Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

The board (the "Board") of directors (the "Directors") of Forgame Holdings Limited (the "Company" or "Forgame") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2013. The annual results have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standards on Auditing.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year Ended December 31,		
	2013	**2012**	**Change%**
	(RMB'000)	*(RMB'000)*	
Revenue	**1,183,128**	776,649	52.3%
Gross profit	**1,001,911**	697,561	43.6%
Operating profit	**329,215**	283,591	16.1%
Non-IFRSs Measures			
– Adjusted Net Profit (unaudited)[1]	**325,202**	240,031	35.5%

Note:

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

DIVIDEND

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

BUSINESS REVIEW AND OUTLOOK

Overview

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

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

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

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

Divisional Highlights

Game development and operations

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

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

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

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

Game publishing platform

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

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

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

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

Note:

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

Outlook and Strategic Initiatives

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income tax expense. Income tax expense increased by 61.4% to RMB70.3 million for the year ended December 31, 2013 from the year ended December 31, 2012. This increase was primarily due to the increase in taxable profit before income tax of the PRC Operational Entities (as defined in the IPO prospectus of the Company dated September 19, 2013, the "Prospectus") for the year ended December 31, 2013. The effective income tax rate excluding fair value loss of convertible redeemable preferred shares was 20.9% for the year ended December 31, 2013, compared to 15.6% for the year ended December 31, 2012. The increase was due to the increase in expenses not deducted for income tax purpose, such as share-based compensation expenses, in 2013.

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

Non-IFRSs Measures – Adjusted Net Profit and Adjusted EBITDA

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

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

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

Financial Position

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

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

Liquidity and Financial Resources

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

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

As of December 31, 2013, the Group's bank borrowings were repayable within 1 year and the interest rate is at the London Inter-bank Offered Rate ("LIBOR") plus 1.333%.

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

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

Capital Expenditures

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

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

Pledge of Asset

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

Contingent Liabilities

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

Human Resources

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

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

Post Balance Sheet Events

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

Consolidated Statement of Comprehensive (Loss)/Income

		Year Ended December 31,	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Revenue	2	**1,183,128**	776,649
Cost of revenue	3	**(181,217)**	(79,088)
Gross profit		**1,001,911**	697,561
Selling and marketing expenses	3	**(303,425)**	(178,726)
Administrative expenses	3	**(88,739)**	(36,462)
Research and development expenses	3	**(293,174)**	(200,624)
Other income		**10,333**	2,788
Other gains/(losses)		**2,309**	(946)
Operating profit		**329,215**	283,591
Finance income		**7,146**	—
Finance costs		**(126)**	(3,645)
Finance income/(costs)-net		**7,020**	(3,645)
Fair value loss of convertible redeemable preferred shares		**(741,348)**	(18,769)
(Loss)/profit before income tax		**(405,113)**	261,177
Income tax expense	4	**(70,291)**	(43,560)
(Loss)/profit for the year		**(475,404)**	217,617
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences		**6,326**	2,654
Total comprehensive (loss)/ income for the year		**(469,078)**	220,271
Attributable to:			
– Equity holders of the Company		**(469,078)**	220,271
– Non-controlling interests		**—**	—
		(469,078)	220,271
(Loss)/earnings per share (expressed in RMB per share)			
– Basic	5	**(10.10)**	4.02
– Diluted	5	**(10.10)**	2.30
Dividends	6	**—**	90,500

Consolidated Balance Sheet

		As of December 31,	
		2013	2012
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**64,209**	46,700
Intangible assets		**40,130**	31,349
Investment in an unlisted security		**18,291**	—
Available-for-sale financial assets		**32,000**	—
Prepayments and other receivables		**2,512**	2,352
Deferred income tax assets		**13,234**	24,463
		170,376	104,864
Current assets			
Trade receivables	7	**92,194**	84,293
Prepayment and other receivables		**40,937**	20,233
Restricted cash		**15,670**	—
Short term deposits		**325,540**	—
Cash and cash equivalents		**946,759**	312,639
		1,421,100	417,165
Total assets		**1,591,476**	522,029
EQUITY			
Share Capital		**80**	49
Share premium		**1,934,534**	—
Reserves		**(159,846)**	(228,351)
(Accumulated losses)/retained earnings		**(386,686)**	91,639
Total equity/(deficit)		**1,388,082**	(136,663)

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

Notes to the Consolidated Financial Statements

1 General Information, Reorganization and Basis of Presentation and Preparation

(a) General Information

Forgame Holdings Limited (the "Company"), previously known as Foga Holdings Limited, was incorporated in the Cayman Islands on July 26, 2011 as an exempted company with limited liability under the Companies Law (2011 Revision) of the Cayman Islands. The address of the Company's registered office is P.O. Box 613, 4th Floor Harbour Centre, George Town, Grand Cayman KY1-1107, Cayman Islands.

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

On October 3, 2013, the Company completed its initial public offering ("IPO") on the Main Board of The Stock Exchange of Hong Kong Limited and the underwriter subsequently exercised their over-allotment option ("Over-allotment") on October 11, 2013. Upon the completion of the IPO, all of the Company's 29,059,440 outstanding convertible redeemable preferred shares were converted into ordinary shares on a one-to-one basis immediately as of the same date. In the IPO and Over-allotment, the Company issued and sold a total of 20,390,500 ordinary shares and the then shareholders sold 15,685,000 ordinary shares to the public at a price of HK$51 per share. The net proceeds to the Company from the IPO, after deducting underwriting commissions and other issuance costs paid and payable, were approximately RMB761,533,000.

As of December 31, 2013, Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders") collectively own 51.56% equity interests in the Company through their respective wholly-owned companies namely Foga Group Ltd., Foga Networks Development Ltd., Foga Holdings Ltd., Foga Internet Development Ltd. and Foga Development Co., Ltd. (collectively as "Founder Companies").

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

(b) History and Reorganization of the Group

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

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

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

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

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

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

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

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

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

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

(c) Basis of Presentation

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

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

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

(d) Basis of Preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

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

IFRS 9	Financial Instruments
Amendments to IAS 32	Financial Instruments: Presentation
Amendments to IAS 36	Impairment of Assets
IFRIC 21	Levies

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

2 Segment Information

The Group's Game Business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

– Game Development
– Game Publishing

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by CODM as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other losses, finance income/(costs)-net fair value loss of convertible redeemable preferred shares, income tax expense are also not allocated to individual operating segments.

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

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

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

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

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

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

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

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

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

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

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

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

3 Expenses by Nature

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

4 Income Tax Expense

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

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

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

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

Note:

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

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5% for the years ended December 31, 2013 and 2012. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2013 and 2012.

(c) Taiwan Business Income Tax

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

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

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

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

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

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits for the year ended December 31, 2013.

(e) PRC Withholding Tax ("WHT")

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

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

5 (Loss)/Earnings per Share

(a) Basic

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

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

Note:

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

(b) Diluted

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

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

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

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

6 Dividends

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

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

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

Pursuant to the resolutions of the shareholders' meetings of Weidong and Feiyin held on May 21, 2012 and May 23, 2012, dividends of RMB78,000,000 and RMB12,500,000 were declared and paid to the then equity owners, respectively. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the year ended December 31, 2012.

7 Trade Receivables

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

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

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

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

8 Trade Payables

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

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

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

OTHER INFORMATION

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

Since the Listing Date up to the year ended December 31, 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

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

Use of Proceeds

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

Audit and Compliance Committee

The Audit and Compliance Committee has reviewed together with the Board and the external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Company for the year ended December 31, 2013.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended December 31, 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC HK"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. Save for the following, the Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date up to December 31, 2013.

Under code provision A.1.6 of the CG Code, there should be a procedure agreed by the Board to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expense. As the Company was only listed on the Stock Exchange in October 2013, the Company did not formally adopt a policy relating to such procedure until the Board meeting held in March 2014 as the need of Directors to seek independent professional advice did not arise after the IPO, and as such, the policy was not formalized then.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. WANG Dongfeng serves as the Chairman and Chief Executive Officer of the Company. In view of the ever-changing business environment in which the Group operates and the fact that the Company is newly listed, the Chairman and Chief Executive Officer must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a separation of the role of the Chairman and Chief Executive Officer is premature and may create unnecessary costs for the daily operations of the Group. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate Board committees, as well as the senior management team. The Board is therefore of the view that there are adequate checks and balances 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 regularly reviews and enhances its corporate governance practices to ensure compliance with the CG Code.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions by Directors and senior management based on the Model Code for Securities Transactions by Directors of Listed Issuers (the ''Model Code'') as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code since the Listing Date up to December 31, 2013.

Publication of the Audited Consolidated Annual Results and 2013 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2013 Annual Report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in April 2014.

APPRECIATION

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

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, March 25, 2014

As at the date of this announcement, the executive Directors are Mr. WANG Dongfeng, Mr. HUANG Weibing, Mr. LIAO Dong and Mr. ZHUANG Jieguang; the non-executive Directors are Mr. TAN Hainan, Mr. TUNG Hans; the independent non-executive Directors are Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.