Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Forgame Holdings Limited (the "**Company**" or "**Forgame**") announces the unaudited consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (collectively the "**Group**", "**we**", "**us**" or "**our**") for the six months ended 30 June 2017. The Interim Results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". In addition, the Interim Results have also been reviewed by the audit and compliance committee of the Company (the "**Audit and Compliance Committee**").

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2017	2016	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**121,234**	193,720	-37.4%
Gross profit	**58,551**	39,043	50.0%
Loss for the period	**(17,727)**	(124,560)	-85.8%
Non-IFRSs Measures[(1)]			
– Adjusted net profit/(loss) for the period	**1,657**	(62,985)	NM
– Adjusted EBITDA[(2)] for the period	**1,441**	(49,145)	NM

Notes:

(1) The Group defines adjusted net profit/(loss) as profit/(loss) for the period excluding non-cash share-based compensation, changes in the value of financial assets at fair value through profit or loss, impairment of investment in associates and impairment of available-for-sale financial assets. The use of adjusted net profit/(loss) has material limitation as an analytical tool, as adjusted net profit/(loss) does not include all items that impact the Group's net loss for the periods. For details of adjusted net profit/(loss) and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – Adjusted Net Profit/(Loss) and Adjusted EBITDA" in this announcement.

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

(3) NM – Not meaningful.

INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

OVERVIEW AND OUTLOOK

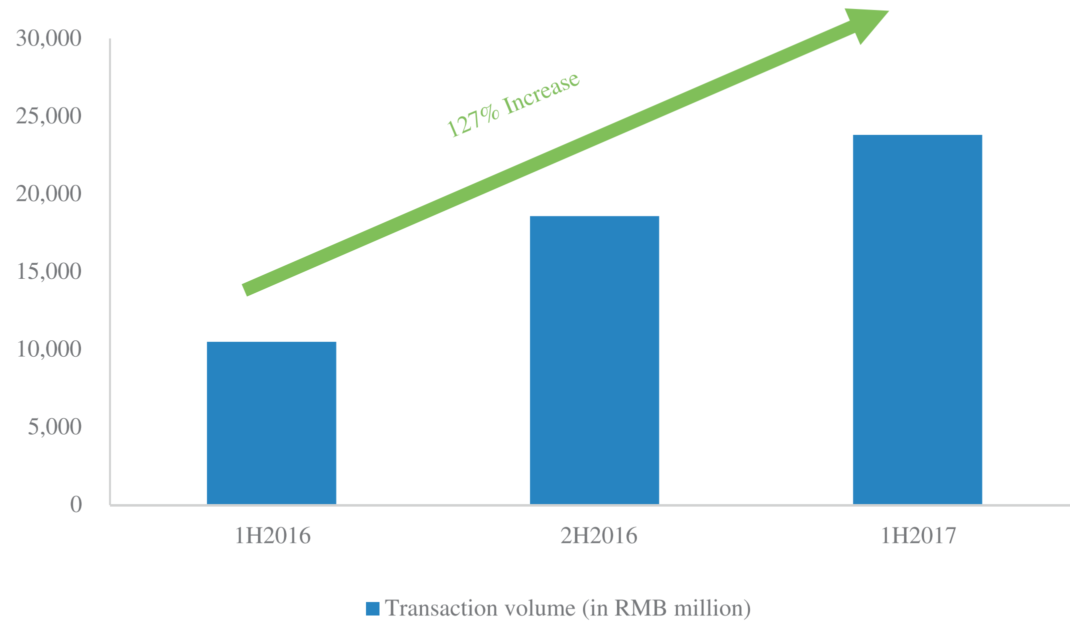
OVERVIEW

The year 2017 is an important milestone in our history as we advance effectively according to the strategy we outlined in our 2016 annual report. We have made further inroads into the internet, media and technology sectors by expanding our business towards fintech territory through organic growth and acquisitions. We have also made Forgame's return to profitability a priority, and we are pleased to share that the Group generated an adjusted net profit of RMB1.7 million during the first half of 2017. This demonstrates the effectiveness of our strategy and our ability to execute.

Our goal in our gaming business is to increase our presence internationally while closely monitoring the return and profitability of our existing games. Our international strategy game, "Liberators", constantly generated profit during the first half of 2017 as it continued to stand out overseas. As a result, our gaming business during the first half of 2017 generated RMB53.1 million gross profit, which represents a remarkable 58.4% increase when compared to that in the second half of 2016. We look forward to replicating the success of Liberators with the games in our pipeline.

As part of our expansion into the fintech industry, on 16 August 2017, we officially acquired 55% equity stake in Yinker Inc.'s premium fintech platform Jianlicai, in consideration of the cancellation of the convertible bonds of RMB300 million (USD45 million) issued by Yinker Inc. to the Group. As an innovative wealth management platform, Jianlicai utilises artificial intelligence technology to swiftly match its customers' wealth with safe and qualified assets. Since its inception, Jianlicai has rapidly become a profitable platform with over 7.4 million registered users and cumulative transaction volume of RMB62 billion as at 29 August 2017. We believe the acquisition of Jianlicai will prove to be a visionary strategic move in Forgame's expansion into the fintech industry.

Jianlicai Historical Transaction Volume



Our performance during the first half of 2017 was also boosted by the rapid organic growth of our internet micro-lending business arm, Jiujiang City Yunke Internet Micro-lending Company Limited ("**Yunke**"). Yunke started internet finance business since January 2017 after having obtained an internet finance business licence. In just a few months, Yunke has developed a robust micro-lending model based on multi-dimensional user behaviour to identify high quality and eligible borrowers. As at 30 June 2017, Yunke has generated sustainable profit and realised stable growth in loan balance and revenue.

OUTLOOK

The establishment of Yunke and acquisition of Jianlicai is only the first step of Forgame's expansion into the fintech industry. With the completion of our acquisition of Jianlicai, we are committed to continuing to grow Jianlicai in scale and profitability. The CEO of Jianlicai, Mr. Zhang Yang, has over 10 years of experience with Alibaba, and he will focus on building upon Jianlicai's core advantage in its big data analytics and artificial intelligence technology to establish Jianlicai as a leader in the fintech industry. In the foreseeable future, we will continue to invest in our fintech business to contribute to the Group's profit growth.

With our financial performance improvement and fintech business growth, we believe that the most difficult time in our transition is behind us and we look forward to taking advantage of every opportunity to expand with caution. While there will be short term challenges as we venture into a new business territory, which are highlighted in the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this interim results announcement, we are confident that our management team who had overcome many difficulties will lead us to deliver further growth in both our gaming and fintech businesses.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, effective cost control measures as well as the expansion of the Group's principal business into internet finance has helped the Group to deliver a positive adjusted net profit of approximately RMB1.7 million.

The Group's gaming business continues to focus on the execution of the overseas market strategy. In the first half of 2017, "Liberators" has generated a total gross billings of over RMB47 million. In the first half of 2017, the gross profit of our game business increased to RMB53.1 million from RMB33.5 million in the second half of 2016, representing a 58.4% growth.

In the first quarter of 2017, the Group has started beta testing for "Clothes Forever", a casual mobile game which allows players to mix and match various outfits to redefine the concept of fashion in a virtual world. The game targets mainly European and North American markets and embeds e-Commerce platform in the game. In the pipeline, we are developing an exciting mobile SLG (simulation game) called "Battle Space". This game is developed by the same team as "Liberators" and targets the same international markets as "Liberators" did. This games is planned to be published on Google and iOS appstore. Another game in our pipeline is "True King HTML5 version". This mobile game is adapted from our self-owned webgame IP "True King" which is published on the Tencent platform.

As at 30 June 2017, the Group's transformation plan from a webgame company to a mobile game company has been modified as the Group's principal business has expanded to internet finance. Since the Group has announced the plan to commence business operations in the internet finance industry in December 2016 after successfully obtaining the internet micro-lending licence, we have started internet finance business under the brand Yunke since January 2017. Yunke is primarily dedicated to providing individuals and consumers in the PRC with practical and flexible short-term financing solutions. Yunke generates substantially all of its income through interest accrued on the loans extended to our customers. We provide two types of loans, namely, guaranteed loans and collateralised loans to our customers in the PRC. As at 30 June 2017, Yunke had served 118,397 customers.

The Group has announced the acquisition of 55% of equity interest of Jlc Inc., which wholly owns, through its subsidiaries and structured contracts, internet finance business in the PRC through the operations of websites and mobile phone applications under the Jianlicai (簡理財) brand ("**Jianlicai**"), in June 2017. This is another big step in the Group's plan to build an ecosystem around internet finance. Jianlicai had over 7.4 million registered users and had grown its cumulative transaction volume to over RMB62 billion as at 29 August 2017. The Group has announced the completion of the acquisition on 16 August 2017.

OPERATING INFORMATION

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

	Six Months Ended 30 June	
	2017	2016
Game product:		
Average MPUs (in thousands) [(1) (2)]	**97**	1,272
Monthly ARPPU (RMB)	**177**	24
Game platform:		
Registered players (in thousands)	**246,493**	226,403
Average MPUs (in thousands) [(1) (2)]	**15**	9
Monthly ARPPU (RMB)	**154**	274

Notes:

(1) The numbers do not eliminate the duplication in paying users of self-developed games published on the Group's own platforms.

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

– **Game product.** The average monthly paying users ("**MPUs**") for the game product segment decreased to approximately 97,000 for the six months ended 30 June 2017 from approximately 1.3 million for the six months ended 30 June 2016, meanwhile, the monthly average revenue per paying user ("**ARPPU**") for the game product segment increased to approximately RMB177 for the six months ended 30 June 2017 from RMB24 for the six months ended 30 June 2016. This increase was primarily due to the increase in the contribution from "Liberators", which has a higher ARPPU level but lower MPUs, and the decrease in the contribution from "Boonie Bears" series, which have a lower ARPPU level but high MPUs.

– **Game platform.** Registered players of the Group's game publishing platform *91wan* increased to approximately 246 million as at 30 June 2017 from approximately 226 million as at 30 June 2016. The average MPUs for the game platform business increased to approximately 15,000 for the six months ended 30 June 2017 from approximately 9,000 for the six months ended 30 June 2016, and the monthly ARPPU for the game platform business has decreased to RMB154 for the six months ended 30 June 2017 from RMB274 for the six months ended 30 June 2016. The increase in average MPUs but decrease in monthly ARPPU was primarily due to the increase in the contribution from "Liberators" published on our own platform "Mutantbox" which however has a relatively lower ARPPU level than that of the existing games on *91wan* platform.

The following table sets forth the average balance of outstanding performing loans relating to the internet finance business, the average size of our loans for the period indicated and the number of customers we served as at the dates indicated:

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

	As at 30 June 2017
Number of customers	**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.

We provide two types of loans, guaranteed loans and collateralised loans to our customers in the PRC. We consider a number of factors in determining the interest rate that we charge on a loan, including the customer's background and credit history, whether the loan is secured or guaranteed, the value of the collaterals, if any, and the use and term of the loan. The annualised interest rate of our loans is usually 10-16% according to contract terms.

FIRST HALF OF 2017 COMPARED TO FIRST HALF OF 2016

The following table sets forth the income statement for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016:

	Six Months Ended 30 June		
	2017	2016	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	Change %
Revenue	**121,234**	193,720	-37.4%
Cost of revenue	**(62,683)**	(154,677)	-59.5%
Gross profit	**58,551**	39,043	50.0%
Selling and marketing expenses	**(18,583)**	(12,997)	43.0%
Administrative expenses	**(43,984)**	(37,035)	18.8%
Research and development expenses	**(17,322)**	(47,128)	-63.2%
Other income	**4,188**	7,606	-44.9%
Other losses	**(7,344)**	(6,088)	20.6%
Finance income-net	**4,158**	4,823	-13.8%
Share of income/(loss) of investments accounted for using the equity method	**7,121**	(4,020)	NM
Gain on dilution of investments accounted for using the equity method	**—**	2,581	NM
Impairment of investment in associates	**—**	(6,674)	NM
Impairment of available-for-sale financial assets	**(4,285)**	(47,999)	-91.1%
Impairment loss on intangible assets	**—**	(12,831)	NM
Loss before income tax	**(17,500)**	(120,719)	-85.5%
Income tax expense	**(227)**	(3,841)	-94.1%
Loss for the period	**(17,727)**	(124,560)	-85.8%

Revenue. Revenue decreased by approximately 37.4% to RMB121.2 million for the six months ended 30 June 2017 from RMB193.7 million for the six months ended 30 June 2016. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June			
	2017		2016	
	(RMB' 000) (Unaudited)	**(% of Total Revenue)**	(RMB' 000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game product	**102,315**	**84.4**	179,734	92.8
– Game platform and others	**18,919**	**15.6**	13,986	7.2
Total Revenue	**121,234**	**100.0**	193,720	100.0
Revenue by Type				
– Mobile games	**47,216**	**39.0**	122,409	63.2
– Webgames	**68,551**	**56.5**	71,311	36.8
– Internet finance	**5,467**	**4.5**	—	—
Total Revenue	**121,234**	**100.0**	193,720	100.0

– The Group's revenue generated from the game product segment decreased by approximately 43.1% to RMB102.3 million for the six months ended 30 June 2017 from RMB179.7 million for the six months ended 30 June 2016. This decrease was primarily due to the fact that some of the Group's key games entered into the mature stage of their life cycles and generated less revenue than last year and the Group's strategy to take a balanced approach to optimise the return on investment ("**ROI**") of the gaming business.

– The Group's revenue generated from the game platform and others segment increased by 35.3% to RMB18.9 million for the six months ended 30 June 2017 from RMB 14.0 million for the six months ended 30 June 2016. The increase was primarily due to the fact that the Group expanded its principal business into the internet finance industry and started to carry out internet micro-lending business since January 2017. Under the brand Yunke, the Group offers two types of loans, namely guaranteed loans and collateralised loans, to the customers in the PRC.

– The Group's revenue generated from mobile games decreased by approximately 61.4% to RMB47.2 million for the six months ended 30 June 2017 from RMB122.4 million for the six months ended 30 June 2016. This decrease was primarily due to the fact that some of the Group's existing key mobile games, such as "Soul Guardian (凡人修真)" series and "Boonie Bears (熊出沒)" series, have entered into the mature phase of their life cycles and generated less revenue this period.

– The Group's revenue generated from webgames decreased by approximately 3.9% to RMB68.6 million for the six months ended 30 June 2017 from RMB71.3 million for the six months ended 30 June 2016. This decrease was primarily due to the decrease in revenue of several existing self-developed and licensed webgames of the Group, which have entered into the mature phase of their life cycles. This decrease was partially offset by the increase in revenue from webgame "Liberators".

Cost of revenue. Cost of revenue decreased by approximately 59.5% to RMB62.7 million for the six months ended 30 June 2017 from RMB154.7 million for the six months ended 30 June 2016. As a percentage of revenue, cost of revenue decreased to approximately 51.7% for the six months ended 30 June 2017 from approximately 79.8% for the six months ended 30 June 2016. The following table sets forth the Group's cost of revenue by segment for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June			
	2017		2016	
	(RMB' 000) (Unaudited)	**(% of Total Cost of Revenue)**	(RMB' 000) (Unaudited)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game product	**61,293**	**97.8**	151,732	98.1
– Game platform and others	**1,390**	**2.2**	2,945	1.9
Total Cost of Revenue	**62,683**	**100.0**	154,677	100.0

– Cost of revenue for game product segment decreased by approximately 59.6% to RMB61.3 million for the six months ended 30 June 2017 from RMB151.7 million for the six months ended 30 June 2016. This decrease was mainly due to lower revenue sharing costs incurred for self-developed mobile games. The decrease in such costs was in line with the decrease in revenue of self-developed mobile games.

– Cost of revenue for game platform and others segment decreased by approximately 52.8% to RMB1.4 million for the six months ended 30 June 2017 from RMB2.9 million for the six months ended 30 June 2016. This decrease was primarily due to the continuous effort of the Group to optimise the profitability and organisation structure of *91wan*.

Selling and marketing expenses. Selling and marketing expenses increased by approximately 43.0% to RMB18.6 million for the six months ended 30 June 2017 from RMB13.0 million for the six months ended 30 June 2016. This increase was mainly attributable to the promotion and advertising expenses incurred by the Group on “Liberators”.

Administrative expenses. Administrative expenses increased by approximately 18.8% to RMB44.0 million for the six months ended 30 June 2017 from RMB37.0 million for the six months ended 30 June 2016. The increase in administrative expenses was mainly attributable to the increase in share-based compensation and professional service expenses.

Research and development expenses. Research and development expenses decreased by approximately 63.2% to RMB17.3 million for the six months ended 30 June 2017 from RMB47.1 million for the six months ended 30 June 2016. This decrease was primarily due to the continuous effort of the Group to optimise its research and development capability, which is in line with the strategic positioning of the Group’s business focus on internet finance.

Other income. Other income decreased to RMB4.2 million for the six months ended 30 June 2017 from RMB7.6 million for the six months ended 30 June 2016. Such decrease was mainly resulted from lower interest income of cash and cash equivalents which was in line with the decrease in average balance of cash and cash equivalents.

Other losses. Other losses increased to RMB7.3 million for the six months ended 30 June 2017 from RMB6.1 million for the six months ended 30 June 2016. The higher other losses for the six months ended 30 June 2017 was primarily due to the fair value loss of the Group’s investment in Appionics, the owner and operator of the Animoca studio, which is a developer and publisher of cross-platform mobile apps for smartphones and tablets.

Finance income-net. Finance income-net for the six months ended 30 June 2017 was RMB4.2 million, as compared to finance income-net of RMB4.8 million for the six months ended 30 June 2016. 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 period under review.

Share of income/(loss) of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB7.1 million for the six months ended 30 June 2017 (30 June 2016: loss of RMB4.0 million). This was mainly because certain investee companies recorded net profit during this period.

Impairment of investment in associates and impairment of available-for-sale financial assets. There was no impairment of investment in associates and RMB4.3 million of impairment of available-for-sale financial assets for the six months ended 30 June 2017 (30 June 2016: RMB6.7 million and RMB48.0 million, respectively). These impairments in 2016 and 2017 represented the provisions made by the Group for the impairment losses of some of the Group's angel investments after the review of the Group's major investments' performance in its investment portfolio.

Income tax expense. Income tax expense decreased by approximately 94.1% to RMB0.2 million for the six months ended 30 June 2017 from RMB3.8 million for the six months ended 30 June 2016. The income tax expense for the six months ended 30 June 2016 was mainly attributable to the write-offs of certain deferred tax assets previously recognised which the Board considered unlikely to be utilised in the future.

Loss for the period. Loss for the period narrowed to RMB17.7 million for the six months ended 30 June 2017 from RMB124.6 million for the six months ended 30 June 2016. This decrease was the result of the combined impact of (i) improved ROI on "Liberators", (ii) there being significantly lower impairment provision in the first half of 2017, and (iii) the Group's effort in optimising its research and development capability.

NON-IFRSs MEASURES - ADJUSTED NET PROFIT/(LOSS) AND ADJUSTED EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2017 and 2016, and the loss for the six months ended 30 June 2017 and 2016 prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(17,727)**	(124,560)
Add:		
Share-based compensation	**10,387**	3,737
Changes in the value of financial assets at fair value through profit or loss	**4,712**	3,165
Impairment of investment in associates	**—**	6,674
Impairment of available-for-sale financial assets	**4,285**	47,999
Adjusted net profit/(loss) (unaudited)	**1,657**	(62,985)
Add:		
Depreciation and amortisation	**5,167**	20,253
Net interest income	**(5,610)**	(10,254)
Income tax expense	**227**	3,841
Adjusted EBITDA (unaudited)	**1,441**	(49,145)

FINANCIAL POSITION

As at 30 June 2017, the total equity of the Group amounted to RMB1,026.6 million, as compared to RMB1,058.1 million as at 31 December 2016. This decrease was mainly due to the increase in accumulated loss for the six months ended 30 June 2017.

The Group's net current assets amounted to RMB635.5 million as at 30 June 2017, as compared to RMB665.1 million as at 31 December 2016. This decrease was primarily due to the decrease in the balance of the Group's short-term deposits which was partially offset by the increase in the balance of loan receivables.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2017 (RMB' 000) (Unaudited)	As at 31 December 2016 (RMB' 000) (Audited)
Cash at bank and on hand	**238,589**	264,123
Cash at other financial institutions	**53,187**	3,863
Short-term deposits	**100,584**	448,997
Total	**392,360**	716,983

The Group's total cash, cash equivalent and short-term deposits amounted to RMB392.4 million as at 30 June 2017, as compared to RMB717.0 million as at 31 December 2016. The decrease was primarily due to the fact that the Group granted loans to customers in the first half of 2017.

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

As at 30 June 2017, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was 0% (as at 31 December 2016: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2017. The borrowing requirements of the Group are not subject to seasonality.

FOREIGN EXCHANGE RISK

As at 30 June 2017, RMB53.9 million of the Group's financial resources (as at 31 December 2016: RMB345.7 million) were held in deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the conversion of a significant amount of the Group's bank deposits from USD into RMB to support the Group's internet finance operations. The Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

TRANSFORMATION PLAN: RISKS AND HURDLES

As Forgame continues to expand its principal business into internet finance industry, especially to operate under a competitive and dynamic internet finance market in the PRC, there are risks that could adversely affect the Company's business operations and financial results. The major risks include that (i) we may be required to make significant changes to our operations from time to time in order to comply with changes in the continually evolving laws, regulations and policies regulating the internet finance industry, (ii) we may be unable to collect the loan principal and interest from defaulting customers/business partners, (iii) we may have difficulty in sustaining our growth if our access to funding is reduced, and (iv) changes in interest rates will have an impact on our revenue and results of operations, all of which could negatively affect the Group's revenue. Also, the Group is exposed to risks such as fluctuations in foreign exchange, fair value change of the Group's investments in the internet, media and technology space, impairment charge due to invested companies' underperformance or becoming insolvent, and other unexpected one-off restructuring costs, all of which could negatively impact the Group's net profit.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2017	2016
	(RMB' 000)	(RMB' 000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**355**	468
– Purchase of intangible assets	**188**	154
Total	**543**	622

Capital expenditures comprised purchase of property and equipment, such as computers and leasehold improvement, and purchase of intangible assets, such as IP adaptation rights and computer softwares. The total capital expenditures were RMB0.5 million and RMB0.6 million for the six months ended 30 June 2017 and 2016, respectively. The Group's property and equipment purchase is of about the same level in amount for the six months ended 30 June 2017 and 2016 as property and equipment purchased and intangible assets purchase requirement is quite stable in the corresponding periods.

PLEDGE OF ASSET

As at 30 June 2017, 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 2017, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2017, the Group had 303 full-time employees (as at 30 June 2016: 547), the vast majority of whom are based in Guangzhou. The following table sets forth the number of the Group's employees by function as at 30 June 2017:

	Number of Employees	**% of Total**
Game development	138	46%
Publishing	34	11%
Sales and Marketing	19	6%
General and Administration	112	37%
Total	303	100%

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 a pre-IPO share option scheme, a post-IPO share option scheme and a 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.

PROGRESS OF OVERSEAS EXPANSION PLANS

The Group established an R&D and publishing team in 2015 focusing on developing and distributing their self-developed games in the overseas markets. The overseas R&D and publishing team of the Group, having successful experience in bringing locally developed games to the American and European markets prior to joining Forgame, launched their first self-developed game at Forgame, namely “Liberators”, which is a World War II themed strategy game, in the first quarter of 2016. Up to 30 June 2017, this game served the players from more than 100 countries or regions around the world covering Europe, America, Asia and Africa. The initial results of this game have been satisfactory.

In the first quarter of 2017, the Group has started beta testing for “Clothes Forever”, a casual mobile game which allows players to mix and match various outfits to redefine the concept of fashion in a virtual world. The game targets mainly European and North American markets and embeds e-Commerce platform in the game.

In the pipeline, we have a mobile SLG, “Battle Space”, under development. This game is developed by the same team as “Liberators” and targets the same markets as “Liberators” did, i.e. European and American markets. It is scheduled to be published on Google and iOS appstore, and expanded to web version after the mobile version is launched.

POST BALANCE SHEET EVENT

On 25 June 2017, the Group announced the acquisition of 55% equity interest in Jlc Inc., a subsidiary of Yinker Inc.. Jlc Inc. is principally engaged in the internet finance business in the PRC through the operations of websites and mobile phone applications under the “Jianlicai” brands. The purchase consideration is settled through the cancellation of the convertible bonds issued by Yinker Inc. to the Group in the principal amount of RMB300,000,000 (USD45,194,000). Following the completion of the transaction on 16 August 2017, Jlc Inc. became a subsidiary of the Company.

The Group is in the process of finalising the related valuation of the acquisition for accounting purpose, accordingly, certain disclosures in relation to the business combination as at the date of completion such as the purchase price allocation and pro forma sales and earnings have not been presented.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	**Six Months Ended 30 June** **2017** **RMB'000** **(Unaudited)**	2016 RMB'000 (Unaudited)
Revenue	4	**121,234**	193,720
Cost of revenue	4	**(62,683)**	(154,677)
Gross profit		**58,551**	39,043
Selling and marketing expenses		**(18,583)**	(12,997)
Administrative expenses		**(43,984)**	(37,035)
Research and development expenses		**(17,322)**	(47,128)
Other income		**4,188**	7,606
Other losses		**(7,344)**	(6,088)
Finance income-net		**4,158**	4,823
Share of income/(loss) of investments accounted for using the equity method		**7,121**	(4,020)
Gain on dilution of investments accounted for using the equity method		**—**	2,581
Impairment of investment in associates		**—**	(6,674)
Impairment of available-for-sale financial assets		**(4,285)**	(47,999)
Impairment loss on intangible assets		**—**	(12,831)
Loss before income tax	5	**(17,500)**	(120,719)
Income tax expense	6	**(227)**	(3,841)
Loss for the period		**(17,727)**	(124,560)

	Note	Six Months Ended 30 June **2017** **RMB'000** **(Unaudited)**	2016 RMB'000 (Unaudited)
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets		**—**	(5,202)
Items that will not be classified subsequently to profit or loss:			
– Currency translation differences		**(14,056)**	10,077
Total other comprehensive (loss)/income, before tax		**(14,056)**	4,875
Income tax relating to components of other comprehensive (loss)/income		**—**	780
Other comprehensive (loss)/income for the period, net of tax		**(14,056)**	5,655
Total comprehensive loss for the period		**(31,783)**	(118,905)
Loss attributable to:			
– Owners of the Company		**(17,701)**	(124,175)
– Non-controlling interests		**(26)**	(385)
		(17,727)	(124,560)
Total comprehensive loss attributable to:			
– Owners of the Company		**(31,757)**	(118,520)
– Non-controlling interests		**(26)**	(385)
		(31,783)	(118,905)
Loss per share (expressed in RMB per share)			
– Basic	7	**(0.13)**	(0.91)
– Diluted	7	**(0.13)**	(0.91)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2017 RMB'000 (Unaudited)**	As at 31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**4,690**	8,217
Intangible assets		**14,626**	17,381
Investments accounted for using the equity method		**30,703**	23,582
Financial assets at fair value through profit or loss		**307,584**	319,922
Available-for-sale financial assets		**28,865**	23,150
Prepayments and other receivables		**5,962**	1,183
		392,430	393,435
Current assets			
Trade receivables	9	**28,374**	40,480
Prepayments and other receivables		**11,903**	10,112
Loan receivables	10	**281,581**	—
Restricted cash		**783**	807
Short-term deposits		**100,584**	448,997
Cash and cash equivalents		**291,776**	267,986
		715,001	768,382
Total assets		**1,107,431**	1,161,817

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**87**	87
Shares held for Restricted Share Units Scheme		**(63)**	—
Share premium		**2,073,900**	2,073,900
Reserves		**(76,684)**	(65,296)
Accumulated losses		**(969,614)**	(949,535)
		1,027,626	1,059,156
Non-controlling interests		**(1,072)**	(1,046)
Total equity		**1,026,554**	1,058,110
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**64**	64
Deferred revenue		**1,296**	410
		1,360	474
Current liabilities			
Trade payables	11	**19,185**	26,652
Other payables and accruals		**50,489**	64,107
Income tax liabilities		**1,620**	1,620
Deferred revenue		**8,223**	10,854
		79,517	103,233
Total liabilities		**80,877**	103,707
Total equity and liabilities		**1,107,431**	1,161,817

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, publishing webgames and mobile games (the "Game Business") as well as the operation of internet finance business ("Internet Finance Business") including internet micro-lending 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").

In December 2016, the Group obtained a license to carry out internet micro-lending business from the government and subsequently commenced the operation of the Group's Internet Finance Business in the PRC.

The interim condensed consolidated balance sheet as at 30 June 2017, 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 29 August 2017.

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 2017 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 2016, 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 2016, as described in those annual financial statements except for accounting policies of revenue recognition related to interest income from the Group's Internet Finance Business, and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

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

(a) Revenue recognition

The accounting policies of revenue recognition for all revenue streams relating to the Game Business disclosed in the consolidated financial statements as at 31 December 2016 and for the year ended 31 December 2016 remained unchanged.

For the six months ended 30 June 2017, revenue derived from the Internet Finance Business is interest income. Interest income on loan receivables is recognised using the effective interest method. When a loan receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan receivables is recognised using the original effective interest rate.

(b) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(c) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- Equity instruments that are currently classified as available-for-sale financial assets ("AFS") appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets.

- The investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under IFRS 9.

Accordingly, while the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be 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 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 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, management expects it might result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 Revenue from contracts with customers

IFRS 15, "Revenue from contracts with customers" replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard is not expected to apply until the financial year of 2018.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Company has set up an implementation team that is currently in the process of analyzing each of revenue streams in accordance with the new revenue standard to determine the impact on the Group's consolidated financial statements. The Company plans to continue the evaluation, analysis, and documentation of its adoption of IFRS 15 throughout 2017 as the Company works towards the implementation and finalizes its determination of the impact that the adoption will have on the Group's consolidated financial statements.

(iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB6,325,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 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 segment, has been identified as the executive directors of the Company that make strategic decisions.

During the six months ended 30 June 2017, the CODM assessed the performance of Group by reviewing the results of two reportable segments: Webgames and mobile games development service ("Game Product"), as well as Publishing services and Internet Finance ("Game Platform and Others").

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

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Cost of revenue primarily comprises content cost, distribution cost and other outsourcing expenses, employee benefit expenses, promotion and advertising expenses, bandwidth and server custody fees, depreciation and amortisation and others.

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

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

	Unaudited Six Months Ended 30 June 2017		
	Game Product RMB'000	**Game Platform and Others RMB'000**	**Total RMB'000**
Segment revenue	**102,315**	**18,919**	**121,234**
Segment cost	**(61,293)**	**(1,390)**	**(62,683)**
Gross profit	**41,022**	**17,529**	**58,551**
Depreciation and amortisation included in segment cost	**1,444**	**151**	**1,595**

	Unaudited Six Months Ended 30 June 2016		
	Game Product RMB'000	Game Platform and Others RMB'000	Total RMB'000
Segment revenue	179,734	13,986	193,720
Segment cost	(151,732)	(2,945)	(154,677)
Gross profit	28,002	11,041	39,043
Depreciation and amortisation included in segment cost	11,254	587	11,841

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 2017 and 2016 is as follows:

	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**

	Unaudited Six Months Ended 30 June 2016		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	177,096	16,624	193,720

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

A breakdown of revenue derived from different streams during the periods ended 30 June 2017 and 2016 is as follows:

	Six Months Ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Mobile games	**47,216**	122,409
Webgames	**68,551**	71,311
Internet finance	**5,467**	—
	121,234	193,720

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2017 and 2016.

As at 30 June 2017 and 31 December 2016, the majority of the non-current assets of the Group were located in the PRC.

5 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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Content cost, distribution cost and other outsourcing expenses	**51,961**	130,744
Employee benefit expenses	**47,351**	61,615
Promotion and advertising expenses	**13,703**	8,941
Bandwidth and server custody fees	**5,268**	7,403
Impairment allowances on loan receivables	**4,273**	—
Impairment allowances on trade receivables	**163**	3,273
Amortisation of intangible assets	**2,943**	13,748
Depreciation of property and equipment	**2,224**	6,505
Legal claim	**—**	500
Interest income arising from cash and cash equivalents	**(1,452)**	(5,431)
Changes in the value of financial assets at fair value through profit or loss	**4,712**	3,165
Exchange loss, net	**1,431**	1,806
Loss on disposal of property and equipment, net	**1,201**	1,117
Share of (income)/loss of investments accounted for using the equity method	**(7,121)**	4,020
Impairment of available-for-sale financial assets	**4,285**	47,999
Impairment of investment in associates	**—**	6,674
Impairment loss on intangible assets	**—**	12,831

6 Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2017 and 2016 are analysed as follows:

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC and oversea enterprise income tax	**227**	528
Deferred income tax	**—**	3,313
Income tax expense	**227**	3,841

(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 2017 and 2016.

(c) 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 2017 (30 June 2016: 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") were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. Weidong and Feiyin have renewed their qualification of HNTEs in 2016, thus the applicable tax was 15% for the period ended 30 June 2017 (30 June 2016: 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 also qualified as HNTEs under the EIT Law in 2014 and their qualifications were expired in 2016. Feidong and Jieyou are in the process of renewing their qualification of HNTEs during the period ended 30 June 2017.

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 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 2017 and 2016.

(d) 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 2017, no retained earnings of subsidiaries within the Group had ever been remitted to the Company. The Group does not have any plan to conduct this remittance in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued at the end of each reporting period.

7 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	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(17,701)**	(124,175)
Weighted average number of ordinary shares in issue	**137,419,458**	137,128,015
Basic loss per share (in RMB/share)	**(0.13)**	(0.91)

(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 2017, 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 units scheme.

As the Group incurred losses for the six months ended 30 June 2017, the potential ordinary shares were not included in the calculation of diluted loss per share, which would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2017 was the same as basic loss per share for the period (30 June 2016: diluted loss per share was the same as basic loss per share for the period).

8 Dividends

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

9 Trade Receivables

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Third parties	**49,712**	62,217
Related parties	**2,594**	1,919
Less: provision for impairment	**(23,932)**	(23,656)
	28,374	40,480

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0-30 days	**7,940**	11,055
31-60 days	**4,666**	7,052
61-90 days	**4,208**	5,623
91-180 days	**4,616**	12,030
181-365 days	**8,086**	11,262
Over 1 year	**22,790**	17,114
	52,306	64,136

Credit sales are mainly derived from the Game Product business in which the Group contracts with various third party platforms to publish games and it is entitled to the proceeds collected from sales of in-game virtual items on its behalf by these platforms. The normal credit term granted by the Group was from 60 to 180 days from respective transaction dates. As at 30 June 2017, trade receivables which had been past due but not impaired amounted to RMB9,247,000 (31 December 2016: RMB11,318,000). These receivables were due from a number of game platforms which were assessed by the Company to have no significant financial difficulties and they could be recovered based on past trading and repayment history.

10 Loan Receivables

	As at 30 June 2017 RMB'000 (Unaudited)
Personal loans	
– Guaranteed loans	**270,171**
– Collateralised loans	**15,683**
Gross loan receivables	**285,854**
Less: Allowances for impairment losses	
– Collectively assessed	**(4,273)**
Total allowances for impairment losses	**(4,273)**
Net loan receivables	**281,581**

As mentioned in Note 1, the Group commenced its Internet Finance Business in the PRC. As at 30 June 2017, all loan receivables were guaranteed by third parties or secured by real estates.

(a) Movement of allowance for impairment losses

	As at 30 June 2017 RMB'000 (Unaudited)
At beginning of the period	**—**
Charge for the period	
– Collectively assessed	**4,273**
At end of the period	**4,273**

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

	As at 30 June 2017 RMB'000 (Unaudited)
Gross balance of loan receivables	
Neither past due nor impaired	**265,509**
Overdue but not impaired	**20,345**
Impaired	**—**
	285,854
Less: Allowances for impairment losses	
Neither past due nor impaired	**(3,968)**
Overdue but not impaired	**(305)**
Impaired	**—**
	(4,273)
Net balance	
Neither past due nor impaired	**261,541**
Overdue but not impaired	**20,040**
Impaired	**—**
	281,581

Loan receivables less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

11 Trade Payables

Trade payables primarily related to the purchase of services for server custody, content costs, agency fees and revenue to be shared and be payable to game developers.

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0-30 days	**3,367**	7,183
31-60 days	**1,732**	3,238
61-90 days	**1,911**	3,199
91-180 days	**4,761**	9,188
181-365 days	**4,399**	1,712
over 1 years	**3,015**	2,132
	19,185	26,652

OTHER INFORMATION

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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities the ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 2017.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the Corprate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules 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 2017.

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 everchanging business environment in which the Group operates and the fact that the Company was only listed around the end of 2013, the chairman and chief executive officer 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 role of the chairman and chief executive officer is premature and may create unnecessary costs for the daily operations of the Group. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

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

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

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

At the Company's annual general meeting held on 23 May 2017, the Shareholders granted a share buy-back mandate to the Board to buy-back shares of the Company (the "**Shares**") (which should not exceed 10% of the issued share capital of the Company as at 23 May 2017) 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 of association of the Company 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 2017, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

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 Ms. POON Philana Wai Yin, 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 of the Company, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2017.

Use of Proceeds from Initial Public Offering ("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, 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 2017, the Group had utilised approximately HK$973.9 million 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$205.3 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 the prospectus of the Company dated 19 September 2013, and as subsequently amended and disclosed in the August Announcement. The unutilised portion of the net proceeds from the IPO (i.e. approximately HK$8.9 million) is currently held in cash and cash equivalents, and is intended to be applied in the manner consistent with the disclosed allocations.

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 (the "**Placing Shares**") to not less than six professional, institutional and other investors at the placing price of HK$16.50 per Share (the "**Placing**") 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 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, 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 2017, the Group had utilised all of the net proceeds from the Placing in operations and investments in the internet, media and technology industry.

Publication of the Unaudited Consolidated Interim Results and 2017 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2017 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in September 2017.

Appreciation

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

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 29 August 2017

As at the date of this announcement, the executive Directors are Mr. WANG Dongfeng and Ms. LIANG Na; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. HOW Sze Ming, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.