2018 Interim Report

Forgame Holdings Limited
雲 遊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

Forgame

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WANG Dongfeng
(Chairman and Chief Executive Officer)
Ms. LIANG Na *(Chief Financial Officer)*
Mr. ZHANG Yang *(Chief Operations Officer)*

Non-executive Director
Mr. ZHANG Qiang

Independent Non-executive Directors
Mr. HOW Sze Ming
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason

AUDIT AND COMPLIANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Ms. LEE Ka Man

COMPANY SECRETARY

Ms. LEE Ka Man

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

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

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

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

As to Cayman Islands law:
(in alphabetical order)

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

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

As to PRC law:

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

CORPORATE INFORMATION

AUDITOR

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

(in alphabetical order)

China Citic Bank, Guangzhou branch

China Citic Bank, Jiujiang branch

China Merchants Bank, Guangzhou branch

China Merchants Bank, Hong Kong branch

Shanghai Pudong Development Bank, Hong Kong branch

INVESTOR RELATIONS

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

COMPANY'S WEBSITE

www.forgame.com

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

00484

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six Months Ended 30 June		
	2018	2017	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**205,837**	121,234	69.8%
Gross profit	**148,893**	58,551	154.3%
Loss for the period	**(286,674)**	(17,727)	1,517.2%
Non-IFRSs Measures			
– EBITDA[1] for the period	**(300,724)**	(17,943)	1,576.0%
– Adjusted EBITDA[2] for the period	**50,821**	1,441	3,426.8%

Notes:

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

(2) The Group defines adjusted EBITDA as EBITDA excluding share-based compensation, impairment of intangible assets arising from business combination, changes in the value of financial assets at fair value through profit or loss and impairment of available-for-sale financial assets. For details of EBITDA and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – EBITDA and Adjusted EBITDA" in this interim report.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000) (Audited)	Change %
Assets			
Non-current assets	**66,728**	416,930	-84.0%
Current assets	**1,030,376**	1,106,452	-6.9%
Total assets	**1,097,104**	1,523,382	-28.0%
Equity and liabilities			
Total equity	**875,122**	1,181,417	-25.9%
Non-current liabilities	**244**	32,447	-99.2%
Current liabilities	**221,738**	309,518	-28.4%
Total liabilities	**221,982**	341,965	-35.1%
Total equity and liabilities	**1,097,104**	1,523,382	-28.0%

CHAIRMAN'S STATEMENT

Dear Forgame Shareholders,

On behalf of the Board, I am pleased to present our financial performance for the six months ended 30 June 2018.

OVERVIEW

The Group's adjusted EBITDA during the first half of 2018 was approximately RMB50.8 million, in line with management's expectations and a significant increase from RMB1.4 million for the same period of 2017. The increase was primarily driven by steady growth in our fintech business, which laid a solid foundation for the Group's operational financial results in the first half of 2018.

However, since July 2018, there have been a series of negative events in the fintech market in China, which has triggered an industry-wide liquidity crisis and has impacted "Jianlicai", a fintech brand of the Group ("**"Jianlicai"**"). As a result, China's regulatory authorities promptly responded by issuing stricter regulatory guidance for the fintech industry. In order to comply with the new regulations, "Jianlicai" immediately began adjusting its business by removing its "Wealth Management Plan" products and launching its new asset products. Though the liquidity of "Jianlicai" is currently stable, in accordance with the relevant requirements under "International Accounting Standard 36 – Impairment of Assets", and based on the principle of investor protection, the Group recognised an impairment loss on the goodwill and identifiable intangible assets arising from the 55% equity acquisition of the Jianlicai Group amounting to RMB320.5 million after tax, because one of the bases of evaluating such fair value has changed. For further details of the Impairment, please refer to the section headed "Management Discussion and Analysis – Material Impairment" in this interim report and the announcement "Inside Information – Impairment on Goodwill and Intangible Assets Arising from the Acquisition of Jianlicai Group and Profit Warning" of the Company issued on 17 August 2018.

On the other hand, "Yunke", our licensed and regulation compliant internet micro-credit brand ("**"Yunke"**"), remained largely unaffected and continued to gain growth momentum during the first half of 2018. As at 30 June 2018, "Yunke" has provided services to 1,819,811 borrowers cumulatively since inception.

Turning to our game business, "Liberators" continued to generate a steady income stream of more than RMB3.0 million per month without large-scale promotional campaign for the game since the first quarter of 2017. Our games generally enjoy longer lifecycles in overseas markets than they do in the domestic market. The experience we have gained from operating "Liberators" will be applied across the rest of our game business.

OUTLOOK

As we mentioned in 2017 annual report of the Company, fintech is an emerging industry in China. Its future development trajectory is still uncertain and is highly susceptible to changes in national macro-economic policies. China's financial system saw liquidity tightened during the first half of 2018 as the government began deleveraging the economy. M2 money supply declined and hit its lowest growth rate in a decade while total new social financing in China decreased dramatically in the first five months of the year. At the same time, the central government tightened regulation over the fintech industry and implemented a "strong regulation" mandate. As a result of this deleveraging and strong regulation, the market environment for fintech business during the first half of 2018 was challenging.

CHAIRMAN'S STATEMENT

A sound financial industry is critical for the national economy and directly impacts people's livelihoods. Strict government regulation will weed out a large number of unqualified players in the fintech industry and will help to protect investors and truly promote the development of inclusive finance. Over the short-term, tighter regulations will however create a variety of new challenges for other enterprises' business in the industry (including part of our current business), most directly, the material impairment of goodwill and identifiable intangible assets arising from the acquisition of Jianlicai Group.

This is clearly the dark hour for the entire fintech industry in China and the biggest challenge for "Jianlicai" since its establishment. It should be pointed out that the Impairment did not, however, materially affect the operating cash of Jianlicai Group, as it was only purely a non-cash accounting treatment. Jianlicai Group still maintains stable liquidity and its operation team remains upbeat about future business prospects. Our newly launched standardized product has performed well in recent weeks and is showing great future potential in replacing the original business model of Jianlicai Group. At such a critical moment, we strongly support tightening regulation and believe it will create opportunities for us. We will develop our technology to invest in future as we adapt our business to the new regulatory environment.

"Yunke", the other fintech business of the Group, has a registered capital of RMB500.0 million and is legally permitted by current regulations to leverage its internet micro-credit business up to two times of its registered capital. Since its inception, "Yunke" has made compliance its business foundation and has been in close contact with regulatory authorities. "Yunke" has remained unaffected by the impact of financial deleveraging and strong regulation during the first half of 2018 as it holds a license and is compliant with current regulations. In fact, it managed to expand its business opportunities amid a tightening money supply. Since the Group entered the fintech industry in 2017, it has accumulated a large volume of user data which allows it to develop sophisticated analytics including user profile analysis, effective customer acquisition, and smart risk control, and has mastered key technologies along the fintech operational chain. In today's environment of tightening fintech regulation, the technology barrier is set higher than ever for fintech companies. Powered by compliance and technology, the future of "Yunke" is worth our expectation.

What doesn't kill you makes you stronger. Companies must fight through challenges in order to grow to be great. **The Group is confident that, following the industry reshuffling and after adapting to the strict regulatory environment, our fintech business will enter a period of rapid growth thanks to it being regulation compliant, license-holding and having cutting-edge technology.** However, the current industry shocks will create some short-term challenges that may lead to volatility in our performance in the second half of the year, which is highlighted in the section headed "Management Discussion and Analysis – Risks and Hurdles" in this interim report. The Group is committed to implementing its strategic roadmap and will prepare for the future by focusing on strengthening compliance and developing new technology.

APPRECIATION

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

WANG Dongfeng
Chairman

Hong Kong, 23 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the Group recorded a total revenue of approximately RMB205.8 million, increasing by 69.8% from the same period of last year thanks to the continuous development of our fintech business. This is a milestone in the Group's history as it marks that the Group has successfully diversified itself into fintech business and proves the effectiveness of the Group's strategy.

The Group has made progress in the fintech business during the first half of 2018. Our internet micro-credit business has been in operation since January 2017. This business is primarily dedicated to providing customers underserved by traditional financial institutions in the PRC with practical and flexible short-term financing solutions. The Group's internet micro-credit business generates substantially all of its income through interests accrued on the loans extended to its customers. Despite a stricter regulatory environment and fiercer competition on users acquisition, the number of borrowers we served as at 30 June 2018 has increased by 150.1% compared to that as at 30 June 2017, and we originated RMB1.6 billion of loans during the six months ended 30 June 2018.

Within the Group's fintech ecosystem, we also provide financial information service to individual investors through the operation of website and mobile phone application. This business generates substantially all of its income through service fees. It had over 8.8 million registered users and had grown its cumulative transaction volume to over RMB111.3 billion as at 30 June 2018.

The Group's game business continues to focus on the execution of the overseas market strategy. In the first half of 2018, "Liberators" maintained a stable revenue generation. Besides, the Group is in the process of developing and optimising several casual mobile games and simulation games targeting overseas markets. These new games are developed and operated by the same team of "Liberators".

On 20 May 2018, the Company announced a positive profit alert, expecting a net profit ranging from approximately RMB25.0 million to RMB35.0 million for the six months ended 30 June 2018. As it turned out, the Group's net loss for the six months ended 30 June 2018 was approximately RMB286.7 million. The net loss was primarily due to the Impairment. If the effect of this non-cash accounting treatment of the Impairment had been excluded, the Group would have recognised a net profit of approximately RMB33.8 million for the six months ended 30 June 2018.

Game Business

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

	Six Months Ended 30 June	
	2018	2017
Game		
Average MPUs (in thousands) (1) (2) (3)	**31**	102
Monthly ARPPU (RMB) (3)	**255**	190

Notes:

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

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

(3) The numbers differ from those shown in 2017 interim report of the Company because the MPUs in 2017 interim report of the Company did not eliminate the duplication in paying users of self-developed games published on the Group's own platforms.

– **MPUs**. The MPUs for the game segment decreased to approximately 31,000 for the six months ended 30 June 2018 from approximately 102,000 for the six months ended 30 June 2017. This decrease was primarily due to several key games, such as "Boonie Bears (熊出沒)" series, and other hard-core role-playing webgames and mobile games, have entered into the mature stages of their lifecycles resulting in fewer paying users in these games.

– **ARPPU**. Monthly ARPPU level of game segment increased to approximately RMB255 for the six months ended 30 June 2018 as compared with RMB190 for the six months ended 30 June 2017. This increase was primarily attributable to the mix effect of game portfolio. Specifically, "Liberators", which enjoyed a higher ARPPU level, had increased its weight in terms of revenue and MPUs in the Group's game product portfolio as a whole, while "Boonie Bears (熊出沒)" series, which enjoyed a lower ARPPU level, had decreased their weight in terms of revenue and MPUs in the Group's game product portfolio.

Fintech Business

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

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

	Six Months Ended 30 June	
	2018	2017
Average balance of outstanding performing loans (RMB in million)[(1)]	**383**	105
Average size of our loans (RMB)[(2)]	**2,837**	1,923

	As at 30 June	
	2018	2017
Number of borrowers[(3)]	**296,057**	118,397

Notes:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six Months Ended 30 June 2018
Average investing users acquisition cost (RMB)[(1)]	223
Average size of investments (RMB)[(2)]	12,999

	As at 30 June 2018
Cumulative amount of investments (RMB in million)[(3)]	111,277
Registered users	8,825,765

Notes:

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

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

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

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

Investing user profile of our financial information service - The individuals investing through our financial information service are mainly adults of the age ranging from 25 to 35, and the numbers of male investing users and female investing users are generally even. A majority of our investing users are white collar workers and married with kid(s). Users from tier one or tier two cities in the PRC compose the majority of our investing users.

FIRST HALF OF 2018 COMPARED TO FIRST HALF OF 2017

The following table sets forth the income statement for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017:

	Six Months Ended 30 June		
	2018	2017	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	Change %
Revenue	**205,837**	121,234	69.8%
Cost of revenue	**(56,944)**	(62,683)	-9.2%
Gross profit	**148,893**	58,551	154.3%
Selling and marketing expenses	**(56,128)**	(18,583)	202.0%
Administrative expenses	**(45,961)**	(43,984)	4.5%
Research and development expenses	**(31,732)**	(17,322)	83.2%
Other income	**7,318**	4,188	74.7%
Other losses	**(347)**	(7,344)	-95.3%
Finance income-net	**865**	4,158	-79.2%
Gain on dilution of investments accounted for using the equity method	**7,148**	—	NM
Share of income of investments accounted for using the equity method	**3,525**	7,121	-50.5%
Impairment of intangible assets	**(349,126)**	—	NM
Impairment of available-for-sale financial assets	**—**	(4,285)	NM
Loss before income tax	**(315,545)**	(17,500)	1,703.1%
Income tax benefit/(expense)	**28,871**	(227)	NM
Loss for the period	**(286,674)**	(17,727)	1,517.2%

Note: NM-Not meaningful.

Revenue. Revenue increased by approximately 69.8% to RMB205.8 million for the six months ended 30 June 2018 from RMB121.2 million for the six months ended 30 June 2017. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June			
	2018		2017	
	(RMB'000) (Unaudited)	**(% of Total Revenue)**	(RMB'000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game business	**46,928**	**22.8**	115,767	95.5
– Fintech business	**158,909**	**77.2**	5,467	4.5
Total Revenue	**205,837**	**100.0**	121,234	100.0

– Revenue generated from the Group's game segment decreased by approximately 59.5% to RMB46.9 million for the six months ended 30 June 2018 from RMB115.8 million for the six months ended 30 June 2017. This decrease was primarily due to the fact that some of the Group's key games have entered into the mature stages of their lifecycles and generated less revenue than the same period of last year.

– Revenue generated from the Group's fintech segment increased by approximately 28 times to RMB158.9 million for the six months ended 30 June 2018 from RMB5.5 million for the six months ended 30 June 2017. This increase was due to the revenue generated from the Group's internet micro-credit business, which commenced in January 2017 and ramped up in the second half of 2017, and the revenue contribution from the Group's financial information service business acquired in August 2017.

Adjusted EBITDA. Adjusted EBITDA increased to RMB50.8 million for the six months ended 30 June 2018 from adjusted EBITDA of RMB1.4 million for the six months ended 30 June 2017. The following table sets forth the adjusted EBITDA of the Group by segment for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June		
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	Change %
Adjusted EBITDA by Segment			
Game business	**(962)**	12,630	-107.6%
Fintech business	**41,110**	(18,310)	NM

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

– The Group's game segment recorded a negative adjusted EBITDA of RMB1.0 million for the six months ended 30 June 2018 compared to adjusted EBITDA of RMB12.6 million for the six months ended 30 June 2017. This decrease was mainly due to the fact that some of our key games entered into the mature stage of their lifecycles and recorded lower revenue and gross profit compared to the same period of last year.

– Adjusted EBITDA in respect of the Group's fintech segment increased to RMB41.1 million for the six months ended 30 June 2018 from negative adjusted EBITDA of RMB18.3 million for the six months ended 30 June 2017. The improvement of adjusted EBITDA was attributed to the development of our fintech business including internet micro-credit business and financial information service business. The internet micro-credit business started in January 2017 and ramped up in the second half of 2017, while the financial information service business was acquired by the Group in August 2017.

Cost of revenue. Cost of revenue decreased by approximately 9.2% to RMB56.9 million for the six months ended 30 June 2018 from RMB62.7 million for the six months ended 30 June 2017. This decrease was mainly attributable to lower revenue sharing costs of self-developed games in line with the revenue decrease of such games. The decrease in cost of revenue was partially offset by the incremental cost of revenue, mainly payment service fees, of the fintech business. For the six months ended 30 June 2018, the percentage of cost of revenue to total revenue decreased to 27.7% (six months ended 30 June 2017: 51.7%).

Selling and marketing expenses. Selling and marketing expenses increased by approximately 202.0% to RMB56.1 million for the six months ended 30 June 2018 from RMB18.6 million for the six months ended 30 June 2017. This increase was mainly attributable to the incremental promotion and advertising expenses and employee benefit expenses of the marketing department of the fintech business of the Group and the amortisation expenses of identifiable intangible assets relating to the acquisition of the 55% equity interest in the Jianlicai Group.

Administrative expenses. Administrative expenses increased by approximately 4.5% to RMB46.0 million for the six months ended 30 June 2018 from RMB44.0 million for the six months ended 30 June 2017. The increase in administrative expenses was mainly attributable to the incremental administrative expenses incurred by our fintech business, partially offset by the decrease in share-based compensation and professional service fees.

Research and development expenses. R&D expenses increased by approximately 83.2% to RMB31.7 million for the six months ended 30 June 2018 from RMB17.3 million for the six months ended 30 June 2017. This increase was primarily due to the incremental employee benefit expenses for the R&D department of our fintech business.

Other income. Other income increased to RMB7.3 million for the six months ended 30 June 2018 from RMB4.2 million for the six months ended 30 June 2017. Such increase mainly resulted from higher interest income of cash and cash equivalents which was in line with the increase in average balance of cash and cash equivalents.

Other losses. Other losses decreased to RMB0.3 million for the six months ended 30 June 2018 from RMB7.3 million for the six months ended 30 June 2017. The higher other losses for the six months ended 30 June 2017 were primarily due to the fair value loss of one of the investees and higher foreign exchange losses.

Finance income-net. Finance income-net for the six months ended 30 June 2018 was RMB0.9 million, as compared to finance income-net of RMB4.2 million for the six months ended 30 June 2017. The finance income-net represents the interest income from short-term deposits and restricted cash. The finance income-net amount varies with the changes in short-term deposits balance during the reporting period.

Gain on dilution of investments accounted for using the equity method. Gain on dilution of investments accounted for using the equity method for the six months ended 30 June 2018 was RMB7.1 million (six months ended 30 June 2017: Nil). The gain was attributable to the increase in valuation of investments as a result of the fund raising activities carried out by one of the Group's investees.

Share of income of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB3.5 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB7.1 million). This decrease was mainly because one profitable investee was disposed in the second half of 2017.

Impairment of intangible assets. Impairment of intangible assets for the six months ended 30 June 2018 was RMB349.1 million (six months ended 30 June 2017: Nil). The impairment loss was attributable to the Impairment. For details of the Impairment, please refer to the section headed "Management Discussion and Analysis-Material Impairment" in this interim report.

Income tax benefit/(expense). The Group recognised income tax benefit of RMB28.9 million for the six months ended 30 June 2018 while the income tax expense was RMB0.2 million for the six months ended 30 June 2017. The income tax benefit for the six months ended 30 June 2018 was mainly attributable to subsequent changes in the deferred tax liabilities with the amortisation and impairment of identifiable intangible assets from the acquisition of the 55% equity interest in the Jianlicai Group, which was partially offset by the income tax expense generated from the Group's fintech business.

Loss for the period. Loss for the period increased to RMB286.7 million for the six months ended 30 June 2018 from a loss of RMB17.7 million for the six months ended 30 June 2017. The increase in loss was mainly due to the Impairment. If the impairment impact had been excluded, the Group would have recognised a positive operating profit which was the result of the combined impacts of incremental profit from the fintech business, and investment gains in the first half of 2018.

NON-IFRSs MEASURES - EBITDA AND ADJUSTED EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2018 and 2017, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2018	2017
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(286,674)**	(17,727)
Add:		
Depreciation and amortisation	**20,398**	5,167
Net interest income	**(5,577)**	(5,610)
Income tax (benefit)/expense	**(28,871)**	227
EBITDA (unaudited)	**(300,724)**	(17,943)
Add:		
Share-based compensation	**2,419**	10,387
Impairment of intangible assets arising from business combination	**349,126**	—
Changes in the value of financial assets at fair value through profit or loss	**—**	4,712
Impairment of available-for-sale financial assets	**—**	4,285
Adjusted EBITDA (unaudited)	**50,821**	1,441

FINANCIAL POSITION

As at 30 June 2018, the total equity of the Group amounted to RMB875.1 million, as compared to RMB1,181.4 million as at 31 December 2017. This decrease was mainly due to the increase in accumulated loss as discussed in the paragraph headed "Loss for the period" in this interim report.

The Group's net current assets amounted to RMB808.6 million as at 30 June 2018, as compared to RMB796.9 million as at 31 December 2017. The net current assets level was about the same as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000) (Audited)
Cash at bank and on hand	**450,368**	588,299
Cash at other financial institutions	**21,342**	66,616
Short-term deposits	**—**	34,650
Total	**471,710**	689,565

The Group's total cash, cash equivalent and short-term deposits amounted to RMB471.7 million as at 30 June 2018, as compared to RMB689.6 million as at 31 December 2017. The decrease was primarily due to the fact that the Group granted loans to its customers in the first half of 2018.

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

As at 30 June 2018, the Group's gearing ratio (calculated by dividing bank borrowing by total assets) was 0% (as at 31 December 2017: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2018. The borrowing requirements of the Group are not subject to seasonality.

MATERIAL IMPAIRMENT

The Group recognised impairment of goodwill and identifiable intangible assets arising from the Group's acquisition of the Jianlicai Group amounting to RMB349.1 million for the six months ended 30 June 2018.

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

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

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

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

In accordance with the relevant requirements under "International Accounting Standard 36 — Impairment of Assets", and based on the principle of investor protection, while identifying this impairment indicator, the Group performed impairment test for the goodwill and identifiable intangible assets arising from the acquisition of the Jianlicai Group. The Group adopted a discounted cash flow ("**DCF**") method to determine the recoverable amount of the goodwill and identifiable intangible assets arising from the acquisition of the Jianlicai Group. In light of the actual operating performance after the above mentioned business adjustments and continuous communications with regulators, the Group adjusted the financial projection of the existing "Wealth Management Plan" business model. Besides, the new asset products are in the early stages of their life cycles, and cannot provide sufficient information to support their future operating performance in such a short period. Therefore, the Group didn't include the financial projection of the new asset products in the DCF.

After conducting careful deliberations with its external consultants, the Group recorded an impairment on the goodwill and identifiable intangible assets arising from the equity acquisition of the Jianlicai Group amounting to RMB349.1 million (after tax amounting to RMB320.5 million). For details of the Impairment, please also refer to the Company's announcements dated 29 July 2018 and 17 August 2018.

FOREIGN EXCHANGE RISK

As at 30 June 2018, RMB45.6 million of the financial resources of the Group (as at 31 December 2017: RMB59.4 million) were held as deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the utilization of the Group's bank deposits denominated in USD to make on-market purchase of shares of the Company for the Group's Restricted Share Unit Scheme. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2018	2017
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**378**	355
– Purchase of intangible assets	**—**	188
Total	**378**	543

Capital expenditures comprised the purchase of property and equipment, such as computers and leasehold improvement, and the purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers.

PLEDGE OF ASSET

As at 30 June 2018, the Group had a pledge of assets of RMB0.8 million as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2018, the Group had 452 full-time employees (as at 30 June 2017: 303), the vast majority of whom are based in Guangzhou and Beijing. The following table sets forth the number of the Group's employees by function as at 30 June 2018:

	Number of Employees	% of Total
Research and Development	186	41.2
Operation	32	7.0
Sales and Marketing	92	20.4
General and Administration	142	31.4
Total	452	100.0

The remuneration for the Group's employees includes salaries, bonus, allowances and share-based compensation. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group also provides various training programs to its staff to enhance their professional development, such as assigning experienced employees as mentors in relevant teams or departments to provide regular on-the-job guidance and trainings. The Group has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Restricted Share Unit Scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises. Details of the share option schemes and the Restricted Share Unit Scheme are set out in the sections headed "Other Information–Pre-IPO Share Option Scheme", "Other Information–Post-IPO Share Option Scheme" and "Other Information–The Restricted Share Unit Scheme" in this interim report.

POST BALANCE SHEET EVENT

Saved as disclosed in the section headed "Management Discussion and Analysis－Material Impairment" in this interim report, there were no other significant subsequent events during the period from 30 June 2018 to the approval date of the Financial Statements by the Board.

RISKS AND HURDLES

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

Meanwhile, in our established game business, the major hurdles include (i) delays of game launches, (ii) games developed not able to meet market expectation at launch, (iii) departure of key employees, and (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, all of which will negatively affect the Group's profit.

In addition, 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, the Group has made investments in the internet, media and technology industry in China with a remaining value of approximately RMB42.0 million post investment impairment and losses in the first half of 2018, out of which approximately RMB27.7 million was classified as “investments in associates”.

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

FUTURE PLANS

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

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

The Group plans to evaluate investment opportunities across various sectors of the internet, media, and technology industry with the aim of building an ecosystem that would create synergy to drive growth and profitability.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2018.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2018.

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

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

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

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

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives at the relevant time in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Underlying Shares held/ Relevant Class of Shares	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)	15.68%
	Beneficial Owner[2]	The Company	1,650,800 Ordinary Shares (long position)	1.19%
ZHAO Cong Richard (趙聰) [3]	Beneficial Owner	The Company	174,400 Ordinary Shares (long position)	0.13%
HOW Sze Ming (侯思明) [4]	Beneficial Owner	The Company	150,000 Ordinary Shares (long position)	0.11%
ZHANG Qiang (張強) [5]	Beneficial Owner	The Company	150,000 Ordinary Shares (long position)	0.11%

Name of Director/ Chief Executive	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Underlying Shares held/ Relevant Class of Shares	Approximate Percentage of Shareholding
LIANG Na (梁娜) (6)	Beneficial Owner	The Company	1,209,089 Ordinary Shares (long position)	0.87%
ZHANG Yang (張陽)	Beneficial Owner(7)	The Company	280,000 Ordinary Shares (long position)	0.20%
	Beneficial Owner	JLC (Cayman)	1,211,562 Ordinary Shares (long position)	1.21%
WAN Joseph Jason (尹宸賢)(8)	Beneficial Owner	The Company	50,000 Ordinary Shares (long position)	0.04%

Notes:

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

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

(3) Mr. ZHAO Cong Richard was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares as at 30 June 2018. He was also granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, 25,000 of which vested on 1 December 2016, 25,000 vested on 1 June 2017, 25,000 vested on 1 December 2017 and 25,000 vested on 1 June 2018. Mr. ZHAO Cong Richard sold 25,000 Shares vested under the RSU Scheme on 29 June 2017. Mr. ZHAO Cong Richard was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018.

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

(5) Mr. ZHANG Qiang was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, 25,000 of which vested on 1 December 2016, 25,000 vested on 1 June 2017, 25,000 vested on 1 December 2017 and 25,000 vested on 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018.

(6) Ms. LIANG Na was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 25,089 Shares, and the Post-IPO Share Option Scheme to subscribe for 329,000 Shares as at 30 June 2018. Ms. LIANG Na was granted 820,000 RSUs under the Restricted Share Unit Scheme in 2016, 205,000 of which vested on 1 December 2016, 205,000 vested on 1 June 2017, 205,000 vested on 1 December 2017 and 205,000 vested on 1 June 2018. Ms. LIANG Na sold 165,000 Shares vested under the RSU Scheme during the period from 18 July 2017 to 17 April 2018. She was further granted 200,000 RSUs under the Restricted Share Unit Scheme in 2018.

(7) Mr. ZHANG Yang was granted 280,000 RSUs under the Restricted Share Unit Scheme in 2018.

(8) Mr. WAN Joseph Jason was granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018.

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the six months ended 30 June 2018 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 30 June 2018, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited[(1) (2)]	Trustee	29,437,335 Ordinary Shares (long position)	21.29%
Foga Group[(1)]	Beneficial Owner	21,673,338 Ordinary Shares (long position)	15.68%
GU Wei	Beneficial Owner	16,073,000 Ordinary Shares (long position)	11.63%
LIAO Dong[(2)]	Founder of Discretionary Trust Interest of Controlled Corporation	7,763,997 Ordinary Shares (long position)	5.62%
Foga Holdings[(2)]	Beneficial Owner	7,763,997 Ordinary Shares (long position)	5.62%
KongZhong Corporation	Beneficial Owner	9,581,900 Ordinary Shares (long position)	6.93%
Foga Internet Development[(3)]	Beneficial Owner	7,785,700 Ordinary Shares (long position)	5.63%

OTHER INFORMATION

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
YANG Tao	Interest of Controlled Corporation(3)	7,785,700 Ordinary Shares (long position)	5.63%
	Beneficial Owner(4)	1,340,000 Ordinary Shares (long position)	0.97%
China Create Capital Limited	Beneficial Owner	9,584,000 Ordinary Shares (long position)	6.93%

Notes:

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

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

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

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

Save as disclosed above, as at 30 June 2018, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

At the Company's annual general meeting held on 25 May 2018, the Shareholders granted a share buy-back mandate to the Board to buy-back Shares (which should not exceed 10% of the issued share capital of the Company as at 25 May 2018) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held, or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting.

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

PRE-IPO SHARE OPTION SCHEME

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

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

OTHER INFORMATION

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

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option period	Outstanding as at 1 January 2018	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2018
Directors										
LIANG Na	157,589 Ordinary Shares	1 January 2013	3 October 2013 to 1 May 2016	10 years from the date of grant	37,089 Ordinary Shares	Par value of the ordinary shares	12,000 Ordinary Shares	—	—	25,089 Ordinary Shares
ZHAO Cong Richard	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	—	—	—	49,400 Ordinary Shares
Sub-Total	**206,989 Ordinary Shares**	**—**	**—**	**—**	**86,489 Ordinary Shares**	**—**	**12,000 Ordinary Shares**	**—**	**—**	**74,489 Ordinary Shares**
Two former Directors and 361 employees	6,233,922 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	491,500 Ordinary Shares	Par value of the ordinary shares	50,094 Ordinary Shares	—	—	441,406 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**577,989 Ordinary Shares**	**—**	**62,094 Ordinary Shares** (Note)	**—**	**—**	**515,895 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised during the period was HK$10.51 (equivalent to RMB8.58) per share.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2018, the Company has issued 62,094 Shares to the grantees for an aggregate consideration of USD6.2094. Such Shares are of the same class and are identical in all respects 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 19(a) to the Financial Statements.

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 the Directors and employees of the Group on 10 June 2015.

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

Name of grantee	Number and Class of Shares under the options granted	Date of grant	Vesting period	Option period	Outstanding as at 1 January 2018	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2018
LIANG Na	329,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	329,000 Ordinary Shares	HK$14.61	—	—	—	329,000 Ordinary Shares
14 employees	1,579,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	1,079,000 Ordinary Shares	HK$14.61	—	—	—	1,079,000 Ordinary Shares
LIANG Na	350,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	87,500 Ordinary Shares	HK$24.29	—	—	87,500 Ordinary Shares	—
ZHAO Cong Richard	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	17,500 Ordinary Shares	HK$24.29	—	—	17,500 Ordinary Shares	—
Three former Directors and 20 employees	3,425,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	50,000 Ordinary Shares	HK$24.29	—	—	50,000 Ordinary Shares	—
Total	**5,753,000 Ordinary Shares**	**—**	**—**	**—**	**1,563,000 Ordinary Shares**	**—**	**—**	**—**	**155,000 Ordinary Shares**	**1,408,000 Ordinary Shares**

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

During the six months ended 30 June 2018, no options granted under the Post-IPO Share Option Scheme was exercised or cancelled.

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 19(b) to the Financial Statements.

OTHER INFORMATION

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 30 June 2018 and the Latest Practicable Date, options to subscribe for an aggregate of 515,895 Shares and 466,495 Shares were outstanding respectively, representing approximately 0.37% and 0.34% of the issued share capital of the Company as at 30 June 2018 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 30 June 2018 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted or have been granted but have not been exercised under the Post-IPO Share Option Scheme was 15,102,591 Shares and 15,102,591 Shares respectively, representing approximately 10.92% and 10.98% of the issued share capital of the Company as at 30 June 2018 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

	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 period of four years commencing from the date of offer in equal proportions of 25% each on the expiry of the first, second, third and fourth anniversary of the Offer Date, respectively; provided that the year within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option year is determined by the Board provided that it is no later than the tenth anniversary of the date of grant. There is no minimum year for which an option must be held before it can be exercised The Board may in its absolute discretion specify such conditions as to performance criteria to be satisfied by the participant and/or the Company and/or the Group which must be satisfied before an option can be exercised
6.	Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1.0 per grant	Options granted must be accepted within the date as stated in the notice of grant, upon payment of HK$1.0 per grant
7.	Exercise price	Exercise price shall be the par value of the Shares as amended as a result of any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time. As at the date of the grant, the par value of the Shares was USD0.0001	Exercise price shall be not less than the highest of (i) the nominal value of an ordinary share on the date of grant, (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8.	Remaining life of the scheme	It shall be valid and effective for ten years commencing on 31 October 2012	It shall be valid and effective for ten years commencing on 3 October 2013

THE RESTRICTED SHARE UNIT SCHEME

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

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

OTHER INFORMATION

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

Set out below are details of the outstanding RSUs granted to the Directors and employees of the Group under the RSU Scheme as at 30 June 2018:

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2018	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2018
WANG Dongfeng	500,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	125,000 Ordinary Shares	125,000 Ordinary Shares	–	–	–
LIANG Na	820,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	205,000 Ordinary Shares	205,000 Ordinary Shares	–	–	–
ZHANG Qiang	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
ZHAO Cong Richard	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
HOW Sze Ming	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	25,000 Ordinary Shares	25,000 Ordinary Shares	–	–	–
One former Director and 17 employees	2,640,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	495,000 Ordinary Shares	470,000 Ordinary Shares	25,000 Ordinary Shares	–	–
WANG Dongfeng	300,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	300,000 Ordinary Shares
LIANG Na	200,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	200,000 Ordinary Shares
ZHANG Yang	280,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	280,000 Ordinary Shares
ZHANG Qiang	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	50,000 Ordinary Shares
ZHAO Cong Richard	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	50,000 Ordinary Shares
HOW Sze Ming	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	50,000 Ordinary Shares
WAN Joseph Jason	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	50,000 Ordinary Shares
29 employees	1,520,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	–	–	–	–	1,520,000 Ordinary Shares
Total	**6,760,000 Ordinary Shares**	**–**	**–**	**900,000 Ordinary Shares**	**875,000 Ordinary Shares**	**25,000 Ordinary Shares**	**–**	**2,500,000 Ordinary Shares**

SUMMARY OF THE RSU SCHEME

1.	Purpose	To reward the participants of the RSU Scheme for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) full-time employees or officers (including Executive, Non-executive and Independent Non-executive Directors), (ii) full-time employees of any of the subsidiaries and the PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities, and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities
3.	Maximum number of Shares	As at 30 June 2018 and the Latest Practicable Date, the maximum number of Shares underlying the RSUs available for grant was 4,815,494 Shares and 4,815,494 Shares respectively, representing approximately 3.48% and 3.50% of the issued share capital of the Company as at 30 June 2018 and the Latest Practicable Date, respectively The maximum number of Shares underlying the RSUs which may be granted must not in aggregate exceed 11,290,494 Shares, representing 9% of the number of Shares in issue on the Listing Date (the "**RSU Scheme Limit**"). The RSU Scheme Limit may be refreshed from time to time subject to Shareholders' prior approval, but must not exceed 9% of the number of Shares in issue as at the new approval date
4.	Acceptance of Award	A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Company by the grantee in accordance with the instructions from the Company pursuant to the RSU management agreement, being an agreement entered into between the Company and the relevant service provider or any other service agreement to facilitate the acceptance and vesting of RSUs to the grantees from time to time
5.	Vesting	Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion
6.	Trustee	The Board has appointed Computershare Hong Kong Trustee Limited on 2 July 2014 as professional trustee to assist with the administration and vesting of RSUs pursuant to the RSU Scheme
7.	Remaining life of the scheme	It shall be valid and effective till 31 August 2023

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 19(c) to the Financial Statements.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two Independent Non-executive Directors, being Mr. HOW Sze Ming and Mr. WAN Joseph Jason, and one Non-executive Director, being Mr. ZHANG Qiang. The chairman of the Audit and Compliance Committee is Mr. HOW Sze Ming, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee, together with the Auditor, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2018 and the interim report.

CHANGES OF DIRECTORS

There was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2017 by the Company and up to the Latest Practicable Date.

During the six months ended 30 June 2018 and up to the Latest Practicable Date, changes in Directors and members of the board committees of the Company are set out below:

Ms. POON Philana Wai Yin retired as an Independent Non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 25 May 2018 and accordingly, ceased to act as a member of the Audit and Compliance Committee and a member of the Nomination Committee.

Mr. WAN Joseph Jason was appointed as an Independent Non-executive Director, a member of the Audit and Compliance Committee and a member of the Nomination Committee with effect from the conclusion of the annual general meeting of the Company held on 25 May 2018. The biographical information of Mr. WAN Joseph Jason has been disclosed in the announcement of the Company dated 25 May 2018.

USE OF PROCEEDS FROM IPO

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

As at 30 June 2018, the Group had utilised all of the net proceeds from the IPO, of which (i) approximately HK$386.3 million was used in the purchase of webgame and mobile game licences, the acquisition of IP rights authorisation and equity investments, (ii) approximately HK$92.5 million was used in funding the expansion of the Group's international operation, (iii) approximately HK$289.8 million was used in investments in the internet, media and technology industry, and (iv) approximately HK$214.2 million was used for working capital and other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the section headed "Future plans and use of proceeds" in the Prospectus and as subsequently amended and disclosed in the August Announcement.

USE OF PROCEEDS FROM PLACING

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

As at 30 June 2018, the Group had utilised all of the net proceeds from the Placing in operations and investments in the internet, media and technology industry.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 37 to 75, which comprises the interim condensed consolidated balance sheet of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	7	**205,837**	121,234
Cost of revenue		**(56,944)**	(62,683)
Gross profit		**148,893**	58,551
Selling and marketing expenses		**(56,128)**	(18,583)
Administrative expenses		**(45,961)**	(43,984)
Research and development expenses		**(31,732)**	(17,322)
Other income		**7,318**	4,188
Other losses		**(347)**	(7,344)
Finance income - net		**865**	4,158
Gain on dilution of investments accounted for using the equity method	9	**7,148**	—
Share of income of investments accounted for using the equity method	9	**3,525**	7,121
Impairment of intangible assets	13	**(349,126)**	—
Impairment of available-for-sale financial assets		**—**	(4,285)
Loss before income tax		**(315,545)**	(17,500)
Income tax benefit/(expense)	10	**28,871**	(227)
Loss for the period		**(286,674)**	(17,727)
Other comprehensive loss:			
Items that will not be subsequently reclassified to profit or loss:			
– Currency translation differences		**598**	(14,056)
– Change in fair value of financial assets at fair value through other comprehensive income	14	**(1,000)**	—
Total other comprehensive loss, before tax		**(402)**	(14,056)
Income tax relating to components of other comprehensive loss		**—**	—
Other comprehensive loss for the period, net of tax		**(402)**	(14,056)
Total comprehensive loss for the period		**(287,076)**	(31,783)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited)
Loss attributable to:			
– Owners of the Company		**(245,473)**	(17,701)
– Non-controlling interests		**(41,201)**	(26)
		(286,674)	(17,727)
Total comprehensive loss attributable to:			
– Owners of the Company		**(245,875)**	(31,757)
– Non-controlling interests		**(41,201)**	(26)
		(287,076)	(31,783)
Loss per share (expressed in RMB per share)	11		
– Basic		**(1.79)**	(0.13)
– Diluted		**(1.79)**	(0.13)

The notes on pages 44 to 75 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	13	**6,642**	8,565
Intangible assets	13	**9,018**	376,596
Investments accounted for using the equity method	9	**27,730**	12,057
Available-for-sale financial assets		**—**	15,312
Financial assets at fair value through other comprehensive income	14	**14,312**	—
Prepayments and other receivables		**9,026**	3,876
Deferred income tax assets		**—**	524
		66,728	416,930
Current assets			
Trade receivables	15	**25,583**	40,249
Prepayments and other receivables		**67,056**	144,145
Loan receivables	16	**465,266**	231,742
Restricted cash		**761**	751
Short-term deposits		**—**	34,650
Cash and cash equivalents		**471,710**	654,915
		1,030,376	1,106,452
Total assets		**1,097,104**	1,523,382
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**87**	87
Shares held for Restricted Share Unit Scheme	17	**(22,182)**	(9,584)
Share premium	17	**2,074,087**	2,074,087
Reserves	18	**(77,876)**	(74,402)
Accumulated losses		**(1,130,841)**	(881,487)
		843,275	1,108,701
Non-controlling interests		**31,847**	72,716
Total equity		**875,122**	1,181,417

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**19**	32,177
Deferred revenue		**225**	270
		244	32,447
Current liabilities			
Trade payables	20	**34,709**	34,169
Other payables and accruals		**170,203**	252,854
Income tax liabilities		**11,579**	15,469
Deferred revenue		**5,247**	7,026
		221,738	309,518
Total liabilities		**221,982**	341,965
Total equity and liabilities		**1,097,104**	1,523,382

The notes on pages 44 to 75 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited							
		Attributable to Owners of the Company							
	Note	Share Capital RMB'000	Shares held for Restricted Share Unit Scheme RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2018		87	(9,584)	2,074,087	(74,402)	(881,487)	1,108,701	72,716	1,181,417
Comprehensive loss									
Loss for the period		—	—	—	—	(245,473)	(245,473)	(41,201)	(286,674)
Other comprehensive loss:									
Change in fair value of financial assets at fair value through other comprehensive income	18	—	—	—	(1,000)	—	(1,000)	—	(1,000)
Currency translation differences	18	—	—	—	598	—	598	—	598
Total comprehensive loss		—	—	—	(402)	(245,473)	(245,875)	(41,201)	(287,076)
Transactions with owners in their capacity as owners									
Employee share-based compensation scheme:									
– Shares purchased for Restricted Share Unit Scheme	17	—	(24,121)	—	—	—	(24,121)	—	(24,121)
– Vesting and allotting of shares of Restricted Share Unit Scheme	18	—	11,523	—	(7,642)	(3,881)	—	—	—
– Value of employee service	19	—	—	—	2,419	—	2,419	—	2,419
Disposal of equity interests in a subsidiary without change of control		—	—	—	2,151	—	2,151	332	2,483
Total transactions with owners in their capacity as owners		—	(12,598)	—	(3,072)	(3,881)	(19,551)	332	(19,219)
Balance at 30 June 2018		87	(22,182)	2,074,087	(77,876)	(1,130,841)	843,275	31,847	875,122

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited							
		Attributable to Owners of the Company							
	Note	Share Capital RMB'000	Shares held for Restricted Share Unit Scheme RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2017		87	—	2,073,900	(65,296)	(949,535)	1,059,156	(1,046)	1,058,110
Comprehensive loss									
Loss for the period		—	—	—	—	(17,701)	(17,701)	(26)	(17,727)
Other comprehensive loss:									
Currency translation differences	18	—	—	—	(14,056)	—	(14,056)	—	(14,056)
Total comprehensive loss		—	—	—	(14,056)	(17,701)	(31,757)	(26)	(31,783)
Transactions with owners in their capacity as owners									
Employee share-based compensation scheme:									
– Shares purchased for Restricted Share Unit Scheme	17	—	(10,160)	—	—	—	(10,160)	—	(10,160)
– Vesting and allotting of shares of Restricted Share Unit Scheme	18	—	10,097	—	(7,719)	(2,378)	—	—	—
– Value of employee services	19	—	—	—	10,387	—	10,387	—	10,387
Total transactions with owners in their capacity as owners		—	(63)	—	2,668	(2,378)	227	—	227
Balance at 30 June 2017		87	(63)	2,073,900	(76,684)	(969,614)	1,027,626	(1,072)	1,026,554

The notes on pages 44 to 75 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(198,741)**	(299,533)
Income tax paid	**(6,653)**	(227)
Net cash used in operating activities	**(205,394)**	(299,760)
Cash flows from investing activities		
Purchases of property and equipment	**(3,539)**	(392)
Proceeds from disposals of property and equipment	**917**	848
Purchases of intangible assets	**(256)**	(164)
Proceeds from disposal of equity interests in a subsidiary without change of control	**2,483**	—
Prepayment for other non-current assets	**—**	(4,916)
Payments for investments in associates	**(4,300)**	—
Prepayments for investment	**(5,000)**	—
Proceeds from disposals of investments, net	**19,875**	—
Purchases of available-for-sale financial assets	**—**	(10,000)
Placement of short-term deposits	**(995)**	(336,277)
Proceeds received upon maturity of short-term deposits	**35,645**	680,537
Interests received from short-term deposits	**1,015**	4,189
Net cash provided by investing activities	**45,845**	333,825
Cash flows from financing activities		
Purchases of shares for Restricted Share Unit Scheme	**(24,121)**	(10,160)
Net cash used in financing activities	**(24,121)**	(10,160)
Net (decrease)/increase in cash and cash equivalents	**(183,670)**	23,905
Cash and cash equivalents at beginning of period	**654,915**	267,986
Effects of exchange rate changes on cash and cash equivalents	**465**	(115)
Cash and cash equivalents at end of period	**471,710**	291,776

The notes on pages 44 to 75 are integral parts of the interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

The interim condensed consolidated balance sheet as at 30 June 2018, and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved for issue by the Board on 23 August 2018.

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

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instrument, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below.

(b) New standards and interpretations not yet adopted

- IFRS 16 Leases

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

The Group is a lessee of various properties which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the income statement, the operating lease expenses will decrease, while depreciation and amortization and the interest expense will increase. The new standard is not expected to apply until the financial year of 2019. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at June 30, 2018 are approximately RMB17,711,000, with the minimum lease payments due less than one year amounting to approximately RMB9,038,000, and those due more than one year and less than five years amounting to approximately RMB8,673,000.

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

(c) The other new or amended standards, amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2018 do not have a material impact on or are not relevant to the Group.

4 CHANGES IN ACCOUNTING POLICIES

(a) IFRS 9 Financial Instruments – Impact of adoption

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

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

(i) Classification and measurement

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

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

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

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

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

Financial statement Items	31 December 2017	Impact of adopting IFRS 9	1 January 2018
Asset			
Include:			
FVOCI	—	15,312	15,312
AFS	15,312	(15,312)	—
Equity			
Include:			
FVOCI reserves	—	107	107
AFS reserves	107	(107)	—

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

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

(1) Loan receivables

All of the Group's loan receivables at amortised cost will mature within one year and are guaranteed by other enterprises, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Based on management's assessment, applying the expected credit risk model has no significant impact on loss allowance of loan receivables as at 30 June 2018 and 1 January 2018 respectively.

(2) Trade receivables and other receivables – collective assessment

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses lifetime expected loss allowance for all trade receivables and other receivables which are assessed collectively for impairment.

To measure the expected credit losses, trade receivables and other receivables which are assessed collectively for impairment have been grouped based on shared credit risk characteristics and the days past due. The impact of applying the expected credit risk model on the loss allowance of trade receivables and other receivables as at 30 June 2018 and 1 January 2018 was immaterial.

4 CHANGES IN ACCOUNTING POLICIES (Continued)

(a) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

(3) Other financial assets

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

(b) IFRS 15 Revenue from contracts with customers

The accounting policies of revenue recognition for all revenue streams relating to the Game Business and Fintech Business disclosed in the consolidated financial statements for the year ended 31 December 2017 and the interim condensed consolidated financial statements for the six months ended 30 June 2018 remained unchanged.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for financial years commencing on 1 January 2018. The Group has completed the assessment of the impact of IFRS 15 and concluded that the adoption of IFRS 15 has no material impact on the Group for the six months ended 30 June 2018.

5 JUDGMENTS AND ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for impairment assessment of intangible assets (Note 13).

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

6.1 Financial Risk Factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

There have been no changes in the risk management policies since year end.

6.2 Liquidity Risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. 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.

6.3 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

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

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

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2018.

	Level 1 RMB'000 (Unaudited)	**Level 2 RMB'000 (Unaudited)**	**Level 3 RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through other comprehensive income	**—**	**—**	**14,312**	**14,312**
	—	**—**	**14,312**	**14,312**

6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

6.3 Fair Value Estimation (Continued)

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

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

There were no changes in valuation techniques during the six months ended 30 June 2018.

6.4 Group Valuation Process

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

(RMB in thousands)

Description	**Fair value at 30 June 2018 (Unaudited)**	**Valuation technique(s)**	**Unobservable input**	**Range (weighted average)**
FVOCI	14,312	Discounted cash flow	weighted average cost of capital	32.5% (32.5%)
			long-term revenue growth rate	3% (3%)
			long-term pre-tax operating margin	4%-8% (7%)

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

7 SEGMENT INFORMATION

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

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

– Game Business

– Fintech Business

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

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

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

7 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Game Business	**46,928**	115,767
Fintech Business	**158,909**	5,467
	205,837	121,234
Adjusted EBITDA		
Game Business	**(962)**	12,630
Fintech Business	**41,110**	(18,310)
Share of income of investments accounted for using the equity method	**3,525**	7,121
Gain on dilution of investments accounted for using the equity method	**7,148**	—
	50,821	1,441
Adjusted EBITDA reconciles to loss before income tax as follows:		
Total adjusted EBITDA	**50,821**	1,441
Impairment of intangible assets arising from business combination (Note 13)	**(349,126)**	—
Share-based compensation	**(2,419)**	(10,387)
Changes in the value of financial assets at fair value through profit or loss	**—**	(4,712)
Impairment of available-for-sale financial assets	**—**	(4,285)
Depreciation and amortisation (Note 13)	**(20,398)**	(5,167)
Net interest income	**5,577**	5,610
Loss before income tax	**(315,545)**	(17,500)

7 SEGMENT INFORMATION (Continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2018 and 2017 is as follows:

	Unaudited Six Months Ended 30 June 2018		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**177,904**	**27,933**	**205,837**

	Unaudited Six Months Ended 30 June 2017		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	74,512	46,722	121,234

A breakdown of revenue derived from different forms during the periods ended 30 June 2018 and 2017 is as follows:

	Six Months Ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Game Business	**46,928**	115,767
Interest income	**26,096**	5,467
Financial information service	**132,813**	—
	205,837	121,234

Revenues of approximately RMB112,648,000 (30 June 2017: Nil) are derived from a single external customer. These revenues are attributed to the Fintech Business segment.

As at 30 June 2018 and 31 December 2017, the majority of the non-current assets of the Group were located in the PRC.

8 LOSS BEFORE INCOME TAX

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

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment of intangible assets arising from business combination (Note 13)	**349,126**	—
Employee benefit expenses	**66,103**	47,351
Payment handling fees	**24,902**	—
Content cost, distribution cost and other outsourcing expenses	**24,251**	51,961
Promotion and advertising expenses	**22,142**	13,703
Amortisation of intangible assets (Note 13)	**18,452**	2,943
Bandwidth and server custody fees	**5,792**	5,268
Impairment loss on loan receivables (Note 16)	**3,547**	4,273
Depreciation of property and equipment (Note 13)	**1,946**	2,224
Impairment loss on trade receivables	**126**	163
Impairment of available-for-sale financial assets	**—**	4,285
Changes in the value of financial assets at fair value through profit or loss	**—**	4,712
Interest income arising from cash and cash equivalents	**(4,712)**	(1,452)
Exchange loss, net	**59**	1,431
Loss on disposal of property and equipment, net	**288**	1,201
Gain on dilution of investments accounted for using the equity method (Note 9)	**(7,148)**	—
Share of income of investments accounted for using the equity method (Note 9)	**(3,525)**	(7,121)

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**12,057**	23,582
Additions (Note (a))	**5,000**	—
Share of income of associates	**3,525**	7,121
Gain on dilution of interest in an associate (Note (b))	**7,148**	—
At end of period	**27,730**	30,703

The investees are principally engaged in internet related-business. The Group has significant influence over the investees with equity interests ranging from 11.06% to 40% and the Company classified the investments as associates.

(a) During the six months ended 30 June 2018, the Group acquired 20% equity interests of third party companies with an aggregate cash consideration of RMB5,000,000. The investees are principally engaged in fintech business. The Group has significant influence over the investees and the Company accounted for the investment as associates.

(b) The investee company issued new shares to new investors during the current period ("Share Issuance"). Accordingly, the Group's equity interests in the investee was diluted from 12.25% to 11.06%, which resulted in the recognition of a gain of dilution amounting to RMB7,148,000, which was determined based on valuation of the investee upon the Share Issuance.

10 INCOME TAX BENEFIT/(EXPENSE)

The income tax benefit/(expense) of the Group for the six months ended 30 June 2018 and 2017 are analysed as follows:

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC and oversea enterprise income tax	**(2,763)**	(227)
Deferred income tax		
– Decrease in deferred tax assets	**(524)**	—
– Decrease in deferred tax liabilities	**32,158**	—
Income tax benefit/(expense)	**28,871**	(227)

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended 30 June 2018 and 2017, respectively.

(c) Taiwan business income tax

Forgame International Co., Ltd. (雲 遊 股 份 有 限 公 司, "Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the six months ended 30 June 2018 and 2017, respectively.

10 INCOME TAX BENEFIT/(EXPENSE) (Continued)

(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 period ended 30 June 2018 (30 June 2017: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, “Weidong”) and Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, “Feiyin”) have renewed their qualification of “High and New Technology Enterprises” (“HNTEs”) under the EIT Law in 2016. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. Thus the applicable tax rate of entities mentioned above was 15% for the period ended 30 June 2018 (30 June 2017: 15%).

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, “Feidong”) and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, “Jieyou”) were qualified as HNTEs under the EIT Law in 2014 and their qualifications were expired in 2016. Feidong has renewed its qualification of HNTEs in 2017, thus the applicable tax rate of Feidong was 15% for the period ended 30 June 2018 (30 June 2017: 15%), while Jieyou was failed to sustain its qualification of HNTEs in 2017 and hence the applicable tax rate of Jieyou was 25% for the period ended 30 June 2018 (30 June 2017: 25%).

Beijing Jinweilai Financial Information Services Co., Ltd. (北京金未來金融信息服務有限公司, “Jinweilai”) was also qualified as HNTE in 2017. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period. Thus the applicable tax rate was 15% for the period ended 30 June 2018.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that became effective from 2017 onwards, enterprises engaging in research and development activities are entitled to claim 150%, and the entities which were qualified as “Science and technology small and medium-sized enterprises” are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (collectively, “Super Deduction”).

The Group had made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the periods ended 30 June 2018 and 2017.

(e) PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As at 30 June 2018, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued at 30 June 2018.

11 LOSS PER SHARE

(a) Basic

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

	Six Months Ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB' 000)	**(245,473)**	(17,701)
Weighted average number of ordinary shares in issue	**137,171,500**	137,419,458
Basic loss per share (in RMB/share)	**(1.79)**	(0.13)

(b) Diluted

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

For the six months ended 30 June 2018, the Company had three categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and restricted share units granted to employees under Restricted Share Unit Scheme.

As the Group incurred losses for the six months ended 30 June 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, which would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended 30 June 2018 was the same as basic loss per share for the period (30 June 2017: diluted loss per share was the same as the basic loss per share for the period).

12 DIVIDENDS

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

13 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB' 000 (Unaudited)	Intangible Assets RMB' 000 (Unaudited)
Six months ended 30 June 2018		
Opening net book amount	**8,565**	**376,596**
Additions	**378**	**—**
Disposals	**(355)**	**—**
Depreciation/amortisation charge	**(1,946)**	**(18,452)**
Impairments (Note (a))	**—**	**(349,126)**
Closing net book amount	**6,642**	**9,018**
Six months ended 30 June 2017		
Opening net book amount	8,217	17,381
Additions	355	188
Disposals	(1,658)	—
Depreciation/amortisation charge	(2,224)	(2,943)
Closing net book amount	4,690	14,626

(a) Impairment of intangible assets arising from business combination

Included in intangible assets as of 30 June 2018 were identifiable intangible assets of brand name and platform in an aggregate carrying amount of RMB143,243,000 and goodwill amounting to RMB205,883,000. All were recognised in the acquisition of a Fintech Business by the Group under the "Jianlicai" brand during 2017.

Beijing Internet Finance Industry Association issued a circular (the "Circular") in July 2018 which clarified the regulations enacted on "Wealth Management Plan" operated by companies in Beijing, China. With reference to the Circular and after careful deliberation, the Group has decided to adjust its "Wealth Management Plan" business model operated under its Fintech Business, which triggered directors of the Company to re-assess the potential impairment issue of intangible assets arising from the operations as at 30 June 2018.

Directors of the Company assess that the original projected cash flows to support the impairment assessment of the aforementioned intangible assets of its Fintech Business before the business adjustment would no longer be valid. In addition, there are significant uncertainties in projecting and estimating any future cash flow to be generated from any new business models to be adopted by the Group to continue its Fintech Business operating under the "Jianlicai" brand, as well as the estimated recoverable amounts of the brand name and platform operated under the "Jianlicai" brand, using value-in-use method or fair value less costs of disposal method. Accordingly, the board of directors of the Company concluded that the whole carrying amounts of the aforementioned identifiable intangible assets and goodwill associated with the Fintech Business operating under the "Jianlicai" brand had been impaired as at 30 June 2018 and impairment loss of RMB349,126,000 was recognised in the interim condensed consolidated statement of comprehensive loss for the six months ended 30 June 2018.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six Months Ended 30 June	
	2018	2017
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
At the end of previous period	**—**	—
Reclassified from AFS (Note 4(a))	**15,312**	—
At beginning of period	**15,312**	—
Changes in fair value (Note (a))	**(1,000)**	—
At end of period	**14,312**	—

(a) Taking into account of the challenging and competitive market conditions and rapid changes in the game industry in the PRC, directors of the Company performed an assessment on the fair values of its investments in FVOCI according to relevant valuation techniques and estimated a fair value loss of RMB1,000,000 on these investments during the six months ended 30 June 2018. All the changes in fair value was recognised as other comprehensive loss in the Group's interim condensed consolidated statement of changes in equity.

15 TRADE RECEIVABLES

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Third parties	**40,435**	54,979
Related parties (Note 22(b))	**1,658**	1,673
Less: provision for impairment	**(16,510)**	(16,403)
	25,583	40,249

15 TRADE RECEIVABLES (Continued)

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0-30 days	**15,874**	21,722
31-60 days	**2,058**	3,920
61-90 days	**1,640**	6,841
91-180 days	**2,641**	2,943
181-365 days	**2,298**	3,338
Over 1 year	**17,582**	17,888
	42,093	56,652

16 LOAN RECEIVABLES

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Personal loans		
– Guaranteed loans	**443,881**	219,915
– Collateralised loans	**28,442**	15,337
Gross loan receivables	**472,323**	235,252
Less: provision for impairment losses		
– Collectively assessed	**(7,057)**	(3,510)
Net loan receivables	**465,266**	231,742

16 LOAN RECEIVABLES (Continued)

(a) Analysis of loan receivables by overdue and impaired states

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
Neither past due nor impaired	453,527	201,713
Overdue but not impaired	18,796	33,539
	472,323	235,252
Less: provision for impairment losses	(7,057)	(3,510)
Net balance	465,266	231,742

(b) Movement of provision for impairment losses

	Six Months Ended 30 June	
	2018 RMB' 000 (Unaudited)	2017 RMB' 000 (Unaudited)
At beginning of the period	3,510	—
Charge for the period		
– Collectively assessed	3,547	4,273
At end of the period	7,057	4,273

Loans that are overdue but not impaired are loans less than 90 days past due and guaranteed by other enterprises.

17 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RESTRICTED SHARE UNIT SCHEME

	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$
Authorised:		
As at 30 June and 1 January 2018, 30 June and 1 January 2017	500,000,000	50,000

	Note	Unaudited					
		Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Unit Scheme RMB'000	Total RMB'000
Issued:							
As at 1 January 2018		**137,406,543**	**14**	**87**	**2,074,087**	**(9,584)**	**2,064,590**
Employee share-based compensation scheme:							
– Shares issued upon exercise of employee share options	a	**62,094**	**—**	**—**	**—**	**—**	**—**
– Shares purchased for Restricted Share Unit Scheme	b	**(2,728,900)**	**—**	**—**	**—**	**(24,121)**	**(24,121)**
– Vesting and allotting of shares of Restricted Share Unit Scheme	b	**1,000,000**	**—**	**—**	**—**	**11,523**	**11,523**
As at 30 June 2018		**135,739,737**	**14**	**87**	**2,074,087**	**(22,182)**	**2,051,992**
As at 1 January 2017		137,556,209	14	87	2,073,900	—	2,073,987
Employee share-based compensation scheme:							
– Shares issued upon exercise of employee share options	a	605,734	—	—	—	—	—
– Shares purchased for Restricted Share Unit Scheme	b	(1,015,000)	—	—	—	(10,160)	(10,160)
– Vesting and allotting of shares of Restricted Share Unit Scheme	b	1,010,000	—	—	—	10,097	10,097
As at 30 June 2017		138,156,943	14	87	2,073,900	(63)	2,073,924

17 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR RESTRICTED SHARE UNIT SCHEME (Continued)

(a) During the six months ended 30 June 2018, employee share options granted under the Pre-IPO Share Option Scheme were exercised to subscribe for 62,094 shares (30 June 2017: 605,734 shares) with exercise price of US$0.0001.

(b) During the six months ended 30 June 2018, the Restricted Share Unit Scheme Trust operated by the Group acquired 2,728,900 then existing issued ordinary shares (30 June 2017: 1,015,000) from the open market. The total consideration was HK$29,384,000 (equivalent to RMB24,121,000) (30 June 2017: HK$11,584,000 (equivalent to RMB10,160,000)).

During the six months ended 30 June 2018, a total of 1,000,000 restricted share units (30 June 2017: 1,010,000) were vested and allotted. The total cost of these vested shares was RMB11,523,000 (30 June 2017: RMB10,097,000). RMB3,881,000 (30 June 2017: RMB2,378,000) was debited to accumulated losses upon vesting of these restricted share units whose grant date fair values were lower than the costs.

18 RESERVES

	Unaudited					
	Capital Reserve RMB'000	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
As at 1 January 2018	**30,000**	**14,437**	**205,187**	**47,756**	**(371,782)**	**(74,402)**
Value of employee service						
– Restricted Share Unit Scheme	**—**	**—**	**2,419**	**—**	**—**	**2,419**
Currency translation differences	**—**	**—**	**—**	**598**	**—**	**598**
Vesting and allotting of shares of Restricted Share Unit Scheme	**—**	**—**	**(7,642)**	**—**	**—**	**(7,642)**
Disposal of equity interests in a subsidiary without change of control	**—**	**—**	**—**	**—**	**2,151**	**2,151**
Changes in fair value of financial assets at fair value through other comprehensive income	**—**	**—**	**—**	**—**	**(1,000)**	**(1,000)**
As at 30 June 2018	**30,000**	**14,437**	**199,964**	**48,354**	**(370,631)**	**(77,876)**
As at 1 January 2017	30,000	10,828	198,017	67,388	(371,529)	(65,296)
Value of employee service						
– Pre-IPO Share Option Scheme	—	—	286	—	—	286
– Restricted Share Unit Scheme	—	—	10,101	—	—	10,101
Currency translation differences	—	—	—	(14,056)	—	(14,056)
Vesting and allotting of shares of Restricted Share Unit Scheme	—	—	(7,719)	—	—	(7,719)
As at 30 June 2017	30,000	10,828	200,685	53,332	(371,529)	(76,684)

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

		Pre-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June	
	Exercise Price	**2018**	2017
At beginning of period		**577,989**	1,193,723
Exercised	US$0.0001	**(62,094)**	(605,734)
Forfeited	US$0.0001	**—**	—
At end of period		**515,895**	587,989

As a result of the options exercised during the six months ended 30 June 2018, 62,094 ordinary shares were issued by the Company (Note 17). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$10.51(equivalent to RMB8.58) per share.

As at 30 June 2018, all share options granted would expire in 2022 with an average exercise price of US$0.0001 per share option. The fair value of share options was determined at the respective grant dates.

19 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 were 23% as at the grant dates.

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

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

The Company estimated the risk-free interest rate based on the yield of US Treasury Strips with 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.

For the six months ended 30 June 2018, the Company recorded no share based compensation (30 June 2017: RMB286,000) related to Pre-IPO Share Option Scheme.

19 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme

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

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

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

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

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

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

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

	Post-IPO Share Option Scheme Six Months Ended 30 June			
	2018		2017	
	Average Exercise Price	**Number of Share Options**	Average Exercise Price	Number of Share Options
At beginning of period		**1,563,000**		2,278,000
Forfeited	**HK$24.29**	**(155,000)**	HK$24.29	(390,000)
At end of period		**1,408,000**		1,888,000

19 SHARE-BASED PAYMENTS (Continued)

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

As at 30 June 2018, all share options granted will expire in 2019 with an average exercise price of HK$14.61 per share option.

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

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

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

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

Since all the share options related to the Post-IPO Share Option Scheme had been fully vested as at 1 January 2018, no share based compensation expense related to the Post-IPO Share Option Scheme were incurred for the six months ended 30 June 2018 (30 June 2017: nil).

19 SHARE-BASED PAYMENTS (Continued)

(c) Restricted Share Unit Scheme

On 13 September 2013, the Board of Directors of the Company approved to adopt a Restricted Share Unit Scheme. During the year ended 31 December 2016 and during the six months ended 30 June 2018, the Company granted 4,260,000 and 2,500,000 restricted share units to certain directors and employees of the Group (collectively, the "Grantees") pursuant to the Restricted Share Unit Scheme at the grant date fair value of HK$8.88 (equivalent to RMB7.64) and HK$10.10 (equivalent to RMB8.27) respectively for each restricted share unit. The fair value of restricted share units granted to employees is measured with reference to the closing price of the ordinary share of the Company at the grant date and recognised as staff costs with a corresponding increase in the capital reserve within equity.

As at 30 June 2018, the restricted share units granted in 2016 have all been vested. The vesting schedule of the restricted share units newly granted during this period is as follows:

Percentage of the restricted share units	Date of vesting of the relevant percentage of the restricted share units
17%	1 December 2018
17%	1 June 2019
17%	1 December 2019
17%	1 June 2020
32%	1 December 2020

During the six months ended 30 June 2018, the Company recorded share based compensation was RMB2,419,000 (30 June 2017: RMB10,101,000) related to Restricted Share Unit Scheme.

Upon vesting and transfer to the Grantees, the related costs of the shares are credited to shares held for Restricted Share Unit Scheme, and the related fair value of the shares is debited to share-based compensation reserve. The difference between the cost and the grant date fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against accumulated losses if the fair value is less than the cost.

20 TRADE PAYABLES

Trade payables primarily related to (i) the purchase of services for server custody, content costs, agency fees and revenue to be shared and be payable to game developers in Game Business; (ii) cash incentives payable to investing users in Fintech Business.

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
0-30 days	**16,626**	9,393
31-60 days	**4,845**	5,588
61-90 days	**4,187**	3,659
91-180 days	**1,563**	5,746
181-365 days	**534**	5,210
over 1 years	**6,954**	4,573
	34,709	34,169

21 COMMITMENTS

(a) Capital commitments

As at 30 June 2018, the capital expenditure contracted but not provided for amounted to RMB7,150,000 (as at 31 December 2017: RMB5,200,000), which were related to investment arrangements.

(b) Operating lease commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
No later than 1 year	**9,038**	9,207
Later than 1 year and no later than 5 years	**8,673**	13,142
	17,711	22,349

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Revenue derived from the Group's provision of services to related parties		
Associates	**—**	2,159

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(ii) Revenue derived from the Group's sales of online games' copyright to related parties		
Associates	**—**	3,773

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iii) Content cost to related parties who provided publishing services to the Group for game operation		
Associates	**745**	4,506

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iv) Transaction of shares of a subsidiary transferred to a related party		
An individual of the Group's key management	**2,013**	—

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Period end balances arising from sales and purchase of services

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
(i) Receivable from related parties		
Associates	**1,658**	1,673
Less: provision for impairment	**(1,658)**	(1,658)
	—	15

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

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
(ii) Other receivables due from related parties		
Associates	**341**	341
Less: provision for impairment	**(341)**	(237)
	—	104

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
(iii) Prepayment to related parties		
Associates	**178**	919

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Period end balances arising from sales and purchase of services (Continued)

	As at 30 June 2018 RMB' 000 (Unaudited)	As at 31 December 2017 RMB' 000 (Audited)
(iii) Payable to related parties		
Associates	**212**	186

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 compensations

Key management includes directors, chief executive officer and other senior executives. Key management compensation amounted to RMB6,272,000 for the six months ended 30 June 2018 (30 June 2017: RMB10,628,000), as disclosed in the table below:

	Six Months Ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Fees, Wages, salaries and bonuses	**4,226**	2,557
Pension costs – defined contribution plans	**72**	44
Other social security costs and housing benefits	**131**	90
Share-based compensation expenses	**1,843**	7,937
	6,272	10,628

23 CONTINGENCIES

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities.

24 SUBSEQUENT EVENTS

Saved as disclosed in other notes to these condensed financial statements, there were no other significant subsequent events after 30 June 2018 which would have a material impact on these financial statements.

DEFINITIONS

"ARPPU"	average revenue per paying users
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands"	the Cayman Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
"Company" or "Forgame"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose Shares became listed on the Main Board of the Stock Exchange on the Listing Date
"Corporate Governance Code" or"CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trusts"	Wang Trust, Keith Huang Trust, Hao Dong Trust and Zhuangjg Trust, collectively

"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited)* (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, established under the laws of the PRC on 13 June 2012
"Feidong Contractual Arrangements"	a series of contractual arrangements entered into between Feidong, the Feidong PRC Operational Entities and their respective shareholders
"Feidong PRC Operational Entities"	Feiyin, Weidong and Jieyou, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the Feidong Contractual Arrangements, collectively
"Feiyin"	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited)* (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC on 12 April 2004
"Financial Statements"	Unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Hao Dong Trust
"Foga Internet Development"	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly-owned by Mr. Yang and is one of the Holding Companies
"Foga Networks"	Foga Networks Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Huang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Keith Huang Trust

DEFINITIONS

"Founders"	Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, who are the founder(s) of the Company, collectively
"Group" or "we" or "us"	the Company and its subsidiaries, collectively
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary of which is Mr. Liao
"Holding Companies"	Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies of the Company established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang respectively, collectively
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRSs"	financial reporting standards and interpretations approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
"Impairment"	an impairment on the goodwill and identifiable intangible assets arising from the 55% equity acquisition of the Jianlicai Group amounting to RMB349.1 million before tax (RMB320.5 million after tax) recorded by the Group
"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
"Jianlicai Group"	Jlc Inc. and its subsidiaries
"Jieyou"	Guangzhou Jieyou Software Co., Ltd. (also referred to as Guangzhou Jieyou Software Company Limited)* (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC on 7 June 2012

"Jinweilai"	Beijing Jinweilai Financial Information Service Co., Ltd. (also referred to as Beijing Jinweilai Financial Information Service Company Limited)* (北京金未來金融信息服務有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC Registered Shareholder
"JLC (Cayman)"	Jlc Inc., an exempted company duly incorporated with limited liability and validly existing under the laws of the Cayman Islands
"JLC (HK)"	Jianlc (HK) Limited, a limited liability company incorporated in Hong Kong, the entire equity interest of which is held by JLC (Cayman)
"JLC (WFOE)"	New Goround Network Technology (Tianjin) Co., Ltd.* (新谷原信息技術(天津) 有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC (HK)
"JLC Contractual Arrangements"	a series of contractual arrangements entered into between JLC (WFOE), the JLC VIE Controlled Entities and their respective Shareholders
"JLC PRC Equity Owners"	Mr. Guo Yong and Ms. Qiu Zengzhen, who beneficially owned as to 95% and 5%, respectively, of the equity interest of the JLC Register Shareholder
"JLC PRC Operational Entities"	Jinweilai, Laijin and Weilaijin, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the JLC Contractual Arrangements, collectively
"JLC Registered Shareholder"	Jinweilai (Guangzhou) Investment Consultancy Co., Ltd. (also referred to as Jinweilai (Guangzhou) Investment Consultancy Company Limited)* (金未來(廣州)投資諮詢有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC PRC Equity Owners
"JLC VIE Controlled Entity(ies)"	the JLC PRC Operational Entities and the JLC Registered Shareholder
"Keith Huang Trust"	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
"Laijin"	Beijing Laijin Investment Fund Management Co,. Ltd. (also referred to as Beijing Laijing Investment Fund Management Company Limited)* (北京來金投資基金管理有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai

DEFINITIONS

"Latest Practicable Date"	13 September 2018, being the latest practicable date prior to the bulk printing and publication of this interim report
"Listing Date"	3 October 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM 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
"MPUs"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of Hao Dong Trust
"Mr. Wang"	Mr. Wang Dongfeng (汪東風), the Chairman of the Board, an Executive Director, the Chief Executive Officer of the Company, one of the Founders and the settlor of Wang Trust
"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders
"Mr. Zhuang"	Mr. Zhuang Jieguang (莊捷廣), an Executive Director who resigned with effect from 1 April 2015, one of the Founders and the settlor of Zhuangjg Trust
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	non-executive director(s) of the Company
"Offer Date"	the date on which the Pre-IPO Share Option(s) are offered to an eligible participant as defined in the Pre-IPO Share Option Scheme

"Placing"	the placing of the Placing Shares to professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 pursuant to the terms of the Placing Agreement
"Placing Agreement"	the placing agreement entered into by the Company with BOCOM International Securities Limited as placing agent on 22 May 2015 in relation to the Placing
"Placing Share(s)"	an aggregate of 19,041,900 Shares placed to professional, institutional and other investors pursuant to the Placing
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"PRC Operational Entities"	the Feidong PRC Operational Entities and the JLC PRC Operational Entities
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"Prospectus"	the prospectus of the Company dated 19 September 2013 in relation to the IPO
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Restricted Share Unit Scheme" or "RSU Scheme"	the scheme conditionally approved and adopted by the Company on 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
"RSU(s)"	restricted share unit(s) granted pursuant to the RSU Scheme
"R&D"	research and development

DEFINITIONS

"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the United States
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited)* (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC on 22 January 2007
"Weilaijin"	Beijing Weilaijin Asset Management Co., Ltd. (also referred to as Beijing Asset Management Company Limited)* (北京未來金資產管理有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
"Yunke"	Jiujiang Yunke Internet Microfinance Co., Ltd.* (九江市雲客網絡小額貸款有限公司), a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016
"Zhuangjg Trust"	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members

* The English name is translated for reference purpose only in this interim report