2015 Annual Report

Forgame Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

Forgame

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Mr. WANG Dongfeng *(Chairman)*

Non-executive Director
Mr. TUNG Hans

Independent Non-executive Directors
Mr. HOW Sze Ming
(appointed with effect from 1 January 2016)
Mr. LEVIN Eric Joshua
(resigned with effect from 1 January 2016)
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

AUDIT AND COMPLIANCE COMMITTEE

Mr. HOW Sze Ming *(Chairman)*
Mr. TUNG Hans
Ms. POON Philana Wai Yin

REMUNERATION COMMITTEE

Mr. ZHAO Cong Richard *(Chairman)*
Mr. TUNG Hans
Mr. HOW Sze Ming

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Mr. LAW Yat Yang Arthur

COMPANY SECRETARY

Mr. LAW Yat Yang Arthur

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

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

Sidley Austin
39/F, Two Int'l Finance Centre
8 Finance Street
Central
Hong Kong

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

As to Cayman Islands law:
(in alphabetical order)

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

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

CORPORATE INFORMATION

As to PRC law:

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

AUDITOR

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

CORPORATE INFORMATION

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Year Ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**511,539**	643,470	1,183,128	776,649	384,009
Gross profit	**171,414**	425,191	1,001,911	697,561	315,179
(Loss)/Profit for the year	**(129,621)**	(38,807)	(475,404)	217,617	17,849
Non-IFRSs Measures(1)					
– Adjusted net (loss)/profit for the year	**(52,809)**	(20,750)	325,202	240,031	114,938
– Adjusted EBITDA(2) for the year	**(38,675)**	(6,004)	408,866	297,178	143,980

Notes:

(1) The Group defines adjusted net (loss)/profit as (loss)/profit for the year excluding share-based compensation, changes in the value of financial assets at fair value through profit or loss, loss on disposal of a subsidiary, impairment of investment in associates, impairment of available-for-sale financial assets, fair value change of preferred shares and finance costs relating to the issuance of preferred shares. Adjusted net (loss)/profit eliminates the effect of non-cash share-based compensation, changes in the value of financial assets at fair value through profit or loss, loss on disposal of a subsidiary, impairment of investment in associates, impairment of available-for-sale financial assets, fair value change of preferred shares and finance costs relating to the issuance of preferred shares. The use of adjusted net (loss)/profit has material limitation as an analytical tool, as adjusted net (loss)/profit does not include all items that impact the Group's net (loss)/profit for the years. For details of adjusted net (loss)/profit and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – Adjusted Net Loss and Adjusted EBITDA" in this annual report.

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

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**281,706**	352,460	170,376	104,864	62,211
Current assets	**1,243,405**	1,206,760	1,421,100	417,165	192,606
Total assets	**1,525,111**	1,559,220	1,591,476	522,029	254,817
Equity and liabilities					
Total equity/(deficit)	**1,444,726**	1,401,046	1,388,082	(136,663)	95,470
Non-current liabilities	**2,202**	7,553	8,465	459,290	9,362
Current liabilities	**78,183**	150,621	194,929	199,402	149,985
Total liabilities	**80,385**	158,174	203,394	658,692	159,347
Total equity and liabilities	**1,525,111**	1,559,220	1,591,476	522,029	254,817

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual report for the year ended 31 December 2015.

OVERVIEW

The year 2015, especially in the second half of the year, has been challenging to Forgame. For the first time in the past five years, the revenue growth of the Chinese gaming market dropped below 30% to 22.9%[(1)], yet the number of mobile gaming developers has drastically increased. Furthermore, we have seen a handful of top game developers increased their mobile game market shares and dominate the top 10 gaming chart by revenue. Despite the headwinds, the management was able to increase the mobile gaming revenue by 106% when compared with the corresponding period in 2014. Forgame has launched a total of 24 games in 2015, which exceeded the target of 20 set in early 2015. Among the 24 games launched, 20 were mobile games, which compared favorably to the 12 that were launched in 2014. The management also worked hard to optimise headcounts and operating expenditures while keeping pace with Forgame's growth in expanding the mobile games operation. Specifically, selling and marketing expenses decreased by more than RMB109 million, representing a decrease of approximately 72.8% when compared to that recorded in 2014. Research and development expenses also decreased by approximately RMB100 million, which is 43.1% less than that recorded in 2014.

Despite the efforts and progress our management has made, Forgame's 2015 results generated from both operations and investments have fallen short of the Company's expectation. On the operational front, a few of our key games, including "Beauty Box (美美小店)", needed more time to fine tune in the increasingly competitive gaming market and therefore could not be launched according to our original schedule. Some of our third party partners were also affected by the challenging market conditions and have postponed our planned gaming collaboration. On the investment side, we have recorded a sizeable write-down and investment loss of RMB79.8 million due to the devaluation of a number of angel investments we had made in early 2014. Our investments were initially made to speed up Forgame's transition from a webgame company to a mobile game company, but after reviewing their performances with reference to the professional opinions of third party consultants, as well as the notable decline in the China stock market in June 2015 which adversely affected the fund-raising market in China for small gaming studios, we decided to take a prudent approach to write-down some of these investments. While these obstacles have prevented Forgame from delivering the type of results we would have hoped for, we remain cautiously optimistic in our strategy and the ability to deliver quality blockbuster mobile games developed in-house going forward.

Note:

(1) DataEye Mobile Game Annual Report

OUTLOOK

We do not believe the first half of 2016 will be any easier than what we have experienced in the second half of 2015 as we see the market remains competitive and difficult. To avoid head-on competition with the overly crowded hard-core games, we are focusing on casual games, which we expect to become an important growth driver in the near future. Apart from the implementation of our game development strategy, we also intend to bring our games to the wider global market. Our overseas R&D and publishing team, which has experienced success in bringing locally developed games to the U.S. and Europe market prior to joining Forgame, has launched their first game developed in-house at Forgame, namely "Liberators", which is a World War II-themed game, in the first quarter of the year 2016.

Our investment team will continue to take a prudent approach in evaluating our portfolio of investments. Therefore, should the market remain volatile, further investment write-downs could be possible. At the same time, the Company will make judicious investments should the market present sound opportunities that will help increase its top and bottom line. While Forgame has largely executed the transition plan from webgames to mobile games, there are still risks to our transformation, so please refer to the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this annual report for the relevant risks. The management will exercise sound and prudent judgment in navigating the Company through the volatile and competitive market in order to generate greater value to shareholders.

APPRECIATION

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

Wang Dongfeng
Chairman

Hong Kong, 23 March 2016

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Group principally engages in the development and publishing of webgames and mobile games in China. During 2015, the Group has launched and operated a total of 20 mobile games and 4 webgame titles. The Group has also continued to optimise the profitability of the Group's publishing platform, *91wan*. Capturing the mobile opportunity has been the major strategic direction of the Group, and the Group has implemented a series of strategic initiatives during 2015 by (i) devising and establishing an IP adaption strategy to develop mobile games based on popular TV animation, movie, and on-line literature IPs, (ii) establishing a casual game focused development and publishing team to deliver high quality casual games and (iii) carrying on the mid-hard core games development competency of the Group and publishing third party RPGs.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 11a to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2015.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive loss from pages 69 to 70 of this annual report.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" from page 5, pages 6 to 7 and pages 35 to 46.

Description of principal risks and uncertainties that the Group may be facing can be found in the sections headed "Report of Directors – Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks" and "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" from pages 19 to 22 and page 46 of this annual report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" from pages 35 to 46 of this annual report. In addition, discussions on the Group's environmental policies and compliance with relevant laws and regulations which have a significant impact on the Group can be found in the section headed "Report of Directors - Environmental, Social and Governance" from pages 31 to 33 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2015.

SHARE CAPITAL

During the year ended 31 December 2015, the Company had issued Shares as a result of the exercise of the options granted under the Pre-IPO Share Options Scheme. In addition, on 22 May 2015, the Company entered into a Placing Agreement, pursuant to which the Company allotted and issued an aggregate of 19,041,900 Shares to professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015.

Details of the movement in the share capital of the Company during the year ended 31 December 2015 are set out in note 22 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 74 of this annual report and in note 23 to the Financial Statements.

USE OF PROCEEDS FROM IPO

The Company's Shares were listed on the Stock Exchange in October 2013 and the Company raised net proceeds of approximately HK$982.8 million from the IPO. As at 31 December 2015, the Group had utilised approximately RMB427.5 million of the net proceeds, out of which approximately RMB282.0 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, and approximately RMB68.3 million was used in funding the expansion of our international operation and approximately RMB77.2 million was used in other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future plans and use of proceeds" in the Prospectus. The unutilised portion of the net proceeds (ie. approximately HK$410.5 million) is currently held in cash and cash equivalents and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

USE OF PROCEEDS FROM PLACING

The Group successfully raised over HK$314 million through the Placing of 19,041,900 Placing Shares to not less than six professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 in order to strengthen its capital base and working capital position. The aggregate nominal value of the Placing Shares was US$1,904.2. The placing price of HK$16.50 per Placing Share represents (i) a discount of approximately 13.16% to the closing price of HK$19.00 per Share as quoted on the Stock Exchange on 22 May 2015, being the date of the Placing Agreement, (ii) a discount of approximately 13.25% to the average closing price of approximately HK$19.02 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the Placing Agreement and (iii) a discount of approximately 6.94% to the average closing price of approximately HK$17.73 per Share as quoted on the Stock Exchange for the twenty trading days immediately preceding the date of the Placing Agreement.

Upon the completion of the Placing, the Company received a gross proceeds of HK$314,191,350 and a net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$310,160,000, representing a net issue price of approximately HK$16.29 per Placing Share. As at 31 December 2015, the Group had not utilised any of the net proceeds from such Placing. The unutilised portion of the net proceeds is currently held in cash and cash equivalents and it is intended that it will be applied in the manner consistent with the intended use of proceeds as disclosed in the Company's announcement dated 23 May 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had distributable reserves of approximately RMB1,169.7 million (as at 31 December 2014: RMB987.0 million), none of which had been proposed as final dividend for the year under review.

REPORT OF DIRECTORS

FINANCIAL HIGHLIGHTS

A summary of the condensed consolidated results and financial position of the Group is set out on page 5 of this annual report.

CHARITABLE DONATIONS

Save for those disclosed in the paragraph headed "Environmental, social and governance - Community involvement, services and responsibilities" in this report of Directors, no donation was made by the Group during the year ended 31 December 2015.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2015 are set out in note 14 to the Financial Statements.

BORROWINGS

During the year ended 31 December 2015, the Group did not have any short-term or long-term bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant unrecorded contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2015 and as at the Latest Practicable Date.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the Latest Practicable Date were:

Executive Directors
Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*
Mr. ZHUANG Jieguang *(resigned with effect from 1 April 2015)*

Non-executive Director
Mr. TUNG Hans

Independent Non-executive Directors
Mr. LEVIN Eric Joshua *(resigned with effect from 1 January 2016)*
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard
Mr. HOW Sze Ming *(appointed with effect from 1 January 2016)*

Mr. ZHUANG Jieguang resigned as an executive director of the Company with effect from 1 April 2015 to pursue his personal endeavours and other personal developments.

In accordance with article 104(1) of the Articles, Mr. TUNG Hans shall retire from office as Director by rotation at the Annual General Meeting and will not offer himself for re-election as Director at the Annual General Meeting in order to devote more time to focus on his other work commitments in San Francisco.

In accordance with article 104(1) of the Articles, Ms. POON Philana Wai Yin shall retire from office as Director by rotation at the Annual General Meeting and being eligible, will offer herself for re-election as Director at the Annual General Meeting.

SUBSEQUENT CHANGES TO MEMBERS OF THE BOARD

Mr. LEVIN Eric Joshua resigned as Independent Non-executive Director with effect from 1 January 2016 in order to devote more time to focus on his other work commitments in New York.

In accordance with article 99(3) of the Articles, Mr. HOW Sze Ming was appointed as an Independent Non-executive Director to fill up a causal vacancy on the Board with effect from 1 January 2016. Mr. HOW Sze Ming shall retire from office as an Independent Non-executive Director at the Annual General Meeting and being eligible, has offered himself for election as an Independent Non-executive Director at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 61 to 65 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Director and the Non-executive Director has entered into a service contract with the Company for an initial term of three years with effect from 1 September 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 1 September 2013 (which was subsequently renewed for a further term of two years and except for Mr. HOW Sze Ming whose appointment was with effect from 1 January 2016) 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. HOW Sze Ming, 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 and considers all the Independent Non-executive Directors to be independent.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executives at the relevant time being in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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, were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Relevant Class of Shares/ Underlying Shares held	Approximate Percentage of Shareholding
WANG Dongfeng (汪東風)	Founder of the Discretionary Trust Interest of Controlled Corporation[(1)]	The Company	21,673,338 Ordinary Shares (long position)	15.56%
TUNG Hans (童士豪)[(2)]	Beneficial Owner	The Company	70,000 Ordinary Shares (long position)	0.05%
LEVIN Eric Joshua[(3)]	Beneficial Owner	The Company	139,292 Ordinary Shares (long position)	0.10%
POON Philana Wai Yin (潘慧妍)[(4)]	Beneficial Owner	The Company	119,400 Ordinary Shares (long position)	0.09%
ZHAO Cong Richard (趙聰)[(5)]	Beneficial Owner	The Company	119,400 Ordinary Shares (long position)	0.09%

Notes:

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

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

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

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

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

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time has or is deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2015.

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

As at 31 December 2015, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited(1)(2)	Trustee	34,996,335 Ordinary Shares (long position)	25.13%
Foga Group(1)	Registered Owner	21,673,338 Ordinary Shares (long position)	15.56%
Gu Wei	Registered Owner	15,342,400 Ordinary Shares (long position)	11.02%
Foga Holdings(2)	Registered Owner	13,322,997 Ordinary Shares (long position)	9.57%
KongZhong Corporation	Registered Owner	12,306,100 Ordinary Shares (long position)	8.84%
Foga Internet Development(3)	Beneficial Owner	7,785,700 Ordinary Shares (long position)	5.59%

Notes:

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

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

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

Save as disclosed above, as at 31 December 2015, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying shares 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 year ended 31 December 2015 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group (including the PRC Operational Entities), none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2015.

CONNECTED TRANSACTIONS

Investment activities in the PRC by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment, which was issued by the Ministry of Commerce and the National Development and Reform Commission in 2002 and subsequently amended in 2004, 2007, 2011 and 2015 (the "Catalogue"). The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign invested industries and prohibited foreign investment industries. According to the Catalogue, the webgame business and mobile game business that the Company currently operates as value-added telecommunications services and internet cultural business, and falls within as "restricted and prohibited" industry.

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

As advised by the Company's PRC legal advisers, as at 31 December 2015, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement. Further, the amendments made on the Catalogue in April 2015 did not lessen the requirements in respect of foreign investments on value-added telecommunications services and internet cultural business. In order for the Company to be able to carry on its business in China, the Group 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 the results of the Company under IFRSs as if they were wholly-owned subsidiaries of the Company.

Progress of overseas expansion plans

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations 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.

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

REPORT OF DIRECTORS

Contractual Arrangements

The Contractual Arrangements which were in place during the year ended 31 December 2015 and brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

i. Exclusive options agreements dated June and July 2012, which were amended and restated on 12 September 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 interests in the PRC Operational Entities at any time, at a nominal amount subject to applicable PRC laws.

ii. Exclusive business cooperation agreements dated 21 June 2012, which were amended and restated on 12 September 2013, entered into between each of the 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 years. 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 12 September 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 12 September 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.

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

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 year ended 31 December 2015. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2015.

During the year ended 31 December 2015, none of the structured contracts mentioned above has been unwound as none of the restrictions that led to the adopted of structured contracts under the Contractual Arrangements has been removed.

Particulars of the PRC Operational Entities as at 31 December 2015:

Name of the PRC Operational Entities	Kind of legal entity/place of establishment and operation	Registered owners	Business activities
Feiyin	Limited liability company/the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development of webgames and mobile games
Weidong	Limited liability company/the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development and operation of webgames and mobile games
Jieyou	Limited liability company/the PRC	48.61% by Mr. Zhuang 20.94% by Mr. Wang 17.13% by Mr. Liao 12.37% by Mr. Huang 0.95% by Mr. Yang	Development and operation of webgames and mobile games

The PRC Operational Entities are significant to the Group as they hold certain licenses and permits that are essential to the operation of the business of the Group, such as the ICP License, the Network Cultural Business Permit and the Internet Publication License. In addition, most of the intellectual property rights, including software copyrights, trademarks, patents and domain names, are held by the PRC Operational Entities. The revenue and the total asset value of the PRC Operational Entities subject to the Contractual Arrangements amounted to approximately RMB360.6 million for the year ended 31 December 2015 and approximately RMB716.6 million as at 31 December 2015, respectively.

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

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

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

i. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the state, (ii) malicious collusion is conducted to damage the interest of the state, a collective unit or a third party, (iii) the contract damages the public interest, (iv) an illegitimate purpose is concealed under the guise of legitimate acts or (v) the contract violates the mandatory provisions of the laws and administrative regulations. As advised by the Company's PRC legal advisers, the relevant terms of the Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law.

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

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

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
i.	If the PRC government finds that the agreements that establish the structure for operating the business of the Company in the PRC do not comply with PRC laws and regulations, or if these regulations or their interpretation change in the future, the Group could be subject to severe penalties or be forced to relinquish the interests in those operations.	Pursuant to the amended and restated exclusive business cooperation agreements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules, the following agreement shall be applicable: if the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying on such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to this agreement, upon the receipt by other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to maintain the economic interests of the affected party under the agreement.
ii.	The Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operational Entities or their shareholders may fail to perform their obligations under the Contractual Arrangements.	According to the amended and restated powers of attorney, the amended and restated share pledge agreements and the amended and restated exclusive business cooperation agreements, the arbitration tribunal may decide compensation for the equity interests or property ownership of Chinese business entities or their shareholders, decide enforceable remedy or demand a bankrupt on Chinese business entities or their shareholders for relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect.

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
iii.	The Company may lose the ability to use and enjoy assets held by the PRC Operational Entities that are important to the operation of the business of the Group if the PRC Operational Entities declare bankrupt or become subject to dissolution or liquidation proceedings.	Pursuant to the amended and restated exclusive option agreements, in the event of a mandatory liquidation required by the laws of PRC, the relevant PRC Operational Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of PRC to Feidong or another qualifying entity designated by Feidong, at the lowest selling price permitted by applicable laws of the PRC.
iv.	The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Group owes additional taxes could substantially reduce the consolidated net income of the Group and the value of the investment of the Shareholders.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Feidong and the PRC Operational Entities implement the Contractual Arrangements in accordance with the terms of the structured contracts, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis.
v.	The Group may be subject to higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase the tax expenses and decrease the new profit margin.	Pursuant to the PRC Enterprise Income Tax Law, Feidong is accredited as "software enterprise" and entitled to preference income tax rates during preferential periods as disclosed in note 12 to the Financial Statements. Feidong would use its reasonable endeavours to take all necessary actions to maintain its status as "software enterprise" in order to continue enjoy a reduced income tax rate of 12.5% from 2014 to 2016. Please also refer to paragraph iv of the above.

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
vi.	Shareholders of the PRC Operational Entities may potentially have a conflict of interest with the Group, and such shareholders may breach their contracts with Group, or cause such contracts to be amended in manner contrary to the interests of the Group.	The shareholders of the PRC Operational Entities have undertaken to Feidong that during the period when the Contractual Arrangements remain effective, (i) unless otherwise agreed to by Feidong in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Operational Entities or any of its affiliates and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Feidong (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Feidong has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Feidong.
vii.	The Group depends on the PRC Operational Entities to provide certain services that are critical to its business. The breach or termination of any of these service agreements or any failure of or significant quality deterioration in these services could have a material adverse effect on the business, financial condition and results of operations of the Group.	To ensure sound and effective operation of the Group after the adoption of the Contractual Arrangements, the relevant business units and operation divisions of the Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters. In addition, the PRC Operational Entities are not permitted to terminate the amended and restated exclusive business cooperation agreements unless Feidong commits gross negligence or a fraudulent act against it.

	Risk associated with the Contractual Arrangements	Mitigation actions taken by the Company
viii.	The Group conducts its business operation in the PRC through the PRC Operational Entities by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws.	As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.
ix.	If Feidong (or its designee within the Group) exercise the option to acquire equity ownership of the PRC Operational Entities, the ownership transfer may subject the Group to substantial costs.	According to the amended and restated exclusive option agreements, unless valuation is required under the laws of China before exercising such option, the purchase price of the equity interests shall be the nominal price, if the relevant governmental authorities specify a particular price as the purchase price of equity interests, the purchaser shall return the surplus or make up the difference to the vendor, provided that the vendor and purchaser need to assume such tax as occurred from such party or levied on such party, respectively.

For details of the Risks associated with the Contractual Arrangements, please refer to the section headed "Risk factors - Risks relating to our Contractual Arrangements" in the Prospectus.

WAIVER FROM THE STOCK EXCHANGE AND ANNUAL REVIEW

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Operational Entities are treated as the Company's connected persons. Accordingly, the transactions between these connected persons and Feidong, a wholly-owned subsidiary of the Company, under the Contractual Arrangements constitute continuing connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section headed "Connected Transactions" in 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.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions under the Contractual Arrangements and confirmed that these continuing connected transactions have been entered into:

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

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

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

The Independent Non-executive Directors have also confirmed that (i) the transactions carried out during the year ended 31 December 2015 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (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 year ended 31 December 2015. Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that:

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

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

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

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

For the year ended 31 December 2015, the services provided by Feidong to the PRC Operational Entities (including sales of intellectual property, provision of product development and system maintenance services, provision of data integration services) amounted to an aggregate of approximately RMB48.0 million.

During the year ended 31 December 2015, no related parties transactions disclosed in note 32 to the Financial Statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Director or his connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its parent company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2015 and up to the Latest Practicable Date.

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 year ended 31 December 2015 and up to the Latest Practicable Date.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2015, the Group had 596 employees. The remuneration to the employees of the Group includes salaries, bonus and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group also provides intensive customised trainings to its staff to enhance their technical and product knowledge as they will be designated to mentors who are experienced employees in relevant teams or departments. The mentors will provide regular on-the-job trainings to the staff. The Group offers competitive remuneration packages to the Directors, and the Shareholders have authorised the Board to fix the remuneration of the Directors (including but not limited to Director fees) at the Company's annual general meeting held on 28 May 2015. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

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

Details of the Directors' remuneration during the year ended 31 December 2015 are set out in note 36 to the Financial Statements.

PRE-IPO SHARE OPTION SCHEME

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

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

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

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting year	Option year	Outstanding as at 1 January 2015	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2015
Directors										
Mr. LEVIN Eric Joshua	69,292 Ordinary Shares	1 January 2013	3 October 2013 to 31 October 2014	10 years from the date of grant	69,292 Ordinary Shares	Par value of the ordinary shares	—	—	—	69,292 Ordinary Shares
Ms. POON Philana Wai Yin	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	—	—	—	49,400 Ordinary Shares
Mr. ZHAO Cong Richard	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	—	—	—	49,400 Ordinary Shares
Sub-Total	**168,092 Ordinary Shares**	**—**	**—**	**—**	**168,092 Ordinary Shares**	**—**	**—**	**—**	**—**	**168,092 Ordinary Shares**
362 employees	6,272,819 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	3,232,184 Ordinary Shares	Par value of the ordinary shares	520,034 Ordinary Shares (Note)	—	788,308 Ordinary Shares	1,923,842 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**3,400,276 Ordinary Shares**	**—**	**520,034 Ordinary Shares**	**—**	**788,308 Ordinary Shares**	**2,091,934 Ordinary Shares**

Note: The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the year was HK$15.86 (equivalent to approximately RMB12.86) per share.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2015, the Company has issued 520,034 Shares to the grantees for an aggregate consideration of US$52.0034. Such Shares are of the same class and are identical in all respect with other Shares in issue.

For further details of the Pre-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 24 to the Financial Statements.

THE RESTRICTED SHARE UNIT SCHEME

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

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

During the year ended 31 December 2015 and up to the Latest Practicable Date, no awards have been made pursuant to the RSU Scheme.

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

POST-IPO SHARE OPTION SCHEME

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

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

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

Name of Grantee	Number and Class of Shares under the Options Granted	Date of Grant	Vesting year	Option year	Outstanding as at 1 January 2015	Exercise Price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2015
15 employees	1,908,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	—	HK$14.61	—	—	370,000 Ordinary Shares	1,538,000 Ordinary Shares
Mr. TUNG Hans	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. LEVIN Eric Joshua	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. POON Philana Wai Yin	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
Mr. ZHAO Cong Richard	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	70,000 Ordinary Shares
21 employees	3,565,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	—	HK$24.29	—	—	—	3,565,000 Ordinary Shares
Total	**5,753,000 Ordinary Shares**	—	—	—	—	—	—	—	370,000 Ordinary Shares	5,383,000 Ordinary Shares

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

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 24 to the Financial Statements.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) Any Director of any member of the Group from time to time, (ii) any employee or officer of any member of the Group and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company, (ii) the full-time employees of any of the subsidiaries and/or PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3.	Maximum number of Shares	As at 31 December 2015 and the Latest Practicable Date, options to subscribe for an aggregate of 2,091,934 Shares and 1,993,919 Shares were outstanding respectively, representing approximately 1.50% and 1.46% of the issued share capital of the Company as at 31 December 2015 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2015 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted under the Post-IPO Share Option Scheme was 2,945,687 Shares and 3,059,333 Shares respectively, representing approximately 2.12% and 2.23% of the issued share capital of the Company as at 31 December 2015 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4.	Maximum entitlement of each participant	The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 6% of the aggregate of the Shares in issue on 31 October 2012, the date of adoption of the Pre-IPO Share Option Scheme	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant
5.	Option year	Except as provided otherwise and subject to the terms and conditions upon which such option was granted, any option granted will vest over a total vesting year of four years commencing from the date of offer in equal proportions of 25% each on the expiry of the first, second, third and fourth anniversary of the Offer Date, respectively; provided that the year within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option year is determined by the Board provided that it is no later than the 10th anniversary of the date of grant. There is no minimum year for which an option must be held before it can be exercised The Board may in its absolute discretion specify such conditions as to performance criteria to be satisfied by the participant and/or the Company and/or the Group which must be satisfied before an option can be exercised
6.	Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1.0 per grant	Options granted must be accepted within the date as stated in the notice of grant, upon payment of HK$1.0 per grant
7.	Exercise price	Exercise price shall be the par value of the Shares as amended as a result of any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time. As at the date of the grant, the par value of the Shares was US$0.0001	Exercise price shall be not less than the highest of (i) the nominal value of an ordinary share on the date of grant, (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8.	Remaining life of the scheme	It shall be valid and effective for ten years commencing on 31 October 2012	It shall be valid and effective for ten years commencing on 3 October 2013

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the percentage of the aggregate revenue attributable to the Group's largest game and five largest games accounted for approximately 26% and 52% of the Group's total revenue, and accounted for approximately 28% and 57% of the Group's product revenue, respectively.

During the year ended 31 December 2015, the percentage of the aggregate revenue attributable to the Group's largest game licensor and five largest game licensors accounted for approximately 1% and 5% of the Group's total revenue, respectively.

During the year ended 31 December 2015, the percentage of the aggregate revenue attributable to the Group's largest publishing partner and five largest publishing partners accounted for approximately 11% and 38% of the Group's total revenue, respectively.

During the year ended 31 December 2015, the percentage of the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 30% and 58% of the Group's cost of revenue, respectively.

None of the Directors or any of their close 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 the Group's five largest game licensors, publishing partners and suppliers.

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

At the Company's annual general meeting held on 28 May 2015, the Shareholders granted a share buy-back mandate to the Board to buy-back Shares (which should not exceed 10% of the issued share capital of the Company as at 28 May 2015) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting. Pursuant to such mandate, as at 31 December 2015, the Company bought back a total of 7,346,700 Shares at a consideration of HK$101,017,336 on the Stock Exchange, out of which 7,346,400 of the bought-back Shares were cancelled as at 31 December 2015 and the remaining 300 bought-back Shares were subsequently cancelled in January 2016. The bought-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the buy-backs are as follows:

Month of buy-backs	Total number of shares bought back	Price per Share Highest (HK$)	Price per Share Lowest (HK$)	Aggregate consideration (HK$)
March 2015	220,000	14.98	14.68	3,252,096
July 2015	1,316,900	15.90	10.80	18,167,534
September 2015	4,900,300	14.56	12.46	67,575,594
November 2015	211,900	13.28	13.00	2,798,428
December 2015	697,600	14.18	12.50	9,223,684
	7,346,700			**101,017,336**

Save as disclosed above, during the year ended 31 December 2015, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2015

At the Company's annual general meeting held on 28 May 2015, the Shareholders have approved a share buy-back mandate to grant to the Directors a general mandate to buy back Shares. From 1 January 2016 to 23 March 2016 (being the date in which the Financial Statements were approved and issued by the Company), the Company had bought back an aggregate of 2,395,200 Shares at a weighted average price of approximately HK$12.86 for an aggregate consideration of approximately HK$30,812,000 (equivalent to RMB26,022,000) under this share buy-back mandate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental Protection

As a developer and publisher of cloud-based games, the Group's businesses do not involve in production-related air, water, and land pollutions which are regulated by the applicable laws and regulations in the PRC. No hazardous waste was produced by the Group in its course of business in the year ended 31 December 2015.

The Group puts great emphasis on environmental protection and sustainable development. The conscientious use of resources and the adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group encourages environmental protection, complies with environmental legislations and promotes awareness towards environmental protection to its employees. Several measures have been implemented by the Group in order to promote environmental protection, including, among others:

(i) promoting energy saving by encouraging its staff to switch off all air-conditioners and lightings before leaving the office, and to utilise the timer-control function of all air-conditioning systems;

(ii) reducing energy consumption by using energy-saving light bulbs in the corridors and the reception area of its offices;

(iii) promoting recycling by placing recycle bins next to printers for collecting used papers for reusing and recycling purposes, and by encouraging two-sided printing and/or the use of scratch papers;

(iv) reducing the use of disposable products by, for example, cancelling the distribution of plastic bags in office; and

(v) reducing water consumption by replacing all water taps by automatic faucets in offices.

Community Involvement, Services and Responsibilities

The Group is committed to corporate responsibilities by proactively participating in community and charity works.

During the year ended 31 December 2015, the Group involved in various community works including, among others, participating in a number of running events held in TianHe Technology Park, and making donations to charitable organisations.

In particular, (i) the Group, as an enterprise leader, actively participated in the weekly running event "Weekly Run For Health" organised by TianHe Technology Park in 2015 in order to promote the benefits of regular exercise, (ii) Feiyin won the group second runner up in "Chinese New Year Run For Health Competition 2015" organised by the committees of TianHe Technology Park, (iii) the Group won the group first runner up in "TianHe Software Park Chinese New Year Run For Health Carnival 2016" organised by TianHe Technology Park, (iv) Feidong donated an aggregate sum of approximately RMB12,000 during the period between February 2015 to September 2015 to the management committee of Water Cellar for Mothers Fund of Women Development Foundation in China (中國婦女發展基金會母親水窖基金), a reputable charity organisation in China and (v) Feidong has placed a petty cash donation box in office since February 2015 to collect petty cash from its staff for making donations to non-profit oriented institutions, including charities and caring houses.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, in particular, those have significant impact on the Group, such as The Interim Measures for the Administration of Online Games and the Copyright Law of the PRC (2010 Amendment). The Audit and Compliance Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of the relevant employees and the relevant operation units from time to time.

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

Workplace Quality

The Group puts great emphasis on enhancing the sense of belonging of its staff by providing a pleasant working environment to them. To this end, the Group strives to, among other, (i) provide and establish safe and healthy working environment for its staff, (ii) offer equal working opportunities and discourage any kind of discrimination, including discriminating on the basis of the personal characteristics of its staff and (iii) establishes and implements an anti-discrimination policy and an anti-harassment policy to promote a harmonic and respectful workplace. Further, the Company has also put in place an employee handbook outlining terms and conditions of employment, expectations for employees' conduct and behavior, employees' rights and benefits.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organises charitable and staff-friendly activities for its employees from time to time, such as organising outings and team building activities and arranging seminars on health related topics so as to provide communication opportunities among staff, which the Group considers as vital for promoting staff relationship and physical fitness.

Health and Safety

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group also provides health and safety trainings for its staff to ensure that they are aware of the relevant occupational health and safety issues.

In addition, the Group values the health and well-being of its employees. In order to provide employees with sufficient medical care, in addition to the medical insurance mandatorily required by laws, the Group also maintains additional commercial medical insurance for its employees and provides other health awareness programmes and annual body check to its staff.

Training and Development

The Group is committed to the professional and personal development and the growth of all employees and considers training and development a continual process.

The human resources department of the Group studies the performance of its staff and meets with them on quarterly basis so as to devise a career development plan which fits each of the individual staff. The Group also introduces various training courses, seminars and workshops, including, among others, trainings on the latest information technology development, sharing of work experiences and introducing the latest industry development. The Group also arranges personal development events for its staff from time to time such as, organising outdoor development programmes for new comers, arranging seminars on health related topics and organising family gathering events. All these events are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting, organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and code provisions as set out in the CG Code. Save as disclosed in the corporate governance report under this annual report in relation to the deviations from Code Provision A.2.1, the Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

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

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

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

Save for the share option schemes and the restricted share unit scheme as disclosed in this Annual Report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, certified public accountants.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 13 May 2016 to Tuesday, 24 May 2016, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 24 May 2016. 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, 12 May 2016.

By order of the Board
WANG Dongfeng
Chairman

Hong Kong, 23 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the Company generated RMB309.7 million of revenue from mobile games, 106% higher than what was generated in 2014. The increase was primarily due to the increase of mobile games launched from 12 in 2014 to 20 in 2015. In executing our plan to become a leader in casual mobile games, approximately 75% of the mobile games launched during the year fall under the casual game category. In particular, we have launched eight casual mobile games under the "Boonie Bear" series and have achieved satisfactory results.

Webgames in 2015 generated RMB201.8 million of revenue for the Company, representing a decrease of 59.1% compared to those in 2014. This was the direct result of our strategy to produce fewer but more profitable webgames. In 2015, the Company launched four webgames and they were all exclusively designed for platforms such as Tencent and YY.

Forgame's management continues to optimise the Company's operation structure through various cost-cutting measures. The Company has decreased its headcount from 1,186 personnel in 2014 to 596 by the end of 2015. In addition, the costs incurred on selling and marketing and the costs incurred on research and development decreased by 72.8% and 43.1% in 2015 when compared to those in 2014, respectively.

Forgame recorded significant investment loss of approximately RMB79.8 million in 2015, reflected in approximately RMB12.5 million under share of loss of investments accounted for using the equity method, approximately RMB19.4 million under impairment of investment in associates, approximately RMB35.5 million under impairment of available-for-sale financial assets and approximately RMB12.4 million under other losses. This was a write-down due to a number of considerations including but not limited to the volatility of the fund raising market, existing cash availability for the investments, as well as a more prudent assessment of the outlook of the games in the pipelines of these invested game studios.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth certain operating statistics relating to the businesses of the Group as at the dates and in the years presented:

	Year Ended 31 December	
	2015	2014
Game Product:		
Average MPUs (in thousands)(1)	**1,006**	661
Monthly ARPPU (RMB)	**39**	61
Game Platform:		
Registered players (in thousands)	**224,584**	222,690
Average MPUs (in thousands)(1)	**11**	44
Monthly ARPPU (RMB)	**345**	305

Note:

(1) The figures mentioned in the above table did not eliminate the duplication in paying users of the games published on the Group's platforms.

— **Game product.** The average MPUs for the game product segment increased to approximately 1,006 thousand in 2015 from approximately 661 thousand in 2014. Monthly ARPPU of the game product segment decreased to RMB39 in 2015 from RMB61 in 2014. The increase in average MPUs while decrease in monthly ARPPU was primarily due to the ramp-up in casual mobile games, since casual games generally record higher MPUs and lower ARPPU.

— **Game platform.** Registered players of the webgame platform *91wan* increased to approximately 225 million as at 31 December 2015 from approximately 223 million as at 31 December 2014. The average MPUs of the Group for the game platform segment decreased to approximately 11 thousand in 2015 from approximately 44 thousand in 2014, while the monthly ARPPU of the game platform segment has increased to RMB345 for 2015 from RMB305 for 2014. The decrease in average MPUs but increase in monthly ARPPU was primarily due to the Group's strategy in scaling back webgame player acquisitions to maintain a positive return on investment for our webgame publishing business, and the existing players generally generate a higher ARPPU when compared to new players.

The following table sets forth the Group's income statement for the year ended 31 December 2015 as compared to the year ended 31 December 2014:

	Year Ended 31 December		
	2015	2014	Change
	(RMB'000)	(RMB'000)	%
Revenue	**511,539**	643,470	-20.5%
Cost of revenue	**(340,125)**	(218,279)	55.8%
Gross profit	**171,414**	425,191	-59.7%
Selling and marketing expenses	**(40,684)**	(149,807)	-72.8%
Administrative expenses	**(90,950)**	(93,984)	-3.2%
Research and development expenses	**(131,562)**	(231,417)	-43.1%
Other income	**41,582**	37,362	11.3%
Other losses	**(15,352)**	(23,816)	-35.5%
Finance income-net	**8,562**	10,094	-15.2%
Share of loss of investments accounted for using the equity method	**(12,547)**	(5,605)	123.9%
Impairment of investment in associates	**(19,418)**	—	NM
Impairment of available-for-sale financial assets	**(35,521)**	—	NM
Loss before income tax	**(124,476)**	(31,982)	289.2%
Income tax expense	**(5,145)**	(6,825)	-24.6%
Loss for the year	**(129,621)**	(38,807)	234.0%

Note:

NM – Not meaningful

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue. Revenue decreased by 20.5% to RMB511.5 million for the year ended 31 December 2015 from RMB643.5 million for the year ended 31 December 2014. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2015 and 2014:

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Revenue by Segment				
– Game product	**468,086**	**91.5**	483,095	75.1
– Game platform	**43,453**	**8.5**	160,375	24.9
Total Revenue	**511,539**	**100.0**	643,470	100.0

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Revenue by Game Type				
– Mobile games	**309,724**	**60.5**	150,335	23.4
– Webgames	**201,815**	**39.5**	493,135	76.6
Total Revenue	**511,539**	**100.0**	643,470	100.0

— Revenue from the game product segment decreased slightly by approximately 3.1% to RMB468.1 million for the year ended 31 December 2015 from RMB483.1 million for the year ended 31 December 2014. Although we experienced delay in the launch of some of our key titles in order to optimise the performance of the relevant games, we managed to execute the mobile game strategy and launched 24 major games[(1)] to the market, which exceeded our commitment to deliver 20 games for beta testing in 2015 in our interim report for the six months ended 30 June 2015. Revenue from the game platform segment decreased by approximately 72.9% to RMB43.5 million for the year ended 31 December 2015 from RMB160.4 million for the year ended 31 December 2014. The decline in revenue from the game platform segment was mainly due to the drop in platform MPUs as the Group scaled back in its webgame publishing business.

— Revenue from mobile games increased by approximately 106.0% to RMB309.7 million for the year ended 31 December 2015 from RMB150.3 million for the year ended 31 December 2014. The increase in revenue was mainly contributed by our increase in causal mobile game launches. As part of this strategy, we introduced eight casual mobile games series adapted from "Boonie Bears (熊出沒)" in the year of 2015. Besides, the sequel of our legacy hit game "Soul Guardian (凡人修真)", "Sword Immortal (劍仙緣)" was well received by the market and contributed to the increase of mobile games revenue in 2015 as well.

[1] Number of games launched excludes games introduced to the market for early-stage testing purpose.

— Revenue from webgames decreased by approximately 59.1% to RMB201.8 million for the year ended 31 December 2015 from RMB493.1 million for the year ended 31 December 2014. The decrease was in line with our expectation as the Group transforms its business from webgames to mobile games. This transformation resulted in a reduced number of new webgames that the Group has launched and operated in 2015..

Cost of revenue. Cost of revenue increased by 55.8% to RMB340.1 million for the year ended 31 December 2015 from RMB218.3 million for the year ended 31 December 2014. As a percentage of revenue, cost of revenue increased to 66.5% for the year ended 31 December 2015 from 33.9% for the year ended 31 December 2014. The following table sets forth the cost of revenue of the Group by segment for the years ended 31 December 2015 and 2014:

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	**(% of Total Cost of Revenue)**	(RMB'000)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game products	**327,444**	**96.3**	179,847	82.4
– Game platform	**12,681**	**3.7**	38,432	17.6
Total Cost of Revenue	**340,125**	**100.0**	218,279	100.0

— Cost of revenue for the game products segment increased by 82.1% to RMB327.4 million for the year ended 31 December 2015 from RMB179.8 million for the year ended 31 December 2014. This increase was mainly due to higher content costs and agency fees of self-developed mobile games for the year ended 31 December 2015 compared to the year ended 31 December 2014 as the contribution of these games increased. If the revenue contribution of self-developed mobile games continues to increase, we expect cost of revenue for game product segment will continue to grow.

— Cost of revenue for the game platform segment decreased by 67.0% to RMB12.7 million for the year ended 31 December 2015 from RMB38.4 million for the year ended 31 December 2014. The decrease was primarily due to the intended scaling back of the webgame publishing business and the ongoing effort of the Group to optimise the return on investment and profitability of *91wan*.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses. Selling and marketing expenses decreased by 72.8% to RMB40.7 million for the year ended 31 December 2015 from RMB149.8 million for the year ended 31 December 2014. This was mainly attributable to (i) the decrease in promotion and advertising expenses for *91wan* and (ii) the decrease in share-based compensation expenses in connection with the options granted to the Group's employees in the marketing function pursuant to the pre-IPO share option scheme of the Company as a result of ongoing optimisation of our organisation.

Administrative expenses. Administrative expenses decreased by 3.2% to RMB91.0 million for the year ended 31 December 2015 from RMB94.0 million for the year ended 31 December 2014. Administrative expenses were generally stable since a significant portion comprised of costs such as salary, compensation expenses and professional service expenses.

Research and development expenses. Research and development expenses decreased by 43.1% to RMB131.6 million for the year ended 31 December 2015 from RMB231.4 million for the year ended 31 December 2014. This decrease was primarily due to the ongoing effort of the Group to optimise its research and development capability, as well as our strategic transition of the Group's business focus from webgames to mobile games.

Other income. Other income increased by 11.3% to RMB41.6 million for the year ended 31 December 2015 from RMB37.4 million for the year ended 31 December 2014. This increase was mainly due to the increase in interest income of bank deposits from RMB27.0 million for the year ended 31 December 2014 to RMB31.8 million for the year ended 31 December 2015.

Other losses. Other losses decreased by 35.5% to RMB15.4 million for the year ended 31 December 2015 from RMB23.8 million for the year ended 31 December 2014. The other losses of RMB23.8 million recorded in 2014 primarily consisted of foreign exchange losses. The decrease in other losses in 2015 was primarily due to the Group's effective management of foreign exchange exposure by monitoring its financial resources of the Group denominated in foreign currency. The other losses in 2015 included (i) a charge of RMB6.4 million which is related to fair value loss driven by change in the value of financial assets at fair value through profit and losses, (ii) a charge of RMB6.0 million related to loss on disposal of a subsidiary and (iii) a charge of RMB1.9 million related to loss on disposal of property and equipment.

Finance income-net. Finance income-net for the year ended 31 December 2015 was RMB8.6 million, as compared to finance income-net of RMB10.1 million for the year ended 31 December 2014. Finance income-net primarily consists of the interest income from short-term bank deposits, and the decrease in finance income-net for year 2015 was mainly due to the lower short term deposit interest rate in 2015 when compared to that of 2014. As part of the Group's cash management strategy, the Company monitors the RMB interest rate movements and re-evaluates its cash management strategy from time to time to best utilise the cash available on hand.

Share of loss of investments accounted for using the equity method. Share of loss of investments accounted for using the equity method for the year ended 31 December 2015 was RMB12.5 million, as compared to RMB5.6 million for the year ended 31 December 2014. This loss reflected the operational performance of our investee companies. Given the volatile environment in the gaming market, the operations of these companies are facing challenges, especially as most of our investee studios or game incubators are in their start-up stage.

Impairment of investment in associates and impairment of available-for-sale financial assets. Impairment of investment in associates and impairment of available- for-sale financial assets for the year ended 31 December 2015 was RMB19.4 million and RMB35.5 million respectively, which represented the provision for impairment loss of some of our angel investments after the review of the Group's major investments in the investment portfolio with the help of a third party consultancy. According to the review, the PRC fund raising market for small gaming studios continued to be challenging. After considering that the performance of such angel investments may be less predictable and typically depend on their ability to attract more rounds of funding, the Group made a provision for impairment loss as a matter of prudence.

Income tax expense. Income tax expense decreased by 24.6% to RMB5.1 million for the year ended 31 December 2015 from RMB6.8 million for the year ended 31 December 2014. This decrease primarily reflected the decrease in taxable profit before income tax of the PRC Operational Entities.

Loss for the year. As a result of the foregoing, the loss for the year ended 31 December 2015 was RMB129.6 million (including the provision for investment and impairment loss of approximately RMB79.8 million), as compared to the loss of RMB38.8 million for the year ended 31 December 2014. The increase in loss for the year (excluding provision for investment and impairment loss) was primarily due to decrease in revenue. However, the Group had managed to control the operating costs and expenses at a reasonable level. During 2015, the Group made efforts in driving operating efficiency by (i) improving the investment return of the Group's advertising expenses, (ii) optimising the Group's research and development capability and (iii) managing the Group's administrative costs.

NON-IFRSS MEASURES-ADJUSTED NET LOSS AND ADJUSTED EBITDA

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the years ended 31 December 2015 and 2014, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2015	2014
	(RMB'000)	(RMB'000)
Loss for the year	**(129,621)**	(38,807)
Add:		
Share-based compensation	**9,592**	18,057
Changes in the value of financial assets at fair value through profit or loss	**6,323**	—
Loss on disposal of a subsidiary	**5,958**	—
Impairment of investment in associates	**19,418**	—
Impairment of available-for-sale financial assets	**35,521**	—
Adjusted net loss (unaudited)	**(52,809)**	(20,750)
Add:		
Depreciation and amortisation	**49,339**	49,205
Net interest income	**(40,350)**	(41,284)
Income tax expense	**5,145**	6,825
Adjusted EBITDA (unaudited)	**(38,675)**	(6,004)

FINANCIAL POSITION

As at 31 December 2015, the total equity of the Group amounted to RMB1,444.7 million, as compared to RMB1,401.0 million as at 31 December 2014. The increase was mainly due to the increase in share premium which was partially offset by the loss for year ended 31 December 2015. The increase in share premium was a result of the Placing, which was partially offset by the bought-back and cancellation of shares during the year ended 2015. Please also refer to the section headed "Report of Directors – Use of Proceeds from Placing" in this annual report for further details regarding the Placing.

The Group's net current assets amounted to RMB1,165.2 million as at 31 December 2015, as compared to RMB1,056.1 million as at 31 December 2014. This increase was primarily due to the net proceeds received upon completion of the Placing.

LIQUIDITY AND FINANCIAL RESOURCES

	Year Ended 31 December	
	2015	2014
	(RMB'000)	(RMB'000)
Cash at bank and on hand	**916,095**	851,051
Cash at other financial institutions	**11,034**	896
Short-term deposits	**200,000**	200,000
Net cash	**1,127,129**	1,051,947

The total cash, cash equivalent and short-term deposits of the Group amounted to RMB1,127.1 million as at 31 December 2015, compared to RMB1,051.9 million as at 31 December 2014. The increase was primarily due to the net proceeds received upon completion of the Placing.

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

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

FOREIGN EXCHANGE RISK

As at 31 December 2015, RMB25.0 million of the financial resources of the Group (as at 31 December 2014: RMB22.8 million) were held in deposits denominated in non-RMB currencies. The Group currently conducts most of its transaction in RMB and therefore did not enter into any arrangement to hedge transactions undertaken in foreign currencies. In view of potential acquisitions that could be based overseas, the Group has elected to keep a portion of its cash in USD to preserve the Group's purchasing power in light of the recent RMB exchange rate fluctuations. The Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

CAPITAL EXPENDITURES

	Year Ended 31 December	
	2015	2014
	(RMB'000)	(RMB'000)
Capital expenditures		
– Purchase of property and equipment	**2,561**	7,636
– Purchase of intangible assets	**22,392**	66,503
Total	**24,953**	74,139

Capital expenditures comprise the purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers. The total capital expenditures were RMB25.0 million and RMB74.1 million for the years ended 31 December 2015 and 2014, respectively. The decrease of RMB49.1 million in total capital expenditures reflects a lower purchase level of property and equipment, leasehold improvement for PRC Operational Entities' offices and intangible assets. The Group has less property and equipment purchase requirements for the year ended 31 December 2015 because the property and equipment purchases made prior to 2015 sufficiently supported its business growth. The purchase of intangible assets decreased in 2015 because the licensing rights for several third party mobile games as well as the adaptation rights of several popular Intellectual properties (IPs), such as the cartoon TV series "Boonie Bears" and internet novels acquired in 2014 successively supported the game publishing and game development of the Group in 2015.

Pledge of Asset

As at 31 December 2015, the Group had a pledge of assets of RMB0.7 million as restricted cash for corporate credit card deposits.

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

Human Resources

As at 31 December 2015, the Group had 596 full-time employees, the vast majority of whom were based in Guangzhou. As the Group continued to transition from a webgame business to a mobile game business, the management has actively monitored human resources costs and made headcount adjustments, and as a result, the Group had a net decrease of 590 employees in 2015. The following table sets forth the number of employees by function as at 31 December 2015:

	Number of Employees	% of Total
Game Development	340	57%
Publishing	83	14%
Sales and Marketing	17	3%
General and Administration	156	26%
Total	596	100%

Details of remuneration policies and training schemes are set out in “Report of Directors – Remuneration Policy and Directors’ Remuneration” of this annual report.

Details of share option schemes and restricted share unit scheme are set out in the sections headed “Report of Directors – Pre-IPO Shares Option Scheme”, “Report of Directors – Post-IPO Share Option Scheme” and “Report of Directors – The Restricted Share Unit Scheme” of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

POST BALANCE SHEET EVENT

At the Company's annual general meeting held on 28 May 2015, the Shareholders have approved a share buy-back mandate to grant to the Directors a general mandate to buy back the Shares. From 1 January 2016 to 23 March 2016 (being the date in which the Financial Statements were approved and issued by the Company), the Company had bought back an aggregate of 2,395,200 Shares at a weighted average price of approximately HK$12.86 for an aggregate consideration of approximately HK$30,812,000 (equivalent to approximately RMB26,022,000) under this share buy-back mandate.

TRANSFORMATION PLAN: RISKS AND HURDLES

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

Since 2014, we have made investments in a number of mobile game studios and incubators in China with a remaining value of approximately RMB181.8 million post investment impairment and losses in 2015, out of which approximately RMB43.9 million were classified as "investments in associates", including but not limited to Zhengyou and Tianjin Laiwan. These investments are mostly angel investments and during the development phase do not generate meaningful revenue and profit. Similar to most angel investments, it is difficult to determine the success of these investments in the early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

Based on what the management has observed thus far in 2016, the Group believes its operating performance (excluding investment related impairment and losses) in the first half of 2016 will be comparable with that of the second half of 2015.

FUTURE PLANS

The Group is evaluating investment opportunities across various parts of the mobile game value chain using the net proceeds from our IPO and/or the general working capital of the Group with the aim of building an ecosystem that would drive organic growth. Going forward, the Group will also look beyond the mobile gaming space and diversify into the broader internet and pan-entertainment investment opportunities that can drive higher growth and profitability to the Group.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2015.

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

Save as disclosed in this Corporate Governance Report in relation to the deviations from Code Provision A.2.1, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2015.

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 and other significant financial and operational matters.

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

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

As at 31 December 2015, the Board consisted of five directors, one of whom was an Executive Director, one of whom was a Non-executive Director and three of whom were Independent Non-executive Directors. Mr. ZHUANG Jieguang resigned as Executive Director with effect from 1 April 2015. As at the Latest Practicable Date, the Board consists of five Directors, one of whom is an Executive Director, one of whom was a Non-executive Director and three of whom were Independent Non-executive Directors. Biographies of the Directors are set out on pages 61 to 64 of this annual report.

As at 31 December 2015, the Board comprises the following Directors:

Executive Director	Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*
Non-executive Director	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 ended 31 December 2015, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

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

4. *Appointment and re-election of directors*

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

Each of the Executive Director and the Non-executive Director has entered into a service contract with the Company for an initial term of three years with effect from 1 September 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 during the year ended 31 December 2015 has signed an appointment letter with the Company for an initial term of two years with effect from 1 September 2013 (which was subsequently renewed for a further term of two years) 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 31 December 2015, each of Directors (namely, Mr. WANG Dongfeng, 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 relating to corporate governance and continuing obligations of listed companies and its directors.

On top of the above-mentioned trainings, the chairman and chief executive officer (namely, Mr. WANG Dongfeng) and members of the senior management have also attended several presentations organised by the Group on case studies relating to compliance of listed companies.

6. *Directors liability insurance*

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 31 December 2015, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company estimates that in the reasonably foreseeable future, there is little risk that there would be any material event for which any Director shall take significant responsibility. Notwithstanding, the Company has arranged for appropriate directors and officers liability insurance in respect of legal action against the Directors.

7. *Board Meetings and General Meetings*

Number of Meetings and Directors' Attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held 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 held four regular Board meetings during the year ended 31 December 2015 for discussing the Group's affairs, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. In total, the Board held 12 Board meetings during the year ended 31 December 2015.

The attendance records of each Director at the Board meetings and annual general meeting (whether in person or by means of electronic communication) held during the year ended 31 December 2015 are set out below:

Name of Director	**Board Meetings**	**Annual general meeting**
Mr. WANG Dongfeng	12/12	1/1
Mr. ZHUANG Jieguang *(resigned with effect from 1 April 2015)*	4/12	0/1
Mr. TUNG Hans	8/12	0/1
Mr. LEVIN Eric Joshua	12/12	1/1
Ms. POON Philana Wai Yin	12/12	1/1
Mr. ZHAO Cong Richard	11/12	1/1

Practices and Conduct of Meetings

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

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

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

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

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

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

B. Chairman and Chief Executive

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

Mr. WANG Dongfeng serves as the Chairman and Chief Executive Officer of the Company. In view of the everchanging business environment in which the Group operates and the fact that the Company was only listed around the end of 2013, the Chairman and Chief Executive Officer must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a separation of the role of the Chairman and Chief Executive Officer is premature and may create unnecessary costs for the daily operations of the Group. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

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

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. During the year ended 31 December 2015, the Remuneration Committee comprises three members, the majority of whom are Independent Non-executive Directors:

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

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

The Remuneration Committee held one meeting during the year ended 31 December 2015 to review, inter alias, (i) the remuneration policy and structure, (ii) making recommendations to the Board on determining the annual remuneration packages of the Directors and the senior management, (iii) making recommendations to the Board on the granting of share options pursuant to the Post IPO Share Option Scheme and RSUs pursuant to the Restricted Share Unit Scheme of the Compan and (iv) other matters related to the foregoing.

The attendance records of the Remuneration Committee held during the year ended 31 December 2015 are set out below:

Committee members	**Meeting attended/Total**
Mr. ZHAO Cong Richard *(Chairman)*	1/1
Mr. TUNG Hans	0/1
Mr. LEVIN Eric Joshua	1/1

Due to prior business engagements external to the Company, Mr. TUNG Hans was unable to attend the remuneration committee meeting.

Please refer to note 36 to the Financial Statements for the remuneration of the senior management by band.

2. *Audit and Compliance Committee*

We have established the Audit and Compliance Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. During the year ended 31 December 2015, the Audit and Compliance Committee comprises three non-executive members, and the majority of whom are Independent Non-executive Directors:

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

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

The primary roles and functions of the Audit and Compliance Committee include, but not limited to: (i) reviewing and monitoring the relationship of the external auditors and the Group, particularly the independence 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 the policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, in particular, the functions set out in the code provision D.3.1 of the CG Code, (v) reviewing the financial information of the Group and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit and (vi) developing, reviewing and monitoring the code of conduct applicable to the employees of the Group and the Directors.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended 31 December 2015 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held three meetings during the year ended 31 December 2015 to, inter alias, (i) review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Group's internal control, (ii) reviewed the Company's corporate governance policies and practices (including but not limited to training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code), (iii) risk management review and processes, (iv) the re-appointment of the external auditors and (v) other matters related to the foregoing.

The attendance records of the Audit and Compliance Committee held during the year ended 31 December 2015 are set out below:

Committee members	**Meeting attended/Total**
Mr. LEVIN Eric Joshua *(Chairman)*	3/3
Ms. POON Philana Wai Yin	3/3
Mr. TUNG Hans	1/3

Due to prior business engagements external to the Company, Mr. TUNG Hans was unable to attend two audit and compliance committee meetings.

The Group's annual results for the year ended 31 December 2015 and this corporate governance report have been reviewed by the Audit and Compliance Committee on 23 March 2016.

3. *Nomination Committee*

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.4 of the CG Code. During the year ended 31 December 2015, the Nomination Committee comprises three members, and the majority of whom are Independent Non-executive Directors:

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

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

The Nomination Committee held two meetings during the year ended 31 December 2015 to, inter alias, (i) review the size and composition of the Board or identify any new Board member, (ii) review and assess the board composition with reference to the board diversity policy of the Company and (iii) discuss other matters related to the foregoing.

The attendance records of the Nomination Committee held during the year ended 31 December 2015 are set out below:

Committee members	Meeting attended/Total
Mr. WANG Dongfeng *(Chairman)*	2/2
Ms. POON Philana Wai Yin	2/2
Mr. ZHAO Cong Richard	2/2

The composition and diversity of the Board were considered by taking into account the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. The Executive Directors possesses extensive IT and webgame experience. The Non-executive Director 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.

Summary of the board diversity policy

The Board Diversity Policy ("the Policy") was adopted by the Company pursuant to the Board resolution passed on 29 November 2013. The Policy aims to set out the approach to diversity on the Board of the Company. The Policy applies to the Board but not to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company. In reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Company aims to maintain an appropriate balance of diversity perspectives of the Board in supporting the attainment of its strategic objectives and its sustainable development. The Board has not set any measureable objectives for implementing the Policy.

D. Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2015.

E. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the Financial Statements of the Group and the Company for the year ended 31 December 2015.

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.

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 67 to 68.

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 31 December 2015, the fees paid/payable to PricewaterhouseCoopers for the audit service are RMB5.7 million.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year was RMB0.6 million. The non-audit services include professional service for tax issues and internal control of the Group.

G. Internal control

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

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

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

During the year ended 31 December 2015, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational and compliance aspects of the Group's internal control system implemented in the year ended 31 December 2015. The review was made by discussions with the management of the Company, its external and internal auditors and the review was performed by the Audit and Compliance Committee. The review results have been reported to the Board. The Board is satisfied that such systems are effective and adequate. In addition, the Board has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions.

H. Framework for Disclosure of Inside Information

The Group has put in place a robust framework for the disclosure of inside information in compliance with the Securities and Futures Ordinance. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner so as to allow all the stakeholders to apprehend the latest position of the Group. The framework and its effectiveness are subject to review on a regular basis according to established procedures.

I. Internal Audit

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

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

J. Communications with Shareholders and Investors

The Company considers that effective communication with shareholders is essential 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, the chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee, or, in their absence, other members of the respective committees are available to answer questions at the general meetings.

At the annual general meeting of the Company held on 28 May 2015, a resolution was proposed by the Chairman in respect of each separate issue itemised on the agenda, including re-election of retiring directors. Procedures for conducting a poll were explained by the chairman at the meeting. The chairman of the Board and the chairman of each of the board committees were present to answer questions from shareholders. Representatives from external auditors had also attended the annual general meeting of the Company held on 28 May 2015. All resolutions were voted by way of poll. The Company appointed the branch share registrar of the Company to act as scrutineers and to ensure votes cast were properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the Articles and the Listing Rules. No other general meeting was held by the Company during the year under review.

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

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

K. 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 the company secretary of the Company who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

General meetings shall be convened on the written requisition of any two or more shareholders of the Company deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one shareholder of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. 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.

During the year ended 31 December 2015, there was no change in the constitutional documents of the Company. The latest version of the Company's Articles of Association is available on the websites of the Company and of the Stock Exchange.

L. Company Secretary

Mr. LAW Yat Yang Arthur was appointed by the Board as the company secretary of the Company on 1 November 2014.

Mr. LAW Yat Yang Arthur is a full-time employee of the Group and is also the general counsel of the Group. He reports to the chairman and chief executive officer. All Directors have access to the advice and services of the company secretary of the Company to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

For the financial year ended 31 December 2015, Mr. Law had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

The Directors and senior management of the Company as at 31 December 2015 were:

DIRECTORS

Executive Director
Mr. WANG Dongfeng *(Chairman)*

Non-executive Director
Mr. TUNG Hans

Independent Non-executive Directors
Mr. LEVIN Eric Joshua *(resigned with effect from 1 January 2016)*
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.

SUBSEQUENT CHANGES TO MEMBERS OF THE BOARD

Mr. LEVIN Eric Joshua resigned as Independent Non-executive Director with effect from 1 January 2016.

In accordance with article 99(3) of the Articles, Mr. HOW Sze Ming was appointed to fill up a causal vacancy on the Board with effect from 1 January 2016.

DIRECTORS' UPDATED BIOGRAPHICAL DETAILS

WANG Dongfeng, aged 39, co-founded the Group in September 2009 and was appointed as the Chairman and Executive Director on 26 July 2011. Since Mr. Wang acquired interests in Feiyin and Weidong, he has been involved in the Group's management in the capacity as a shareholder by making important management decisions. Mr. Wang has also been the Chief Executive Officer of the Company since July 2011 and was appointed as the Company's authorised representative on 4 February 2013. He is responsible for the overall corporate development and strategic management of the Group's business and participates in making the Group's key strategic and operational decisions. In addition, Mr. Wang also sits on the boards of various companies within the Group, including acting as chairman of Foga Tech since August 2011. He also has been serving as executive director of the PRC Operational Entities, namely Feiyin and Weidong since May 2011 and Jieyou since June 2012 where he is mainly responsible for overseeing the overall development of the companies and formulating corporate and business strategies.

Mr. Wang has more than 15 years of experience in technology-oriented companies. From January 2005 to October 2008, he was the chief executive officer of ZCOM (北京智通無限科技有限公司) where he was responsible for carrying out the strategies and policies established by ZCOM. Prior to that, he was also the business director of Beijing Feixing Network Music Software Development Co., Ltd from April 2000 to August 2004 where he was involved in the operations of the business.

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

DIRECTORS AND SENIOR MANAGEMENT

TUNG Hans, aged 45, was appointed as a Non-executive Director on 15 June 2012.

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

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

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

LEVIN Eric Joshua, aged 53, was appointed as an Independent Non-executive Director on 1 November 2012 and resigned as an Independent Non-executive Director with effect from 1 January 2016.

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

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

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

Mr. LEVIN Eric Joshua was the chairman of the Audit and Compliance Committee and a member of the Remuneration Committee during the year ended 31 December 2015.

HOW Sze Ming, aged 39, was appointed as an Independent Non-executive Director on 1 January 2016.

Mr. How has over 15 years of experience in investment banking and business assurance industries. From September 1999 to July 2002, Mr. How worked as a senior associate in the Assurance and Business Advisory Department of PricewaterhouseCoopers and was primarily responsible for performing assurance and business advisory work. From July 2002 to June 2003, he worked as the corporate finance executive of Tai Fook Securities Company Limited (now known as Haitong International Securities Company Limited), a company which was principally engaged in securities broking, securities dealing and leveraged foreign exchange trading, where he was responsible for corporate finance advisory. From July 2003 to December 2004, Mr. How worked as the assistant manager at Tai Fook Capital Limited (now known as Haitong International Capital Limited), a company principally engaged in corporate finance advisory, where he was responsible for corporate finance advisory. From December 2004 to May 2006, he worked as the assistant vice president of CCB International Capital Limited, a company principally engaged in securities advisory, securities dealing and corporate finance advisory, where he was responsible for corporate finance advisory. From June 2006 to March 2009, Mr. How worked as the assistant vice president in the Investment Banking Division of ICEA Capital Limited, a company principally engaged in dealing in securities and corporate finance advisory, where he was responsible for corporate finance advisory. From April 2009 to February 2010, he worked as the assistant vice president in the Investment Banking Division of ICBC International Holding Limited, a company principally engaged in investment banking, where he was responsible for corporate finance advisory. From February 2010 to June 2015, Mr. How was the managing director of the Investment Banking Department of CMB International Capital Corporation Limited, a company principally engaged in investment banking, securities brokerage and asset management, where he was responsible for corporate finance advisory. From July 2015 to January 2016, Mr. How was the managing director of Zhaobangji International Capital Limited, a company principally engaged in investment banking and advisory, where he is responsible for corporate finance advisory.

Mr. How joined Southwest Securities (HK) Capital Limited ("Southwest Securities"), a company principally engaged in investment banking and advisory, in February 2016 and is currently the managing director and co-head of investment banking where he is responsible for corporate finance advisory. Southwest Securities is an indirect wholly-owned subsidiary of Southwest Securities International Securities Limited, a company whose shares are listed on the main board of the Stock Exchange (Stock code: 00812). Mr. How has been an independent non-executive director of (i) QPL International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 00243), since September 2013, (ii) Odella Leather Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange ("GEM") (Stock code: 08093), since January 2015 and (iii) World-Link Logistics (Asia) Holding Limited, a company listed on GEM (Stock code: 08012), since December 2015. Save as disclosed above, Mr. How has not held any directorships in other listed public companies in the past three years.

Mr. How graduated from The Chinese University of Hong Kong with a Bachelor of Business Administration Degree (first class honour, majoring in professional accountancy) in December 1999. By profession, he is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

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

DIRECTORS AND SENIOR MANAGEMENT

POON Philana Wai Yin, aged 48, was appointed as an Independent Non-executive Director on 1 September 2013.

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

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

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

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

Mr. Zhao has been serving as the Chairman of SingMeng Telemedia Group Ltd. since January 2016. Mr. Zhao has over 30 years of experience in managing and investing in businesses based in Hong Kong and China. From March 2002 to December 2015, he served as the managing director of Yangtze Ventures Management Limited. From March 2000 to February 2001, he served as a vice president of the venture capital arm of PCCW Limited (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 the Remuneration Committee and a member of the Nomination Committee.

SENIOR MANAGEMENT

The Group's senior management is responsible for the day-to-day management of the business of the Group. The table below shows certain information in respect of the senior management of the Group as at 31 December 2015:

Name	Age	Position/Title	Date of Appointment
YANG Tao	39	Chief Product Officer	15 June 2012
LIANG Na Anna	35	Chief Financial Officer	1 November 2014

YANG Tao, aged 39, was appointed as the chief product officer of the Group on 15 June 2012. He joined the Group in June 2010 through Feiyin where he was the game producer until November 2011. 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 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.

LIANG Na Anna, aged 35, was appointed as our chief financial officer of the Group with effect from 1 November 2014. She has held various key roles within the Group (including vice president and director of finance of the Group) and has over 12 years of financial management experience in both traditional and technology sectors. Prior to joining the Group in June 2011 as director of finance, she was employed by Digital China Holdings Limited (Stock Code: 00861) from January 2005 to June 2011 and took up the role of director of finance within the supply chain business unit.

Ms. Liang is responsible for overseeing the Group's financial management, corporate finance, budget implementation, investor relations, as well as managing the Group's support functions. She is assisted by our deputy chief financial officer of the Group, who mainly focuses on the Group's corporate finance and investor relations.

Ms. Liang graduated from Xi'an University of Technology and obtained a bachelor degree in accounting in July 2002. Ms. Liang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

LAW Yat Yang Arthur, aged 32, was appointed as the legal counsel & company secretary of the Group with effect from 1 November 2014, and subsequent promoted to general counsel of the Group with effect from June 2015. Prior to such, he was the Group's legal counsel & deputy company secretary from 4 February 2014 to 31 October 2014.

Mr. Law was admitted as a solicitor of New South Wales (Australia) by the Supreme Court of New South Wales (Australia) in August 2007 and as a solicitor of Hong Kong by the High Court of Hong Kong in September 2010. Prior to joining the Group in February 2014, Mr. Law worked as a solicitor in the corporate & commercial department of Messrs. Woo, Kwan, Lee & Lo from October 2010 to January 2014.

Mr. Law obtained a Bachelor of Applied Finance degree and a Bachelor of Laws degree from Macquarie University, Sydney (Australia) in April 2007, a graduate diploma in legal practice from The College of Law (New South Wales, Australia) in August 2007, and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2008.

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

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 set out on pages 69 to 158, which comprise the consolidated balance sheet as at 31 December 2015, 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.

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INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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, 23 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year Ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	5	**511,539**	643,470
Cost of revenue	6	**(340,125)**	(218,279)
Gross profit		**171,414**	425,191
Selling and marketing expenses	6	**(40,684)**	(149,807)
Administrative expenses	6	**(90,950)**	(93,984)
Research and development expenses	6	**(131,562)**	(231,417)
Other income	7	**41,582**	37,362
Other losses	8	**(15,352)**	(23,816)
Finance income-net	10	**8,562**	10,094
Share of loss of investments accounted for using the equity method	11b	**(12,547)**	(5,605)
Impairment of investment in associates	11b	**(19,418)**	—
Impairment of available-for-sale financial assets	18	**(35,521)**	—
Loss before income tax		**(124,476)**	(31,982)
Income tax expense	12	**(5,145)**	(6,825)
Loss for the year		**(129,621)**	(38,807)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in value of available-for-sale financial assets	18	**1,046**	4,580
Items that will not be reclassified to profit or loss:			
– Currency translation differences	23	**3,535**	19,090
Total other comprehensive income, before tax		**4,581**	23,670
Income tax relating to components of other comprehensive income	28	**(157)**	(687)
Other comprehensive income for the year, net of tax		**4,424**	22,983
Total comprehensive loss for the year		**(125,197)**	(15,824)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year Ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Loss attributable to:			
– Owners of the Company		**(129,144)**	(38,531)
– Non-controlling interests		**(477)**	(276)
		(129,621)	(38,807)
Total comprehensive loss attributable to:			
– Owners of the Company		**(124,720)**	(15,548)
– Non-controlling interests		**(477)**	(276)
		(125,197)	(15,824)
Loss per share (expressed in RMB per share)	13		
– Basic		**(0.95)**	(0.30)
– Diluted		**(0.95)**	(0.30)

The notes on pages 77 to 158 are integral parts of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment	14	**26,197**	43,365
Intangible assets	15	**58,650**	79,284
Investments accounted for using the equity method	11b	**43,857**	45,126
Financial assets at fair value through profit or loss	17	**15,651**	21,054
Available-for-sale financial assets	18	**122,255**	138,140
Prepayments and other receivables	20	**2,410**	7,181
Deferred income tax assets	28	**12,686**	18,310
		281,706	352,460
Current assets			
Trade receivables	19	**71,927**	90,212
Prepayments and other receivables	20	**43,675**	64,601
Restricted cash	21	**674**	—
Short-term deposits	21	**200,000**	200,000
Cash and cash equivalents	21	**927,129**	851,947
		1,243,405	1,206,760
Total assets		**1,525,111**	1,559,220
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	**88**	80
Share premium	22	**2,099,777**	1,934,534
Reserves	23	**(100,750)**	(117,075)
Accumulated losses		**(554,361)**	(425,217)
		1,444,754	1,392,322
Non-controlling interests		**(28)**	8,724
Total equity		**1,444,726**	1,401,046

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**844**	687
Deferred revenue	25	**1,358**	6,866
		2,202	7,553
Current liabilities			
Trade payables	26	**24,091**	25,927
Other payables and accruals	27	**40,063**	95,533
Income tax liabilities		**—**	403
Deferred revenue	25	**14,029**	28,758
		78,183	150,621
Total liabilities		**80,385**	158,174
Total equity and liabilities		**1,525,111**	1,559,220

The notes on pages 77 to 158 are integral parts of these consolidated financial statements.

The financial statement on pages 69 to 158 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf.

WANG Dongfeng
Director

TUNG Hans
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
		Attributable to Owners of the Company						
Balance at 1 January 2014		80	1,934,534	(159,846)	(386,686)	1,388,082	—	1,388,082
Comprehensive loss								
Loss for the year		—	—	—	(38,531)	(38,531)	(276)	(38,807)
Other comprehensive income:								
Revaluation of available-for-sale financial assets	23	—	—	3,893	—	3,893	—	3,893
Currency translation differences	23	—	—	19,090	—	19,090	—	19,090
Total comprehensive loss		—	—	22,983	(38,531)	(15,548)	(276)	(15,824)
Transactions with owners in their capacity as owners								
Capital injection from non-controlling interests holders		—	—	—	—	—	9,000	9,000
Employee share-based compensation scheme:								
– Value of employee services	23	—	—	18,057	—	18,057	—	18,057
Total transactions with owners in their capacity as owners		—	—	18,057	—	18,057	9,000	27,057
Share of other net asset changes in associates' equity	23	—	—	1,731	—	1,731	—	1,731
Balance at 31 December 2014		80	1,934,534	(117,075)	(425,217)	1,392,322	8,724	1,401,046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to Owners of the Company						
		Share Capital	Share Premium	Reserves	Accumulated Losses	Total	Non-Controlling Interests	Total Equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015		80	1,934,534	(117,075)	(425,217)	1,392,322	8,724	1,401,046
Comprehensive loss								
Loss for the year		—	—	—	(129,144)	(129,144)	(477)	(129,621)
Other comprehensive income:								
Revaluation of available-for-sale financial assets	23	—	—	889	—	889	—	889
Currency translation differences	23	—	—	3,535	—	3,535	—	3,535
Total comprehensive loss		—	—	4,424	(129,144)	(124,720)	(477)	(125,197)
Transactions with owners in their capacity as owners								
New shares issued for placement	22	12	248,237	—	—	248,249	—	248,249
Repurchase and cancellation of shares	22	(4)	(82,994)	—	—	(82,998)	—	(82,998)
Employee share-based compensation scheme:								
– Value of employee services	23	—	—	9,592	—	9,592	—	9,592
Disposal of a subsidiary		—	—	—	—	—	(8,275)	(8,275)
Total transactions with owners in their capacity as owners		8	165,243	9,592	—	174,843	(8,275)	166,568
Share of other net asset changes in associates' equity	23	—	—	2,309	—	2,309	—	2,309
Balance at 31 December 2015		88	2,099,777	(100,750)	(554,361)	1,444,754	(28)	1,444,726

The notes on pages 77 to 158 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30	**(412)**	274
Income tax paid		**(1,091)**	(33,212)
Net cash used in operating activities		**(1,503)**	(32,938)
Cash flows from investing activities			
Purchase of property and equipment		**(1,966)**	(8,705)
Proceeds from disposals of property and equipment	30	**2,474**	1,542
Purchase of intangible assets		**(28,676)**	(58,722)
Payments for investments in associates		**(32,700)**	(25,315)
Payments for investment in a jointly venture		**(5,000)**	—
Acquisitions of financial assets at fair value through profit or loss	17	**—**	(2,458)
Prepayments for investment		**(3,500)**	(3,640)
Purchase of available-for-sale financial assets		**(19,450)**	(97,560)
Disposal of a subsidiary, net of cash disposed		**(8,786)**	—
Placement of short-term deposits		**(780,000)**	(952,181)
Proceeds received upon maturity of short-term deposits		**780,000**	1,077,721
Interest received from short-term deposits		**8,921**	11,942
Payment for restricted cash	21	**(674)**	(592,702)
Refund of restricted cash		**—**	608,372
Interest received from restricted cash		**3**	5,112
Net cash used in investing activities		**(89,354)**	(36,594)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from borrowings		—	555,246
Repayments of borrowings		—	(570,488)
Interest and bank facilities arrangement fee paid		—	(6,430)
Payments for repurchase of shares	22	**(82,998)**	—
Proceeds from issuance of ordinary shares, net of underwriting commissions and other issuance costs	22	**248,249**	—
Payment for issuance costs relating to the IPO		—	(10,062)
Proceeds from capital contribution from non-controlling interests holders		—	6,000
Net cash generated from/(used in) financing activities		**165,251**	(25,734)
Net increase/(decrease) in cash and cash equivalents		**74,394**	(95,266)
Cash and cash equivalents at beginning of year	21	**851,947**	946,759
Exchange gains on cash and cash equivalents		**788**	454
Cash and cash equivalents at end of year		**927,129**	851,947

The notes on pages 77 to 158 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in developing and publishing webgames and mobile games (the "Group's Game Business") in the People's Republic of China (the "PRC").

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

The Group's Game Business is carried out through several domestic operating companies, incorporated in the PRC, namely Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin"), Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou"). Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders") are their respective legal shareholders. Weidong, Feiyin and Jieyou are collectively defined as the "PRC Operational Entities" thereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding equity interest in an entity conducting such services in China. In order to enable investments be made into the Group's Game Business, the Company established a subsidiary, Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong"), which is a wholly foreign owned enterprise incorporated in the PRC.

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

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

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

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

1 GENERAL INFORMATION (Continued)

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

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

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on 23 March 2016.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRSs. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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.

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) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

– Amendments from annual improvements to IFRSs– 2010 – 2012 Cycle, on IFRS 8 'Operating segments' and IAS 24, 'Related party disclosures'.

– Amendments from annual improvements to IFRSs– 2011 – 2013 Cycle, on IFRS 3, 'Business combinations' and IFRS 13, 'Fair value measurement'.

The adoption of above amendments is not material to the Group.

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

– Amendments to IAS 19

– Annual improvements to IAS 16 and IAS 38

– Annual improvements to IAS 40

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Changes in Accounting Policy and Disclosures (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

– IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018.

– IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for accounting periods beginning on or after 1 January 2018.

– IFRS 16, 'Leases', provides updated guidance on the definition of leases, and the guidance on the recognition of lease liability reflecting future lease payments and a 'right-of-use-asset' for almost all lease contracts, with an exemption for certain short-term leases and leases of low-value assets. The standard is effective for accounting periods beginning on or after 1 January 2019.

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

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

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate Financial Statements

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

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

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

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

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

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

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Joint Arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 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)

2.6 Foreign Currency Translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the 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 recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

(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 recognised 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 recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property and Equipment

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

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

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

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

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 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "other losses" in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible Assets

(a) Goodwill

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

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

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

(b) Computer software licenses

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

(c) Game intellectual properties and licenses

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible Assets (Continued)

(d) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred. During the years ended 31 December 2015 and 2014, there were no development costs meeting these criteria and capitalised as intangible assets.

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

2.9 Impairment of Non-financial Assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 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

The Group has the following instruments falling into this category:

(i) Certain redeemable convertible preferred shares and convertible bonds issued by investee companies, which are host debt instruments with conversion feature. The Company designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the conversion feature from those host debt instruments;

(ii) Ordinary shares issued by an investee which are listed on a stock exchange, which are financial assets held-for-trading ("Ordinary Shares of Investee");

(iii) Performance shares, which can be converted to the Ordinary Shares of Investee upon occurrence of certain future conversion events. These shares are accounted for as derivatives and categorised as financial assets held-for-trading.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As at 31 December 2015, the Group's investment in this category are all classified as non-current assets.

Loans and receivables

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 2.13 and 2.14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

(a) Classification (Continued)

Available-for-sale financial assets

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

(b) Recognition and measurement

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

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 consolidated statement of comprehensive loss within "other losses" in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive loss 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 recognised in other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Offsetting Financial Instruments

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

2.12 Impairment of Financial Assets

(a) *Assets carried at amortised 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 reorganisation, 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 recognised 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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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 recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment loss recognised in the consolidated statement of comprehensive loss on equity instruments are not reversed through the consolidated statement of comprehensive loss. 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 recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive loss.

2.13 Trade Receivables and Other Receivables

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

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

2.14 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)

2.15 Share Capital and Premium

Ordinary shares are classified as equity.

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

Where any Group purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's 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.

2.16 Trade Payables

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

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

2.17 Current and Deferred Income Tax

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

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

Outside basis differences

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

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee Benefits

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

2.19 Share-based Payments

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

The Group operates the Pre-IPO Share Option Scheme and Post-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 recognised 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 recognised 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 recognising the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Share-based Payments (Continued)

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

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 recognises 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.

(b) Share-based payments transactions among Group entities

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

2.20 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition

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

(a) *Game product revenue*

The Group provides Game Product service through its own web-based and mobile platforms (91wan.com, 2918.com, 915.com and 336.com, collectively "Self-owned Platforms") and third party web-based and mobile platforms ("Third Party 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. Third Party Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the games.

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 Third Party 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 Third Party Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Third Party 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 recognised 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 recognised (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 recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition (Continued)

(a) Game product revenue (Continued)

The Group determines the Player Relationship Period on a game-by-game and platform-by-platform basis by tracking the player data, such as log-in data and purchase 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.

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 of service. The Group is determined to be the primary obligor and reports gross revenue. Due to the fact that the Third Party Platforms may offer various marketing discounts from time to time to Paying Players, hence the actual prices paid by any individual paying player may be lower than the standard prices of virtual items purchased, with the balance being subsidised by the Third Party Platforms, accordingly, the Group has to attempt to make a reasonable estimation for the gross revenue amount through tracking Third Party Platforms' marketing activities.

The Group's webgames are published through a large number of web-based platforms and the marketing discounts vary from platform to platform. As such, it is very difficult to the Group to make a reasonable estimation for the gross revenue derived from webgames, thus the Group reports revenue for webgames to the extent of the amounts received and receivable from Third Party Platforms under the Revenue Sharing Arrangements. However, regarding to the Group's mobile games, the Group can estimate the marketing discounts reliably through tracking the data from various mobile platforms and mobile telecommunication operators. Accordingly, the Group is able to make a reasonable estimation for the related gross revenues and the revenue shared with the mobile platforms is recognised as cost of revenue.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue Recognition (Continued)

(b) *Game platform revenue*

The Group provides Game Platform service through cooperation with game developers to Paying Players. The Group publishes its self-developed and third party developers' games on its own platforms. Similar to the Group's games published in Third Party Platforms (details described in section (a) above), the games published on Group's Self-owned Platforms are free-to-play and players can pay for virtual items for better in-game experience.

The Group's Game Platform revenue mainly derives from Revenue Sharing Arrangements (details described in section (a) above) from game developers. The games published on Self-owned Platforms are hosted, maintained and updated by the game developers, and the Group mainly provides access to Self-owned Platforms 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 recognise 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 Self-owned Platforms to make payments through cooperation with various third-party online or mobile payment channels. These payment channels charge the Group payment handling costs 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 recognised using effective interest method.

2.23 Government Grants

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

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

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

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

3 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 minimise 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. To reduce the exposure of foreign exchange risk and improve the utilisation of deposits, the Company has invested most of RMB deposits to its subsidiaries for future development. Accordingly, the exposure of company's foreign exchange risk from the cash and cash equivalents denominated in RMB for the year ended 31 December 2015 would not be material to the Group.

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 recognised assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. As at 31 December 2015 and 2014, the Group's PRC subsidiaries did not have significant exchange risk from the operation as the oversea receivables are not substantial.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(a) Market risk (Continued)

(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 Company does 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 does not have any interest-bearing liabilities of borrowings and does not anticipate there is any significant exposure of interest rate risk.

(iii) Price risk

The Group is exposed to price risk because of investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

One of the Group's investment in equity of other entities is publicly traded in Australian Securities Exchange. If the equity price of the investment held by the Group had been 30% higher/lower, the post-tax loss for the year ended 31 December 2015 would have been approximately RMB1,034,000 higher/lower.

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 Third Party 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 Product receivables might be adversely affected in terms of recoverability. To manage this risk, the Group assesses the credit quality of the platforms, taking into account their financial position, past experience and other factors. See Note 19 for further disclosure on credit risk.

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.

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 analyses the Group'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 at 31 December 2015		
Trade payables	**22,141**	**1,950**
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**16,739**	**—**
As at 31 December 2014		
Trade payables	22,327	3,600
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	42,733	—

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 Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

The following table presents the Group's assets that are measured at fair value as at 31 December 2015.

	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	**3,446**	**—**	**12,205**	**15,651**
Available-for-sale financial assets	**—**	**—**	**122,255**	**122,255**
	3,446	**—**	**134,460**	**137,906**

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

(a) *Financial instrument in level 1*

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.

(b) *Financial instrument in level 2*

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 maximise 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.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

During the year ended 31 December 2015, the Group transferred its equity investment in one of the investees from level 2 to level 1. The equity investment was classified as financial assets at fair value through profit or loss and has been fair valued using inputs that are observable as at 31 December 2014, and during the year ended 31 December 2015, the investee's shares are publicly traded in an active market since its listing on a stock exchange (Note 17).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

(c) Financial instrument in level 3

The changes in level 3 instruments for the years ended 31 December 2015 and 2014 are presented in Notes 17 and 18.

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

(RMB in thousands)

Description	Fair value at 31/12/2015	Valuation technique(s)	Unobservable input	Range (weighted average)
Other equity securities:				
Available-for-sale financial assets	122,255	Discounted cash flow	weighted average cost of capital	32%–35% (34%)
			long-term revenue growth rate	3% (3%)
			long-term pre-tax operating margin	10%-28% (16%)
			discount for lack of marketability	30% (30%)
			control premium	20% (20%)
Financial assets at fair value through profit or loss	12,205	Market comparable companies	revenue multiple	6.3 (6.3)

Except for the financial assets at fair value through profit or loss and available-for-sale financial assets, the carrying amounts of financial assets including cash and cash equivalents, short-term deposits, restricted cash, trade receivables and other receivables; and financial liabilities including trade payables and other payables and accruals, approximate their respective fair value due to their short maturity 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 product and game platform services

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

(b) Income tax

Significant 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

(c) Recognition of deferred tax assets

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(d) *Recognition of share-based compensation expenses*

As mentioned in Note 24, the Group has granted share options to its directors and employees. The Company has 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 Company in applying the Binomial option-pricing model.

(e) *Fair value of available-for-sale financial assets*

The fair value of available-for-sale financial assets is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various equity investments that are not traded in active markets.

(f) *Estimated impairment of goodwill in associates*

The Group tests annually whether goodwill in associates has suffered impairment, in accordance with the accounting policy states in Note 2.3. The recoverable amounts of the associates have been determined using the discounted cash flow analysis. Significant estimates on assumptions, such as the forecast of the associate's future performance and the discount rate used in the analysis, are required to be made by the Company in the analysis.

An impairment charge of RMB19,418,000 was recognised in 2015 based on the Group's assessment performed on goodwill of these associates. If the weighted average cost of capital used in the value-in-use calculation had been 10% higher than management's estimates at 31 December 2015, the Group would have recognised a further impairment of goodwill by RMB646,000 and would need to reduce the carrying value of associate by the same amount.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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 Party Platforms have discretion in determining the actual price of the virtual items purchased by the Paying Players and in offering discounts. Accordingly, such revenue is recognised based on the net amount received from the Third Party Platforms.

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 estimation for the gross revenue because the Group can estimate the marketing discounts reliably through tracking the data from various mobile platforms and mobile telecommunication operators. Accordingly, such revenue is recognised on a gross basis.

(b) *Critical judgment in recognition of associates*

The Company has assessed the level of influence that the Group has on equity investments and concluded that the Group has significant influence in certain investees through the participation in the investees' operational and financial policy-making processes and directors representation. Consequently, these investments have been classified as associates.

(c) *Impairment assessment of available-for-sale equity investments*

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

For the year ended 31 December 2015, the Group recognised an aggregate impairment loss of RMB35,521,000 against the carrying amounts of certain investments due to prolonged decline in their assessed fair values (Note 18).

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 Product

– Game Platform

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

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

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources 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 31 December 2015 and 2014 is as follows:

	Year Ended 31 December 2015		
	Game Product RMB'000	**Game Platform RMB'000**	**Total RMB'000**
Segment revenue	**468,086**	**43,453**	**511,539**
Segment costs	**(327,444)**	**(12,681)**	**(340,125)**
Gross profit	**140,642**	**30,772**	**171,414**
Depreciation and amortisation included in segment costs	**29,812**	**1,931**	**31,743**

5 SEGMENT INFORMATION (Continued)

	Year Ended 31 December 2014		
	Game Product RMB'000	Game Platform RMB'000	Total RMB'000
Segment revenue	483,095	160,375	643,470
Segment costs	(179,847)	(38,432)	(218,279)
Gross profit	303,248	121,943	425,191
Depreciation and amortisation included in segment costs	32,189	2,955	35,144

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the years ended 31 December 2015 and 2014 is as follows:

	Year Ended 31 December 2015		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**457,369**	**54,170**	**511,539**

	Year Ended 31 December 2014		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	589,611	53,859	643,470

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

5 SEGMENT INFORMATION (Continued)

The Group offers its products and services in different forms: mobile games and webgames. A breakdown of revenue derived from different forms for years ended 31 December 2015 and 2014 is as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Mobile games	**309,724**	150,335
Webgames	**201,815**	493,135
	511,539	643,470

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the years ended 31 December 2015 and 2014.

Turnover consists of revenues generated by the Group, which accounted for RMB511,539,000 and RMB643,470,000 for the years ended 31 December 2015 and 2014, respectively.

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

6 EXPENSES BY NATURE

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Content cost, distribution cost and other outsourcing expenses	**282,232**	119,201
Employee benefit expenses (Note 9)	**156,232**	277,717
Amortisation of intangible assets (Note 15)	**33,247**	27,268
Promotion and advertising expenses	**30,594**	131,714
Bandwidth and server custody fees	**22,664**	39,173
Depreciation of property and equipment (Note 14)	**16,092**	21,937
Operating lease rentals in respect of office buildings	**14,783**	26,661
Travelling and entertainment expenses	**10,253**	9,393
Auditors' remuneration		
– Audit services	**5,665**	6,133
– Non-audit services	**577**	415
Impairment loss on intangible assets (Note 15)	**5,774**	—
Impairment loss on prepayments and other receivables (Note 20)	**4,843**	—
Impairment loss on trade receivables (Note 19)	**3,591**	2,562
Utilities and office expenses	**3,513**	5,445
Others	**13,261**	25,868
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**603,321**	693,487

7 OTHER INCOME

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Interest income (Note a)	**31,788**	27,034
Government grants (Note b)	**9,794**	10,328
	41,582	37,362

(a) Interest income mainly represents interest income from cash at bank.

(b) Government grants comprised tax refund and other cash subsidies from local government.

8 OTHER LOSSES

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Changes in the value of financial assets at fair value through profit or loss (Note 17)	**6,323**	—
Loss on disposal of a subsidiary (Note (a))	**5,958**	—
Loss on disposal of property and equipment (Note 30(a))	**1,899**	3,976
Exchange losses, net	**1,172**	19,840
	15,352	23,816

(a) In 2015, the Group disposed of a subsidiary and recognised a net disposal loss of RMB5,958,000.

9 EMPLOYEE BENEFIT EXPENSES

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**121,222**	221,454
Pension costs – defined contribution plans	**4,988**	11,078
Other social security costs, housing benefits and other employee benefits	**20,430**	27,128
Share-based compensation expenses under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme	**9,592**	18,057
	156,232	277,717

(a) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group include no directors during the year ended 31 December 2015 (2014: None). The emoluments paid and payable to the five (2014: five) highest paid individuals during the year ended 31 December 2015 are as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,106**	10,347
Pension costs – defined contribution plans	**26**	34
Other social security costs, housing benefits and other employee benefits	**71**	152
Share-based compensation expenses under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme	**8,703**	16,448
	12,906	26,981

9 EMPLOYEE BENEFIT EXPENSES (Continued)

The emoluments of these individuals fell within the following bands:

	Year Ended 31 December	
	2015	2014
Emolument bands		
HK$2,500,001 - HK$3,500,000	**4**	—
HK$3,500,001 - HK$4,500,000	**1**	—
HK$4,500,001 - HK$5,500,000	**—**	1
HK$5,500,001 - HK$6,500,000	**—**	1
HK$6,500,001 - HK$7,000,000	**—**	1
HK$7,000,001 - HK$8,000,000	**—**	1
HK$8,000,001 - HK$9,000,000	**—**	1
	5	5

10 FINANCE INCOME - NET

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Finance costs:		
– Interest expense and bank facilities arrangement fee	**—**	(6,369)
Finance income:		
– Interest income on restricted cash	**5**	5,112
– Interest income on short-term deposits	**8,557**	11,351
	8,562	16,463
Finance income-net	**8,562**	10,094

11a SUBSIDIARIES

The following is a list of the principal subsidiaries (including structured entities) as at 31 December 2015:

Company Name	Kind of Legal Entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company					
Foga Tech Limited ("Foga Tech")	Limited liability company	Hong Kong/ 9 August 2011	HK$1	100%	Investment holding, operation of webgames and mobile games, Hong Kong
Forgame US Corporation ("Forgame US")	Limited liability company	United States of America ("US")/ 25 February 2014	US$100	100%	Development and operation of mobile games, the US
Madgame Investment Limited ("Madgame")	Limited liability company	British Virgin Islands/ 13 March 2014	US$100	70%	Investment holding BVI
Mutant Box Limited ("Mutant Box")	Limited liability company	Hong Kong/ 31 August 2015	HK$100	70%	Operation of webgames and mobile games, Hong Kong
Mutant Box Interactive Limited ("Mutant Box Interactive")	Limited liability company	The United Kingdom/ 24 September 2015	US$1,000	70%	Operation of webgames and mobile games, The United Kingdom
Foga Investment Co., Limited ("Investment")	Limited liability company	British Virgin Islands/ 27 January 2014	US$1	100%	Investment holding BVI

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11a SUBSIDIARIES (Continued)

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

11b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Associates (Note a)	**43,857**	35,126
Joint venture (Note b)	**—**	10,000
	43,857	45,126

The amounts recognised in the consolidated statement of comprehensive loss as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Associates (Note a)		
– Share of loss	**(7,547)**	(5,605)
– Impairment charges (Note (iii))	**(19,418)**	—
Joint ventures (Note b)		
– Share of loss	**(5,000)**	—
	(31,965)	(5,605)

11b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates

Set out below are an associate of the Group as at 31 December 2015, which, in the opinion of the Company, are material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation/registration is also its principal place of business.

Nature of investment in associate as at 31 December 2015 and 2014

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship
Guangzhou Zhengyou Information and Technology Co., Ltd. (廣州正游信息科技有限公司) ("Zhengyou")	PRC	19%	(i) and (ii)

(i) Zhengyou provides exclusive or non-exclusive game license rights of their products to the Group.

(ii) The Group has designated a member in the board of director which enable the Group to exercise significant influence in Zhengyou through the participation in operational and financial policy-making processes. Consequently, Zhengyou has been accounted for as an associate.

(iii) In 2015, the Group has performed an assessment on the business development of Zhengyou. Due to the changing market conditions, Zhengyou decided to change its strategy to casual game development. After assessment of the expected success rate and performance of the new business initiatives of Zhengyou, the Group made an impairment loss provision of RMB19,418,000 against its investment.

11b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates (Continued)

Summarised financial information for the material associate

Set out below are the summarised financial information for material associate which is accounted for using the equity method.

Summarised balance sheet as at 31 December 2015

	Zhengyou	
	2015	2014
	RMB'000	RMB'000
Current assets	**2,240**	15,703
Non-current assets	**188**	461
Current liabilities	**244**	2,394
Net assets	**2,184**	13,770

Summarised statement of comprehensive loss

	Zhengyou	
	2015	2014
	RMB'000	RMB'000
Revenue	**257**	—
Loss from continuing operations	**(23,736)**	(25,424)
Income tax expense	**—**	—
Post-tax loss from continuing operations	**(23,736)**	(25,424)
Other comprehensive income	**—**	—
Total comprehensive loss	**(23,736)**	(25,424)

In 2015, Zhengyou was mainly engaged in research and development activities associated with mobile games. The information above reflects the amounts presented in the financial statements of Zhengyou (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and Zhengyou.

11b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(a) Investment in associates (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Zhengyou:

	Zhengyou	
	2015	2014
	RMB'000	RMB'000
Opening net assets on 1 January/establishment	**13,770**	30,081
Loss for the period	**(23,736)**	(25,424)
Charges in share-based payment scheme directly charged to equity (Note iv)	**12,150**	9,113
Closing net assets	**2,184**	13,770
Interest in associate (19%)	**415**	2,616
Goodwill		
– Initial amount	**24,285**	24,285
– Impairment	**(19,418)**	—
Carrying value	**5,282**	26,901

(iv) Zhengyou incurred RMB12,150,000 share-based expenses and they are non-cash charges for the year ended 31 December 2015 (2014: RMB9,113,000).

The Group's share of the results of other immaterial associates is shown in aggregate as follows:

	2015	2014
	RMB'000	RMB'000
Loss from continuing operations	**(3,037)**	(774)
Other comprehensive income	**—**	—
Total comprehensive loss	**(3,037)**	(774)

All associates are private companies and there are no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's interest in the associates as at 31 December 2015.

11b INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Investment in a joint venture

The amounts recognised in the consolidated balance sheet are as follows:

	2015 RMB'000
At 1 January 2015	10,000
Reduction in investment (note i)	(5,000)
Share of loss	(5,000)
At 31 December 2015	—

(i) In 2015, the Group and the joint venture investor have agreed to reduce the investment by RMB5,000,000, respectively.

Nature of investment in the joint venture as at 31 December 2015 and 2014:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship
Shanghai Xiniu Communication and Information Technology Co., Ltd. (上海嬉牛互動信息科技有限公司) ("Shanghai Xiniu")	PRC	50%	(ii)

(ii) Shanghai Xiniu will provide exclusive or non-exclusive game licenses to the Group.

Shanghai Xiniu is a private company and there is no quoted market price available for its shares. Shanghai Xiniu was established on 25 December 2014 and recorded a negative net assets as at 31 December 2015.

12 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2015 and 2014 are analysed as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**(479)**	11,901
Deferred income tax (Note 28)		
– Reversal/(origination) of temporary differences	**5,624**	(5,076)
Income tax expense	**5,145**	6,825

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

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before income tax	**(124,476)**	(31,982)
Tax calculated at statutory income tax rates applicable to losses of the consolidated entities in their respective jurisdictions	**(35,603)**	(5,512)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**12,418**	267
Tax losses and temporary differences for which no deferred income tax asset was recognised	**21,326**	4,967
Super deduction of research and development expenses	**(2,161)**	(3,194)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**1,354**	2,579
– Others	**7,811**	6,590
Re-measurement of deferred income tax - change in enacted income tax rate	**—**	1,128
Income tax expense	**5,145**	6,825

12 INCOME TAX EXPENSE (Continued)

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2015 and 2014.

(c) Taiwan business income tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the year ended 31 December 2015 and 2014.

(d) PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the years ended 31 December 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

Weidong and Feiyin were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. The applicable tax rate was 15% for the year ended 31 December 2015 (2014: 15%).

Feidong and Jieyou were accredited as a "software enterprise" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years. The applicable tax rate for two companies was 12.5% for the year ended 31 December 2015 (2014: 12.5%).

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2015 and 2014.

12 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 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 31 December 2015, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2015.

(f) Tax Charge Relating to Components of Other Comprehensive Income

The tax charge relating to components of other comprehensive income for the year ended 31 December 2015 and 2014 is as follows:

	2015			2014		
(RMB'000)	**Before tax**	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
Fair value gains on available-for-sale financial assets	**1,046**	**(157)**	**889**	4,580	(687)	3,893
Currency translation differences	**3,535**	**—**	**3,535**	19,090	—	19,090
Other comprehensive income	**4,581**	**(157)**	**4,424**	23,670	(687)	22,983
Current tax		**—**			—	
Deferred tax (Note 28)		**(157)**			(687)	
		(157)			(687)	

13 LOSS PER SHARE

(a) Basic

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

	Year Ended 31 December	
	2015	2014
Loss attributable to owners of the Company (RMB'000)	**(129,144)**	(38,531)
Weighted average number of ordinary shares in issue	**136,195,587**	126,938,644
Basic loss per share (in RMB/share)	**(0.95)**	(0.30)

(b) Diluted

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

For the year ended 31 December 2015, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. As the Group incurred loss for the year ended 31 December 2015, the options are anti-dilutive.

For the year ended 31 December 2014, the Company had only one category of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme. As the Group incurred loss for the year ended 31 December 2014, the options are anti-dilutive.

No adjustment has been made to basic loss per share to derive the diluted loss per share for the years ended 31 December 2015 and 2014.

14 PROPERTY AND EQUIPMENT

	Furniture and Office Equipment RMB'000	Server and Othe Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
At 1 January 2014					
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
Year ended 31 December 2014					
Opening net book amount	8,547	38,526	1,849	15,287	64,209
Additions	2,959	2,546	—	2,131	7,636
Disposals	(3,573)	(2,977)	—	—	(6,550)
Depreciation charge	(2,452)	(11,536)	(475)	(7,474)	(21,937)
Currency translation difference	—	4	—	3	7
Closing net book amount	5,481	26,563	1,374	9,947	43,365
At 31 December 2014					
Cost	8,527	55,404	2,422	21,180	87,533
Accumulated depreciation	(3,046)	(28,841)	(1,048)	(11,233)	(44,168)
Net book amount	5,481	26,563	1,374	9,947	43,365
Year ended 31 December 2015					
Opening net book amount	**5,481**	**26,563**	**1,374**	**9,947**	**43,365**
Additions	**868**	**84**	**285**	**1,324**	**2,561**
Disposals	**(328)**	**(3,247)**	**—**	**—**	**(3,575)**
Disposal of a subsidiary	**(101)**	**—**	**—**	**—**	**(101)**
Depreciation charge	**(1,723)**	**(9,171)**	**(513)**	**(4,685)**	**(16,092)**
Currency translation difference	**7**	**28**	**—**	**4**	**39**
Closing net book amount	**4,204**	**14,257**	**1,146**	**6,590**	**26,197**
At 31 December 2015					
Cost	**7,684**	**42,186**	**2,707**	**22,510**	**75,087**
Accumulated depreciation	**(3,480)**	**(27,929)**	**(1,561)**	**(15,920)**	**(48,890)**
Net book amount	**4,204**	**14,257**	**1,146**	**6,590**	**26,197**

14 PROPERTY AND EQUIPMENT (Continued)

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

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of revenue	**9,720**	12,138
Administrative expenses	**2,062**	1,810
Research and development expenses	**3,931**	7,687
Selling and marketing expenses	**379**	302
	16,092	21,937

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer Software Licenses RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
At 1 January 2014				
Cost	1,586	8,076	46,139	55,801
Accumulated amortisation	—	(1,069)	(14,602)	(15,671)
Net book amount	1,586	7,007	31,537	40,130
Year ended 31 December 2014				
Opening net book amount	1,586	7,007	31,537	40,130
Additions	—	4,816	61,687	66,503
Amortisation charge	—	(1,547)	(25,721)	(27,268)
Currency translation difference	—	—	(81)	(81)
Closing net book amount	1,586	10,276	67,422	79,284
At 31 December 2014				
Cost	1,586	12,892	107,350	121,828
Accumulated amortisation	—	(2,616)	(39,928)	(42,544)
Net book amount	1,586	10,276	67,422	79,284

15 INTANGIBLE ASSETS (Continued)

	Goodwill RMB'000	Computer Software Licenses RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
Year ended 31 December 2015				
Opening net book amount	1,586	10,276	67,422	79,284
Additions	—	588	21,804	22,392
Disposal of subsidiaries	—	(195)	(4,042)	(4,237)
Amortisation charge	—	(1,724)	(31,523)	(33,247)
Impairment of intangible assets	—	—	(5,774)	(5,774)
Currency translation difference	—	1	231	232
Closing net book amount	1,586	8,946	48,118	58,650
At 31 December 2015				
Cost	1,586	11,859	101,597	115,042
Accumulated amortisation	—	(2,913)	(47,626)	(50,539)
Impairment of intangible assets	—	—	(5,853)	(5,853)
Net book amount	1,586	8,946	48,118	58,650

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

	Year Ended 31 December	
	2015	2014
Cost of revenue	**22,023**	23,006
Selling and marketing expenses	**36**	47
Administrative expenses	**1,033**	920
Research and development expenses	**10,155**	3,295
	33,247	27,268

16 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	**71,927**	90,212
– Other receivables (excluding prepayments)	**22,888**	33,851
– Restricted cash	**674**	—
– Short-term deposits	**200,000**	200,000
– Cash and cash equivalents	**927,129**	851,947
Financial assets at fair value through profit or loss	**15,651**	21,054
Available-for-sale financial assets	**122,255**	138,140
	1,360,524	1,335,204
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
– Trade payables	**24,091**	25,927
– Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**16,739**	42,733
	40,830	68,660

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Listed securities	**3,446**	—
Unlisted securities	**12,205**	21,054
	15,651	21,054
At 1 January	**21,054**	18,291
Additions	**—**	2,458
Changes in fair value (Note 8)	**(6,323)**	—
Exchange differences	**920**	305
At 31 December, all non-current	**15,651**	21,054
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under 'Other losses'	**(6,323)**	—
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	**(6,323)**	—

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

In December 2014, one of the investees span off part of its business to a new company for a listing on a stock exchange. The Group was allotted the listed vehicle's common shares and performance shares with conversion feature as a compensation of the deemed dilution loss of its initial investment in the investee. The common shares of the listed vehicle became listed in January 2015. As at 31 December 2015 the Company determined the fair value of common shares with reference to quoted price in the stock market and the fair value of performance shares by using relevant valuation techniques (described in Note 3.3).

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
At 1 January 2015	**138,140**	32,000
Additions (Notes a and b)	**18,590**	101,560
Fair value gains	**1,046**	4,580
Impairment loss (Notes c)	**(35,521)**	—
At 31 December 2015	**122,255**	138,140

(a) During the year ended 31 December 2015, the Group acquired equity interests in a number of entities incorporated in the PRC at an aggregate cash consideration of RMB18,590,000. They are principally engaged in the provision of game development and other internet-related businesses. The Group does not have control nor significant influence in these entities. The Company accounts for these investments as available-for-sale financial assets.

(b) The fair values of these financial assets are determined based on cash flows discounted using a rate based on the market interest rate and the risk premium (2015: 32%-35%). The fair values are within level 3 of the fair value hierarchy. Gains or losses arising from the changes in fair value of available-for-sale financial assets are recognised as other comprehensive income.

(c) Taking into account of the challenging and competitive market conditions and the rapid changes in the game industry in the PRC, the Group's investment in available-for-sale financial assets face challenges under current conditions. After an assessment performed on the expected success rate of the key products and the opportunity of exist through initial public offering of shares or sales of stake of these investments, the Company made an impairment loss of RMB35,521,000 for the year ended 31 December 2015.

19 TRADE RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Third parties	**76,372**	94,409
Related parties (Note 32(b))	**3,343**	—
	79,715	94,409
Less: provision for impairment	**(7,788)**	(4,197)
	71,927	90,212

As at 31 December 2015 and 2014, the fair values of trade receivables were approximately similar to their carrying amounts.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0-30 days	**20,673**	37,556
31-60 days	**17,299**	18,492
61-90 days	**7,144**	10,016
91-180 days	**13,705**	16,849
181-365 days	**9,732**	2,258
Over 1 year	**11,162**	9,238
	79,715	94,409

(b) The sales of the Group are mainly made based on credit terms determined on an individual basis with normal credit periods ranging from 60 to 180 days from the respective invoice dates. As at 31 December 2015 and 2014, trade receivables that were past due but not impaired were RMB17,319,000 and RMB11,052,000, respectively. These receivables were due from a number of Third Party Platforms which were assessed by the Company to have no significant financial difficulty. The Company had assessed, based on past experience, that these overdue amounts could be recovered. The maximum age of this category of trade receivables is less than two years.

19 TRADE RECEIVABLES (Continued)

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

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	**4,197**	1,735
Provision for impairment	**3,621**	2,754
Receivables written off during the year as uncollectible	**—**	(100)
Reversal	**(30)**	(192)
At end of year	**7,788**	4,197

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

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**60,641**	80,490
US$	**9,594**	8,551
Others	**9,480**	5,368
	79,715	94,409

(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 at 31 December 2015 and 2014, 24% and 26% of trade receivables are due from 2 large customers in cooperation with the Group for its webgames and mobile games business, respectively.

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in non-current assets		
Rental and other deposits	**2,072**	3,021
Prepayment for investment	**—**	3,640
Others	**338**	520
	2,410	7,181
Included in current assets		
Interest receivable	**16,883**	15,704
Prepayments to game developers	**11,832**	9,650
Prepaid advertising costs (Note i)	**6,106**	15,575
Prepayments for outsourcing of game development charges	**5,208**	2,662
Prepaid income tax	**3,207**	2,040
Staff advance	**1,570**	1,029
Rental and other deposits	**364**	9,581
Due from a non-controlling interest shareholder of a subsidiary for its unpaid capital injection	**—**	3,000
Others	**3,348**	5,360
	48,518	64,601
Less: provision for impairment of prepayments and other receivables	**(4,843)**	—
	43,675	64,601

Note:

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

(a) As at 31 December 2015 and 2014, 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 at 31 December 2015 and 2014, there were no significant balances that were past due except for those provided for impairment loss.

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

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(c) Provision is written off, when there is no expectation of recovering additional cash. For the year ended 31 December 2015, there were no prepayments and other receivables written off as uncollectible.

(d) Movements on the Group's provision for impairment of prepayments and other receivables are as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	**—**	—
Provision for impairment	**4,843**	—
At end of year	**4,843**	—

The provision of RMB4,843,000 was made against the carrying amount of prepayments due to that certain game developers were in default.

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

21 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSITS/RESTRICTED CASH

(a) Cash and Cash Equivalents

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at bank and on hand	**916,095**	851,051
Cash at other financial institutions	**11,034**	896
Cash and cash equivalents	**927,129**	851,947
Maximum exposure to credit risk	**927,129**	851,890

21 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSITS/RESTRICTED CASH (Continued)

(a) Cash and Cash Equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**902,113**	829,128
US$	**13,433**	17,334
HK$	**10,340**	1,147
NT$	**1,243**	4,338
	927,129	851,947

(b) Short-term Deposits

As at 31 December 2015, the short-term deposits amounted to RMB200,000,000(2014: RMB200,000,000) 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 4.32% for the year ended 31 December 2015 (2014: 4.61%).

(c) Restricted Cash

As at 31 December 2015, RMB673,600 are restricted deposits held at bank as collateral for credit card.

22 SHARE CAPITAL AND PREMIUM

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Ordinary shares, issued and fully paid:						
As at 1 January 2014		125,940,304	13	80	1,934,534	1,934,614
Employee share option scheme:						
– Number of shares issued(note 24)		1,113,925	—	—	—	—
As at 31 December 2014		127,054,229	13	80	1,934,534	1,934,614
Employee share option scheme:						
– Number of shares issued(note 24)	a	520,034	—	—	—	—
New shares issued for placement	b	19,041,900	2	12	248,237	248,249
Repurchase and cancellation of shares	c	(7,346,400)	(1)	(4)	(82,994)	(82,998)
As at 31 December 2015		139,269,763	14	88	2,099,777	2,099,865

Notes:

(a) During the year ended 31 December 2015, 520,034 pre-IPO share options with exercise price of US$0.0001 were exercised.

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

(c) On 27 May 2014, the shareholders of the Company (the "Shareholders") approved a share repurchase mandate, pursuant to which the Company may repurchase its own issued ordinary shares, from time to time, at the discretion of the Board of Directors of the Company provided that the amount should not exceed 10% of the aggregate nominal amount of the issued share capital of the Company. The repurchase mandate was effective on the date of passing the relevant Shareholders' resolution up to the next annual general meeting of the Company. On 26 August 2014, the Board of Directors of the Company authorised its Chairman to repurchase the Company's shares at a price of not more than HK$30 per share, subject to the Company meeting the relevant public float requirement under the rules governing the listing of securities on the Stock Exchange. On 28 May 2015, the Shareholders again approved a share buy-back mandate with the same provisions as stated above at the Company's annual general meeting. Up to 31 December 2015, the Company had bought back an aggregate of 7,346,400 shares at an average price of HK$13.75 per share for an aggregate consideration of HK$101,017,000 (equivalent to RMB82,998,000) under this share buy-back mandate.

23 RESERVES

	Capital Reserve RMB'000 (Note a)	Statutory Reserves RMB'000 (Note b)	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
At 1 January 2014	30,000	10,828	162,235	8,980	(371,889)	(159,846)
Value of employee service						
– Pre-IPO Share Option Scheme	—	—	18,057	—	—	18,057
Currency translation differences	—	—	—	19,090	—	19,090
Change in value of available-for-sale financial assets	—	—	—	—	3,893	3,893
Share of other net asset changes in associates' equity	—	—	—	—	1,731	1,731
At 31 December 2014	30,000	10,828	180,292	28,070	(366,265)	(117,075)
At 1 January 2015	**30,000**	**10,828**	**180,292**	**28,070**	**(366,265)**	**(117,075)**
Value of employee service						
– Pre-IPO Share Option Scheme	**—**	**—**	**3,824**	**—**	**—**	**3,824**
– Post-IPO Share Option Scheme	**—**	**—**	**5,768**	**—**	**—**	**5,768**
Currency translation differences	**—**	**—**	**—**	**3,535**	**—**	**3,535**
Change in value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**889**	**889**
Share of other net asset changes in associates' equity	**—**	**—**	**—**	**—**	**2,309**	**2,309**
At 31 December 2015	**30,000**	**10,828**	**189,884**	**31,605**	**(363,067)**	**(100,750)**

Notes:

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

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

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

24 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

On 31 October 2012, the Board of Directors of the Company approved the establishment of a Pre-IPO Share Option Scheme with the objective to recognise and reward the contribution of eligible directors, employees and other persons to the growth and development of the Group.

The exercise price of the granted options shall be the par value of the ordinary shares as amended as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

The options are conditionally vested on the employee completing a certain period of service, which is mutually agreed by the employees and the Company. In addition, the options are only exercisable after the listing of the Company's shares on any internationally recognised stock exchange of the Company ("performance condition") and the grantees remain employed by the Group.

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

On 1 January, 1 July, and 1 September 2013, 5,385,611, 898,800 and 156,500 share options were granted under the scheme, respectively.

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

		Pre-IPO Share Option Scheme Number of Share Options Year Ended 31 December	
	Exercise Price	**2015**	2014
At beginning of period		**3,400,276**	5,770,564
Exercised	US$0.0001	**(520,034)**	(1,113,925)
Forfeited	US$0.0001	**(788,308)**	(1,256,363)
At end of period		**2,091,934**	3,400,276

As a result of the options exercised during the year ended 31 December 2015, 520,034 ordinary shares were issued by the Company (Note 22). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$15.86 (equivalent to RMB12.86) per share.

As at 31 December 2015, all share options granted would expire in 2022 with an average exercise price of US$0.0001 per share option. The fair value of share options was determined at the respective grant dates.

24 SHARE-BASED PAYMENTS (Continued)

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

The Company has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with their best estimate. The discount rate for pre-IPO share option adopted was estimated by the weighted average cost of capital, which was 23% as of the respective grant dates.

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as of the grant date. The weighted average fair value of pre-IPO options granted on 1 January, 1 July, and 1 September 2013 was US$3.03 (equivalent to RMB19.02), US$4.88 (equivalent to RMB30.26) and US$5.12 (equivalent to RMB31.61) per option, respectively. Key assumptions are set as below:

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

The Company estimated the risk-free interest rate based on the yield of US Treasury Strips with maturity equal to the option life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with duration commensurate to the time to reach maturity of the respective share options. Dividend yield is determined based on management estimates made as at the grant date.

(b) Post-IPO Share Option Scheme

On 1 September 2013, the Board of Directors of the Company approved the establishment of a Post-IPO Share Option Scheme with the objective to reward eligible directors, employees and other persons for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

The exercise price of the granted options represents the highest of (i) the closing price per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheet on the offer dates; (ii) the average closing prices per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the offer dates; and (iii) the nominal value of a share.

24 SHARE-BASED PAYMENTS (Continued)

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

The options are conditionally vested upon the employee completing 2 years of service from the offer date, which is mutually agreed by the employees and the Company.

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

On 2 January and 10 June 2015, 1,908,000 and 3,845,000 share options were granted under the scheme, respectively.

For those share options granted on 10 June 2015, the Group and the grantees agreed they are subject to certain non-market performance vesting conditions which are related to the financial performance of the Group during the vesting period.

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

	Average Exercise Price	Post-IPO Share Option Scheme Number of Share Options Year ended 31 December 2015
At beginning of period		—
Granted	HK$21.08	**5,753,000**
Forfeited	HK$14.61	**(370,000)**
At end of period		**5,383,000**

As at 31 December 2015, all share options granted will expire in 2019 with an average exercise price of HK$21.08 per share option.

24 SHARE-BASED PAYMENTS (Continued)

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

The fair value of share options was determined at the respective grant dates.

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. The weighted average fair value of post-IPO options granted on 2 January and 10 June 2015 was HK$5.78 (equivalent to RMB4.62) and HK$9.17 (equivalent to RMB7.33). Key assumptions are set as below:

	Post-IPO Share Option Scheme 2 January 2015	**Post-IPO Share Option Scheme 10 June 2015**
Risk-free interest rate	1.35%	1.01%
Volatility	53.64%	54.49%
Dividend yield	—	—

The Company estimated the risk-free interest rate based on the yield of Hong Kong Foreign Exchange Fund Bonds with a maturity life equal to the option life of the share option at the grant date. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

The Group had conditionally approved and adopted restricted share unit ("RSU") scheme on 1 September 2013. As at 31 December 2015, no RSU had been granted or agreed to be granted by the Group.

25 DEFERRED REVENUE

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Included in non-current liabilities (Note b)	**1,358**	6,866
Included in current liabilities	**14,029**	28,758
	15,387	35,624

Notes:

(a) Deferred revenue primarily consists of the unamortised virtual items in Game Product service and unamortised game credits in Game Platform service, where the Group continued to have obligations as at 31 December 2015 and 2014, as described in Note 2.21. Deferred revenue will be recognised as revenue when all of the revenue recognition criteria are met.

(b) As at 31 December 2015, deferred revenue included in non-current liabilities was expected to be realised in one to two years commencing from the end of the reporting year.

26 TRADE PAYABLES

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

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
0-30 days	**6,790**	7,714
31-60 days	**2,731**	4,368
61-90 days	**3,423**	2,369
91-180 days	**2,400**	8,022
181-365 days	**5,647**	3,299
1-2 years	**3,100**	155
	24,091	25,927

Note:

(a) As at 31 December 2015 and 2014, trade payables were denominated in RMB and the fair values of these balances approximated their carrying amounts as at each of the reporting dates.

27 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Staff costs and welfare accruals	**17,645**	40,918
Investment payable	**6,485**	27,685
Other tax liabilities (Note b)	**2,675**	7,180
Professional service fees payable	**3,322**	4,399
Advertising expenses	**1,148**	3,419
Rental payable	**2,348**	3,224
Advance	**1,827**	2,988
Others	**4,613**	5,720
	40,063	95,533

Notes:

(a) Other payables and accruals were primarily denominated in RMB as at 31 December 2015 and 2014 and the fair values of these balances approximated to their carrying amounts as at each of the reporting dates.

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

28 DEFERRED INCOME TAX

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**11,482**	9,072
– to be recovered within 12 months	**1,204**	9,238
	12,686	18,310
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**844**	687
Deferred income tax assets - net	**11,842**	17,623

The movements of deferred income tax assets are as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of the year	**17,623**	13,234
Recognised in the profit or loss (Note 12)	**(5,624)**	5,076
Charge relating to components of other comprehensive income (Note 12)	**(157)**	(687)
At end of the year	**11,842**	17,623

28 DEFERRED INCOME TAX (Continued)

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 RMB'000	Accruals RMB'000	Accumulated Loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	6,061	5,591	—	1,582	13,234
Recognised in the profit or loss	(3,397)	307	8,721	(555)	5,076
At 31 December 2014	2,664	5,898	8,721	1,027	18,310
Recognised in the profit or loss	(1,552)	(5,806)	(1,193)	2,927	(5,624)
At 31 December 2015	**1,112**	**92**	**7,528**	**3,954**	**12,686**

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

	Available-for-sale Financial Assets RMB'000
At 1 January 2014	—
Charge relating to components of other comprehensive income	687
At 31 December 2014	687
Charge relating to components of other comprehensive income	157
At 31 December 2015	**844**

As at 31 December 2015 and 2014, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB284,529,000 and RMB402,872,000, 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.

The Group did not recognise deferred income tax assets of RMB6,733,000 (2014: nil) in respect of tax losses incurred by its subsidiaries incorporated in the PRC amounting to RMB53,867,000 (2014: nil). These losses can be carried forward against future taxable income and will expire in 2020.

29 DEFINED BENEFIT PENSION 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 (2015 and 2014: 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$1,500 per employee per month organised by the Hong Kong government authorities for the employees of the Group in Hong Kong in 2015.

30 CASH GENERATED FROM OPERATIONS

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Loss before income tax	**(124,476)**	(31,982)
Adjustments for:		
– Depreciation of property and equipment (Note 14)	**16,092**	21,937
– Amortisation of intangible assets (Note 15)	**33,247**	27,268
– Impairment of intangible assets (Note 15)	**5,774**	—
– Loss on disposal of property and equipment (Note 8) (see (a) below)	**1,899**	3,976
– Changes in the value of financial assets at fair value through profit or loss (Note 8)	**6,323**	—
– Share-based compensation expenses (Note 9)	**9,592**	18,057
– Loss on disposal of a subsidiary	**5,958**	—
– Share of losses of investment accounted for using the equity method	**12,547**	5,605
– Finance income – net (Note 10)	**(8,562)**	(10,094)
– Impairment of associates (Note 11b)	**19,418**	—
– Impairment of available-for-sale financial assets (Note 18)	**35,521**	—
– Exchange losses, net	**1,557**	18,244
Changes in working capital:		
– Trade receivables	**14,540**	1,982
– Prepayments and other receivables	**17,604**	(18,687)
– Trade payables	**6,462**	(16,683)
– Other payables and accruals	**(33,671)**	1,840
– Deferred revenue	**(20,237)**	(21,189)
Cash (used in)/generated from operations	**(412)**	274

30 CASH GENERATED FROM OPERATIONS (Continued)

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

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount (Notes 14)	**3,575**	6,550
Loss on disposal of property and equipment (Note 8)	**(1,899)**	(3,976)
Net change in receivable arising from disposal of property and equipment	**798**	(1,032)
Proceeds from disposal of property and equipment	**2,474**	1,542

31 COMMITMENTS

(a) Capital Commitments

As at 31 December 2015, the capital expenditure contracted but not provided for amounted to RMB1,285,000 (2014: RMB5,960,000), which were related to investment arrangements and acquisition of intangible assets.

(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 31 December 2015 and 2014 is disclosed in Note 6.

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
No later than 1 year	**11,120**	10,795
Later than 1 year and no later than 5 years	**6,795**	16,991
	17,915	27,786

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant Transactions with Related Parties

	Year Ended 31 December 2015 RMB'000	2014 RMB'000
(i) Revenue derived from the Group's provision of services to related parties		
Associates	**2,965**	—

	Year Ended 31 December 2015 RMB'000	2014 RMB'000
(ii) Content cost to related parties who provided publishing services to the Group for game operation		
Associates	**1,055**	—

	Year Ended 31 December 2015 RMB'000	2014 RMB'000
(iii) Sales of equipment		
Associates	**237**	463

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
(i) Receivable from related parties		
Associates	**3,343**	—

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
(ii) Other receivables due from related parties		
An associate	**237**	—

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
(iii) Prepayment to related parties		
An associate	**180**	—

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
(iv) Payable to related parties		
Associates	**2,003**	—

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

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

The payables due to related parties arose from revenue sharing generated from games developed/ operated by the related parties, which the Group provides the game platform and related publishing services. The Group is obliged to share the income with the related parties according to provisions stipulated in the respective cooperation agreements.

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

(c) Key Management Personnel Compensations

The compensations paid or payable to key management personnel for employee services are disclosed in Note 36.

33 CONTINGENCIES

As at 31 December 2015, the Group did not have any significant unrecorded contingent liabilities.

34 SUBSEQUENT EVENTS

At the Company's annual general meeting held on 28 May 2015, the Shareholders approved a share buy-back mandate to grant to the Directors a general mandate to buy back shares of the Company. From 1 January 2016 to the date of the Financial Statements being approved and issued, the Company had bought back an aggregate of 2,395,200 shares of the Company at a weighted average price of HK$12.86 for an aggregate consideration of HK$30,812,000 (equivalent to approximately RMB26,022,000) under this share buy-back mandate.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**169,708**	160,381
Amounts due from subsidiaries		**957,231**	91,972
		1,126,939	252,353
Current assets			
Amounts due from subsidiaries		**31,936**	45,117
Prepayments and other receivables		**485**	14,479
Cash and cash equivalents		**10,712**	700,008
		43,133	759,604
Total assets		**1,170,072**	1,011,957
EQUITY			
Share capital		**88**	80
Share premium		**2,099,777**	1,934,534
Reserves	(a)	**(143,768)**	(163,885)
Accumulated losses	(a)	**(786,311)**	(783,625)
Total equity		**1,169,786**	987,104
LIABILITIES			
Current liabilities			
Other payables and accruals		**286**	24,853
Total liabilities		**286**	24,853
Total equity and liabilities		**1,170,072**	1,011,957

The balance sheet of the Company was approved by the Board of Directors on 23 March 2016 and was signed on its behalf

WANG Dongfeng
Director

TUNG Hans
Director

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company	Accumulated losses RMB'000	Reserves RMB'000
Balance at 1 January 2014	(779,105)	(206,158)
Currency translation differences	—	24,216
Value of employee services	—	18,057
Loss for the year	(4,520)	—
Balance at 31 December 2014	(783,625)	(163,885)
Currency translation differences	—	10,525
Value of employee services	—	9,592
Loss for the year	(2,686)	—
Balance at 31 December 2015	(786,311)	(143,768)

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and Chief Executives' Emoluments

The remuneration of each director and chief executive for the year ended 31 December 2015 is set out below:

Name	Fees RMB'000	Salaries RMB'000	Discretionary Bonus RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Housing Allowance RMB'000	Estimated monetary value of other benefits (note i) RMB'000	Total RMB'000
Executive Directors							
Wang Dongfeng (ii)	—	477	—	32	38	23	570
Zhuang Jieguang (iii)	—	90	—	2	1	1	94
Non-executive directors							
Tung Hans	—	—	—	—	—	—	—
Independent non-executive directors							
Levin Eric Joshua (iv)	301	—	—	—	—	—	301
Poon Philana Wai Yin	251	—	—	—	—	132	383
Zhao Cong Richard	251	—	—	—	—	132	383
	803	567	—	34	39	288	1,731

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

For the year ended 31 December 2014 (Restated):

Certain of the comparative information of directors' emoluments for the year ended 31 December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

Name	Fees	Salaries	Discretionary Bonus	Employer's contribution to a retirement benefit scheme	Housing Allowance	Estimated monetary value of other benefits (note i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Wang Dongfeng (ii)	—	228	—	12	11	10	261
Zhuang Jieguang (iii)	—	376	—	6	5	6	393
Huang Weibing (v)	—	207	—	7	8	6	228
Liao Dong (v)	—	114	—	6	6	5	131
Non-executive directors							
Tan Hainan (vi)	—	—	—	—	—	—	—
Tung Hans	—	—	—	—	—	—	—
Independent non- executive directors							
Levin Eric Joshua (iv)	296	—	—	—	—	115	411
Poon Philana Wai Yin	246	—	—	—	—	783	1,029
Zhao Cong Richard	246	—	—	—	—	783	1,029
	788	925	—	31	30	1,708	3,482

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

Notes:

(i) Other benefits include leave pay, share option, insurance premium and club membership.

(ii) Mr. Wang Dongfeng is the executive director and the chief executive officer ("CEO") of the Company.

(iii) Mr. Zhuang Jieguang resigned from all positions with effect from 1 April 2015.

(iv) Mr. Levin Eric Joshua had been appointed as an independent non-executive Director since 1 November 2012, and he resigned from all positions with effect from 1 January 2016.

Following the resignation of Mr. Levin, Mr. How Sze Ming has been appointed as an independent non-executive director of the Company with effect from 1 January 2016.

(v) Mr. Huang Weibing and Mr. Liao Dong ceased to be executive directors with effective from 27 May 2014 and both resigned their all positions within the Group with effect 1 April 2015.

(vi) Mr. Tan Hainan resigned as a non-executive director of the Company with effect from 6 October 2014.

(vii) During the years ended 31 December 2015 and 2014, no directors waived or agreed to waive any emoluments.

(b) Key Managements' Emoluments

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

	Year Ended 31 December	
	2015	2014
	RMB'000	RMB'000
Fees, Wages, salaries and bonuses	**3,817**	6,986
Pension costs – defined contribution plans	**60**	47
Other social security costs and housing benefits	**135**	135
Share-based compensation expenses under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme	**4,958**	9,017
	8,970	16,185

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Key Managements' Emoluments (Continued)

The emoluments of the key management fell within the following bands:

	Year Ended 31 December	
	2015	2014
Emolument bands		
HK$1 – HK$5,000,000	**8**	8
HK$5,000,001 – HK$10,000,000	**—**	2
	8	10

(c) 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.

DEFINITIONS

"Annual General Meeting"	the annual general meeting of the Company proposed to be held on Tuesday, 24 May 2016
"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 Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands"	the Cayman Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this annual report, excluding Hong Kong, Macau and Taiwan
"Company" or "Forgame" or "we" or "us"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose shares became listed on the Main Board of the Stock Exchange on the Listing Date
"Connected Persons"	has the same meaning ascribed thereto the Listing Rules
"Connected Transaction(s)"	has the same meaning ascribed thereto the Listing Rules
"Contractual Arrangements"	a series of contractual arrangements entered into by Feidong, the PRC Operational Entities and their respective shareholders
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trust"	collectively, WANG Trust, Keith Huang Trust, Hao Dong Trust and ZHUANGJG Trust
"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited) (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, incorporated under the laws of the PRC on 13 June 2012

DEFINITIONS

"Feiyin"	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited) (廣州菲音信息科技有限公司), a limited company established under the laws of the PRC on 12 April 2004
"Financial Statements"	audited consolidated financial statements of the Company for the year ended 31 December 2015
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd. (also referred to as Foga Group Limited), a company incorporated in the BVI on 25 July 2011
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Hao Dong Trust.
"Foga Internet Development"	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly-owned by Mr. Yang and is one of the Holding Companies.
"Foga Networks"	Foga Networks Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Huang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Keith Huang Trust.
"Foga Tech"	Foga Tech Limited, a limited company incorporated under the laws of Hong Kong on 9 August 2011 and a wholly-owned subsidiary of the Company
"Founders"	founder(s) of the Company, collectively, Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang Tao and Mr. Zhuang
"Group"	the Company and its subsidiaries and the PRC Operational Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements)
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary is Mr. Liao
"Holding Companies"	collectively Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, respectively

"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"IP"	intellectual property
"IPO"	initial public offering of the Shares 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 7 June 2012
"Keith Huang Trust"	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
"Latest Practicable Date"	14 April 2016, being the latest practicable date prior to the bulk printing and publication of this annual report
"Ledong"	Hongkong Ledong Tech Limited (香港樂動科技有限公司), a limited company incorporated under the laws of Hong Kong on 22 March 2012 and an indirect wholly-owned subsidiary of the Company
"LIBOR"	London Inter-bank Offered Rate
"Listing Date"	3 October 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Managecorp Limited"	Managecorp Limited, the trustee of each of the Family Trusts
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

"MPUs"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of 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), the chairman of the Board, an Executive Director, 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), an Executive Director who resigned with effect from 1 April 2015, 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 date which the pre-IPO option is offered to an eligible participant as defined in the scheme
"Placing"	the placing of the Placing Shares to professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 pursuant to the terms of the Placing Agreement
"Placing Agreement"	the placing agreement entered into by the Company with BOCOM International Securities Limited as placing agent on 22 May 2015 in relation to the Placing
"Placing Share(s)"	an aggregate of 19,041,900 Shares placed to professional, institutional and other investors pursuant to the Placing
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in 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 Options"	options granted under the Pre-IPO Share Option Scheme

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in the scheme
"Prospectus"	the prospectus of the Company dated 19 September 2013 in relation to the IPO
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"RPG(s)"	role-playing game(s)
"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 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company
"Shares"	shares of USD0.0001 each in the share capital of the Company
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"TA"	TA FG Acquisitions, an exempted company incorporated in the Cayman Islands on 26 April 2012 with limited liability
"TV"	television
"United States"	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited) (廣州維動網絡科技有限公司), a limited company established under the laws of the PRC on 22 January 2007

DEFINITIONS

"ZHUANGJG Trust"	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members
"*91wan*"	the self-publishing platforms, including 91wan.com, 2918.com, 9vs.com, 915.com and 336.com

Forgame