the public at a price of HK$51 per share. The net proceeds to the Company, after deducting underwriting commissions and other issuance costs paid and payable, were approximately RMB761,533,000.

(f) Upon the completion of the IPO, all of the Company's 29,059,440 outstanding Series A Preferred Shares were converted into ordinary shares on a one-to-one basis immediately at a price of HK$51 per share.

(g) During the year ended December 31, 2013, 490,364 pre-IPO share options with exercise prices US$0.0001 were exercised.

(h) Upon the completion of IPO on October 3, 2013, 29,059,440 authorized Series A Preferred Shares of par value of US$0.0001 each have been cancelled and 29,059,440 ordinary share of par value of US$0.0001 each have been authorized.

24 RESERVES

Group	Capital Reserve RMB'000 (Note a)	Statutory Reserves RMB'000 (Note b)	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
At January 1, 2012	20,000	2,953	102,977	—	—	125,930
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	—	—	(371,889)	(371,889)
Capital contribution by the Founders	10,000	—	—	—	—	10,000
Appropriation to statutory reserves	—	4,954	—	—	—	4,954
Currency translation differences	—	—	—	2,654	—	2,654
At December 31, 2012	30,000	7,907	102,977	2,654	(371,889)	(228,351)
At January 1, 2013	**30,000**	**7,907**	**102,977**	**2,654**	**(371,889)**	**(228,351)**
Value of employee service – Pre-IPO Share Option Scheme	**—**	**—**	**59,258**	**—**	**—**	**59,258**
Appropriation to statutory reserves	**—**	**2,921**	**—**	**—**	**—**	**2,921**
Currency translation differences	**—**	**—**	**—**	**6,326**	**—**	**6,326**
At December 31, 2013	**30,000**	**10,828**	**162,235**	**8,980**	**(371,889)**	**(159,846)**

Company	Capital Reserve RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserve RMB'000	Total RMB'000
At January 1, 2012	—	102,977	—	—	102,977
Repurchase of ordinary shares from Pre-Series A Investors (Note 23(c))	—	—	—	(371,889)	(371,889)
Currency translation differences	—	—	2,380	—	2,380
At December 31, 2012	—	102,977	2,380	(371,889)	(266,532)
At January 1, 2013	**—**	**102,977**	**2,380**	**(371,889)**	**(266,532)**
Value of employee service – Pre-IPO Share Option Scheme	**—**	**59,258**	**—**	**—**	**59,258**
Currency translation differences	**—**	**—**	**1,116**	**—**	**1,116**
At December 31, 2013	**—**	**162,235**	**3,496**	**(371,889)**	**(206,158)**

24 RESERVES (Continued)

Notes:

(a) Capital reserve of the Group arises from capital contribution by the Founders pursuant to the Group Reorganization (Note1 (b)).

(b) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entities, it is required to appropriate 10% of the annual net profits of the PRC Operational Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the PRC Operational Entities, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

25 SHARE-BASED PAYMENTS – GROUP AND COMPANY

On October 31, 2012, the Board of Directors of the Company approved the establishment of the 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 conditional 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 ("performance condition") and the grantees remained employed by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On January 1, July 1, and September 1, 2013, 5,385,611, 898,800 and 156,500 share options were granted under the scheme respectively (During the year ended December 31, 2012: Nil).

25 SHARE-BASED PAYMENTS – GROUP AND COMPANY (Continued)

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

	Pre-IPO Share Option Scheme	
	Average Exercise Price	**Number of Share Options**
At January 1, 2013		—
Granted	US$ 0.0001	6,440,911
Exercised	US$ 0.0001	(490,364)
Forfeited	US$ 0.0001	(179,983)
At December 31, 2013		**5,770,564**

As a result of the options exercised during the year ended December 31, 2013, 490,364 ordinary shares were issued by the Company (Note 23). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$68.27 (equivalent to approximately RMB53.93) per share.

As of December 31, 2013, all share options granted will be expired in 2022 with exercise price of US$0.0001 per share option.

The directors have 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 directors with best estimate. The discount rates for pre-IPO share option adopted were estimated by weighted average cost of capital, which were 23% as of the grant dates.

25 SHARE-BASED PAYMENTS – GROUP AND COMPANY (Continued)

Based on fair value of the underlying ordinary share, the directors have 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 January 1, July 1, and September 1, 2013 was US$3.03 (approximately equivalent to RMB19.02), US$4.88 (approximately equivalent to RMB30.26) and US$5.12 (approximately equivalent to RMB31.61) per option, respectively. Key assumptions are set as below:

	Pre-IPO Share Option Scheme January 1, 2013	Pre-IPO Share Option Scheme July 1 and September 1, 2013
Risk-free interest rate	1.84%	2.51%
Volatility	60.33%	56.42%
Dividend yield	—	—

The directors 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.

The total expense recognized in the consolidated statement of comprehensive (loss)/income for share options granted to directors and employees is disclosed in Note 9.

The Group had conditionally approved and adopted the Post-IPO Share Option Scheme and restricted share unit ("RSU") scheme on September 1, 2013. As of December 31, 2013, no post-IPO share option or RSU had been grant or agreed to be granted by the Group.

26 ACCUMULATED LOSSES – COMPANY

	RMB'000
Balance at January 1, 2012	—
Loss for the year	(23,677)
Balance at December 31, 2012	(23,677)
Loss for the year	(755,428)
Balance at December 31, 2013	(779,105)

27 DEFERRED REVENUE

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Included in non-current liabilities (Note b)	**8,465**	7,987
Included in current liabilities	**48,348**	127,145
	56,813	135,132

Note:

(a) Deferred revenue primarily consists of the unamortized virtual items in Game Development service and unamortized game credits in Game Publishing service, where the Group continued to have obligations described in Note 2.21 as of December 31, 2013 and 2012. Deferred revenue will be recognized as revenue when all of the revenue recognition criteria are met.

(b) As of December 31, 2013, deferred revenue included in non-current liabilities was expected to be realized in one to two years commencing from the end of the reporting period.

28 BORROWINGS

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Bank borrowings	**15,242**	—

The Group had a term bank loan facility up to lower of US$2,500,000 or 95% of RMB16,187,000 and the Group's borrowings were US$2,500,000 as of December 31, 2013. The bank borrowings were repayable within 1 year and the interest rate is London Inter-bank Offered Rate ("LIBOR") plus 1.333%. The bank borrowings are secured by restricted cash of the Group amounted to RMB15,670,000 together with the related interest (Note 22).

The carrying amount of the borrowings is all denominated in US$ and approximates its fair value as of December 31, 2013.

29 TRADE PAYABLES

Trade payables primarily related to the purchase of services for server custody, content cost and agency fees and the revenue sharing collected by the Group's own Platforms which is payable to cooperated game developers according to respective cooperation agreements.

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

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
0-30 days	**13,666**	8,351
31-60 days	**15,093**	1,018
61-90 days	**6,038**	317
91-180 days	**50**	166
181-365 days	**55**	316
1-2 years	**88**	—
	34,990	10,168

Note:

(a) As of December 31, 2013 and 2012, trade payables were denominated in RMB and the fair value of trade payables approximated their carrying amounts at each of the reporting dates.

30 OTHER PAYABLES AND ACCRUALS

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Staff costs and welfare accruals	**36,090**	25,737
Professional service fees payable	**15,601**	3,343
Advertising expenses	**10,888**	4,333
Other tax liabilities (Note b)	**4,526**	3,841
Rental payable	**3,980**	—
Others	**5,590**	4,368
	76,675	41,622

Notes:

(a) Other payables and accruals were primarily denominated in RMB as of December 31, 2013 and 2012 and the fair value of these balances approximates to their carrying amounts at each of the reporting dates.

(b) The balances represent liabilities arising from business tax and other related taxes in the PRC.

As of December 31, 2013, other payables and accruals included in the Company's separate balance sheet primarily consists amounts due to subsidiaries. Related subsidiary balances are unsecured, interest-free and repayable on demand.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On June 15, 2012, pursuant to a share purchase agreement, the Company issued 2,905,944 Series A Preferred Shares at a price of US$23.676 per share for a total amount of US$68,800,000 (equivalent to approximately RMB435,153,000), to several institutional investors. The preferred shares' par value is US$0.001 each. The rights, preference and privileges of the Series A Preferred Shares are as follows:

(a) Dividends

The holders of Series A Preferred Shares were entitled to receive in preference to the holders of the ordinary shares a per share amount equal to 5% of the issue price per annum when it is declared by the Board of Directors or at redemption.

The holders of Series A Preferred Shares were entitled to receive participating dividends if declared as if each outstanding Series A Preferred Share had been converted into ordinary shares prior to the record date for dividend or distribution.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(b) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, the licensing of all or substantially all of any Group's intellectual property to a third party or a sale, transfer, lease or other disposition of all or substantially all of the assets of the Group, the holders of Series A Preferred Shares would be entitled to receive in preference to the holders of other classes of shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series A Preferred Shares, plus all accrued but unpaid dividends on such Series A Preferred Shares.

(c) Redemption

At any time after the earlier of the third anniversary of the issuance date of the Series A Preferred Shares and the date that there was a material breach by the Group or other parties to the transaction documents in relation to the issuance of Series A Preferred Shares, where the majority of Series A Preferred Shares holders vote for a redemption, the Series A Preferred Shares holders would have a right to require the Company to redeem all outstanding Series A Preferred Shares at a price equal to 150% of the issuance price plus any accrued but unpaid dividends.

(d) Conversion

Each Series A Preferred Share was convertible, at the option of the holders, at any time after the date of issuance of such preferred share into such number of fully paid ordinary shares of the Company according to a conversion price. Conversion price was initially be the issue price of Series A Preferred Shares, resulting in an initial conversion ratio of 1:1, and was subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of ordinary shares. The conversion price was also subject to anti-dilution adjustment in the event the Company issues new securities at a price per share that is less than such conversion price. In such case, the conversion price would be reduced to adjust for dilution. Each Series A Preferred Share would be automatically converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of a qualified IPO, or (ii) the date of election by the majority of Series A Preferred Shares holders. The Qualified IPO is defined as a successful underwritten public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that represents no less than twenty percent of Company's share capital calculated on an as-if converted, fully diluted basis post such offering, by an internationally recognized investment banking firm at an offer price (net of underwriting commissions and expenses) that implies a market capitalization of the Company immediately prior to such offering of not less than US$580 million (based on the price per share offered to the public in the offering), and the listing of such ordinary shares (or depositary receipts or depositary shares thereof) of the Company on the New York Stock Exchange, the Nasdaq Global Market System, the Main Board of the Stock Exchange or any other reputable international exchange or quotation system that is approved in writing by the majority of Series A Preferred Shareholders.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(d) Conversion (Continued)

In case of any public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that is not a Qualified IPO, holders of Series A Preferred Shares have the following conversion right ("Conversion right under non-qualified IPO"):

– holder of each Series A Preferred Share could, at its own discretion, receive a cash payment equal to 100% of the Series A Preferred Share issue price, plus all accrued but unpaid dividends and convert its Series A Preferred Share into fully-paid non-assessable ordinary shares of the Company based on the then effective conversion price; or

– the holders who have over 50% of the voting power of the outstanding Series A Preferred Shares might, request the Company to convert their Series A Preferred Shares then held into fully-paid ordinary shares of the Company without any additional consideration, provided that the Company should pay cash to such holders in an amount equal to the difference between (i) the cash amount that such holders would be entitled to receive as if there had been a liquidation event at such date which valued the Company at US$580 million; and (ii) the aggregate value of such Series A Preferred Shares determined on an as-converted basis, implied at the price per share offered to the public in such IPO.

On March 8, 2013, the shareholders of the Company approved to remove the requirement of the Qualified IPO. Each Series A Preferred Share will be converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of an IPO on the Main Board of the Stock Exchange or (ii) the date of election by the majority of Series A Preferred Shares holders. Holders of each Series A Preferred Share are not entitled to receive any additional cash payment upon conversion.

Upon the completion of the IPO on October 3, 2013, each Series A Preferred Share was automatically converted into an ordinary share. As a result, 29,059,440 ordinary shares were issued, and the balance of Preferred Shares was transferred to both ordinary shares and share premium of the Company on that date. All preferred rights entitled to Series A Preferred Shareholders lapsed and such holders thereafter hold rights pari passu to all other ordinary shareholders.

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(e) Voting Rights

Each Series A Preferred Share conveyed the right to its holder of one vote for each ordinary share upon conversion.

The Group monitored Series A Preferred Shares on a fair value basis which was in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statement of comprehensive (loss)/income.

The movement of the Series A Preferred Shares is set out as below:

	RMB'000
At January 1, 2012	—
Issuance of preferred shares	435,153
Changes in fair value	18,769
Exchange differences	(2,769)
At December 31, 2012	**451,153**
Change in unrealized losses for the year included in profit or loss for liabilities held at the year end	18,769
At January 1, 2013	451,153
Changes in fair value	741,348
Exchange differences	(19,469)
Conversion of convertible redeemable preferred shares into ordinary shares and share premium	(1,173,032)
At December 31, 2013	**—**
Change in unrealized losses for the year included in profit or loss for liabilities held at the year end	741,348

Transaction costs of RMB3,645,000 directly attributable to the issuance of Series A Preferred Shares were recognized as finance costs in the consolidated statement of comprehensive (loss)/income (Note 10).

31 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

Prior to the completion of the IPO, the directors had 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 Series A Preferred Shares as of the date of issuance and at the reporting date. Key assumptions are set as below:

	December 31, 2012
Discount rate	23%
Risk-free interest rate	0.39%
Volatility	53.17%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The directors estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on appraisal date.

Upon the date of the IPO, the fair value of the Series A Preferred Shares was assessed at the market price in the amount HK$51.00 (approximately RMB40.55) per share.

Changes in fair value of Series A Preferred Shares were recorded in "fair value loss of convertible redeemable preferred shares".

32 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**778**	74
– to be recovered within 12 months	**12,456**	24,389
	13,234	24,463
Deferred income tax liabilities:		
– to be recovered within 12 months	**—**	150
Deferred income tax assets – net	**13,234**	24,313

The movements of deferred income tax assets – net are as follows:

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	**24,313**	19,263
Recognized in the profit or loss	**(11,079)**	5,050
At end of the year	**13,234**	24,313

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue	**Accruals**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At January 1, 2012	14,824	2,502	2,154	19,480
Recognized in the profit or loss	3,159	3,305	(1,481)	4,983
At December 31, 2012	17,983	5,807	673	24,463
Recognized in the profit or loss	(11,922)	(216)	909	(11,229)
At December 31, 2013	**6,061**	**5,591**	**1,582**	**13,234**

32 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Intangible Assets RMB'000
At January 1, 2012	217
Recognized in the profit or loss	(67)
At December 31, 2012	150
Recognized in the profit or loss	(150)
At December 31, 2013	—

As of December 31, 2013 and 2012, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB403,525,000 and RMB116,944,000, respectively reported by the PRC subsidiaries (including structured entities) of the Group. Such earnings are expected to be retained by these PRC subsidiaries and not to be remitted to any foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

33 CASH GENERATED FROM OPERATIONS

	Year Ended December 31,	
	2013	2012
	RMB'000	RMB'000
(Loss)/profit before income tax	**(405,113)**	261,177
Adjustments for:		
– Depreciation of property and equipment (Note 14)	**16,875**	10,578
– Amortization of intangible assets (Note 16)	**11,137**	4,153
– Loss on disposal of property and equipment (see below)	**489**	400
– Share-based compensation expenses (Note 9)	**59,258**	—
– Finance (income)/costs-net (Note 10)	**(7,020)**	3,645
– Fair value loss of convertible redeemable preferred shares (Note 31)	**741,348**	18,769
– Exchange difference	**(11,484)**	—
Changes in working capital:		
– Trade receivables	**(7,901)**	(38,227)
– Prepayments and other receivables	**(18,182)**	39,485
– Trade payables	**24,822**	(1,435)
– Other payables and accruals	**23,084**	22,241
– Deferred revenue	**(78,319)**	23,359
Cash generated from operations	**348,994**	344,145

33 CASH GENERATED FROM OPERATIONS (Continued)

(a) In the consolidated statement of cash flows, proceeds from sale of property and equipment and Intangible assets comprise:

	Year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Net book amount (Note 14 and 16)	**1,720**	920
Loss on disposal of property and equipment (Note 8)	**(489)**	(400)
Proceeds from disposal of property and equipment and intangible assets	**1,231**	520

(b) Upon the completion of the IPO on October 3, 2013, each Preferred Share was automatically converted into ordinary share. As a result, 29,059,440 ordinary shares were issued, and the balance of Preferred Shares was transferred to ordinary shares and share premium on that date.

34 COMMITMENTS

(a) Capital Commitments

As of December 31, 2012, there was no capital expenditure contracted but not provided for.

As of December 31, 2013, the capital expenditure contracted but not provided for amounted to RMB1,233,000, which was related to acquisition of property and equipment.

There is no authorized but not contracted at the end of each of the reporting dates.

(b) Operating Lease Commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The lease expenditure charged to the profit or loss during the year ended December 31, 2013 and 2012 is disclosed in Note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
No later than 1 year	**16,277**	17,350
Later than 1 year and no later than 5 years	**30,963**	12,317
	47,240	29,667

35 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 years ended December 31, 2013 and 2012.

Company	Relationship	Period of Related Party Relationship
Sisanjiujiu Internet Co., Ltd. ("Sisanjiujiu Internet")	Significantly influenced by a close family member of a Pre-Series A Investor (i)	Prior to June 16, 2012
Guangzhou Youguo Internet Co., Ltd. ("Guangzhou Youguo")	Significantly influenced by a close family member of a Pre-Series A Investor (i)	Prior to June 16, 2012
Guangzhou Jieyou Information Technology Co., Ltd. ("Jieyou Information")	Significantly influenced by Mr. Zhuang Jieguang (ii)	Prior to July 1, 2012
Beijing Youguo Internet Technology Co., Ltd. ("Beijing Youguo")	Significantly influenced by a close family member of Mr. Wang Dongfeng (iii)	Prior to October, 2013

Notes:

(i) Effective from June 16, 2012, Guangzhou Youguo and Sisanjiujiu Internet (previously known as Xiamen Youjia Internet Co.,Ltd.) were no longer regarded as related parties of the Group upon the repurchase of ordinary shares by the Company from Pre-Series A Investors in June 2012.

(ii) Mr. Zhuang Jieguang was the owner of Jieyou Information up to June 2011 and CEO of this company from July 2011 to June 2012. Effective from July 1, 2012, Jieyou Information was no longer a related party of the Group upon his resignation as CEO of this company.

(iii) Beijing Youguo had completed liquidation as of the date of this report. Effective from October, 2013, Beijing Youguo was not a related party of the Group.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Significant Transactions with Related Parties

In the opinion of the Executive Directors 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.

	Year Ended December 31,	
Discontinued related party transactions	**2013**	2012
	RMB'000	RMB'000
(i) Revenue generated from Paying Players who purchased in-game virtual items of games operated by related parties through the Group's platform		
– Jieyou Information	—	20,782
– Sisanjiujiu Internet	—	11,926
– Guangzhou Youguo	—	5,445
– Beijing Youguo	—	1,151
	—	39,304
(ii) Revenue generated from Paying Players who purchased in-game virtual items of games operated by the Group through related parties' Platforms		
– Sisanjiujiu Internet	—	26,753
(iii) Fees paid to game development outsourcing party		
– Jieyou Information	—	372

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Amounts Due from Founders

(i) Receivables Arising from Operations

Names of Founders	At Beginning of Year RMB'000	At End of Year RMB'000	Maximum Outstanding during the Year RMB'000
2012			
– Mr. Huang Weibing	18,128	—	18,128
– Mr. Liao Dong	36,487	—	36,487

These balances mainly arose from advances to these Founders for the Group's Game Business and the Group's transactions which these Founders collected the receivables from other Platforms and settled the payables to game developers on behalf of the Group during the year ended December 31, 2011. These balances were fully settled in 2012.

(ii) Receivables Arising from Capital Contributions

	As of December 31,	
	2013	2012
	RMB'000	RMB'000
– Mr. Huang Weibing	—	26
– Mr. Liao Dong	—	16
– Mr. Wang Dongfeng	—	15
– Mr. Zhuang Jieguang	—	6
– Mr. Yang Tao	—	1
	—	64

The amounts due from Founders are unsecured, non-interest bearing and repayable on demand. These receivables were fully settled in April 2013.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key Management Personnel Compensations

The compensations paid or payable to key management personnel for employee services are disclosed in Note 9.

36 CONTINGENCIES

As of December 31, 2013, the Group did not have any significant unrecorded contingent liabilities.

37 SUBSEQUENT EVENTS

On March 3, 2014, the Group entered into a Sale and Purchase Agreement to acquire 21% of Magic Feature's equity interest with a cash consideration of US$70 million and a further total contingent consideration of US$24.2 million. Magic Feature, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔) in, among others, Hong Kong and Taiwan. The game has also been exclusively licensed to a subsidiary of Tencent Holdings Limited (a company listed on the Stock Exchange, stock code: 700), to publish in China through various Platforms including WeChat. After the completion of the acquisition of the equity interest, the Group will account for the investment as an investment in an associate.

DEFINITION

"Annual General Meeting"	the annual general meeting of the Company to be held on Tuesday, May 27, 2014
"ARPPU"	average revenue per paying users
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan region
"CODM"	Chief Operating Decision Maker
"Company" or "Forgame"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on July 26, 2011 with limited liability, whose shares became listed on the Main Board of the Stock Exchange on the Listing Date
"connected persons"	has the same meaning ascribed thereto in the Listing Rules
"connected transaction(s)"	has the same meaning ascribed thereto in the Listing Rules
"Contractual Arrangements"	a series of contractual arrangements entered into by Feidong, the PRC Operational Entities and their respective shareholders, the details of which are set out in "Report of Directors – Connected Transactions"
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"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 June 13, 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 April 12, 2004
"Financial Statements"	Audited consolidated financial statements of the Company for the year ended December 31, 2013
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on July 25, 2011, which was established by Mr. Zhuang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the ZHUANGJG Trust.
"Foga Group"	Foga Group Ltd. (also referred to as Foga Group Limited), a company incorporated in the BVI on July 25, 2011, which was established by Mr. Wang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Wang Trust.
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on July 25, 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 July 25, 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 July 25, 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 August 9, 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", "we", "us" or "our"	the Company, 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

DEFINITION

"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
"ICP License"	internet content provision, a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services
"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
"IPO"	initial public offering of the Company on the Stock Exchange
"IT"	information technology
"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 June 7, 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
"Ledong"	Hongkong Ledong Tech Limited (香港樂動科技有限公司), a limited company incorporated under the laws of Hong Kong on March 22, 2012 and an indirect wholly-owned subsidiary of the Company
"LIBOR"	London Inter-bank Offered Rate
"Listing Date"	October 3, 2013, the date on which the shares of the Company became listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Magic Feature"	a company incorporated in the BVI with limited liability whose registered office is at Akara Bldg., 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, BVI
"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

DEFINITION

"Model Code"	the Model Code for Securities Transactions set out in Appendix 10 to the Listing Rules
"MPU"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), 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
"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 our Company
"Offer Date"	the dates on which the pre-IPO option is offered to eligible participants
"PC"	personal computer
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on September 1, 2013, for the benefit of our 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 our Shareholders on October 31, 2012, which was amended and restated on September 1, 2013, for the benefit of our Directors, members of senior management, employees and other eligible participants defined in the scheme;
"Prospectus"	IPO prospectus of the Company dated September 19, 2013
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC

DEFINITION

"Reporting Period"	the financial year ended December 31, 2013
"Review Period"	since the Listing Date and up to December 31, 2013
"RSUs"	restricted share units granted pursuant to the RSU Scheme
"Restricted Share Unit Scheme" or "RSU Scheme"	the scheme conditionally approved and adopted by the Company on September 1, 2013 for the grant of RSUs to RSU participants following the completion of IPO
"Sale and Purchase Agreement"	the sale and purchase agreement dated March 3, 2014 and entered into between the Company and Magic Feature's shareholders
"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
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the same meaning ascribed thereto in the Listing Rules
"TA"	TA FG Acquisitions, an exempted company incorporated in the Cayman Islands on April 26, 2012 with limited liability
"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 January 22, 2007
"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 Group's self-publishing platforms, including 91wan.com, 2918.com, 9vs.com, 915.com and 336.com

Forgame Holdings Limited
雲 遊 控 股 有 限 公 司