Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

Interim Report 2019

Forgame

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. WANG Dongfeng
(Chairman and Chief Executive Officer)
Ms. LIANG Na *(Chief Financial Officer)*
Ms. LI Luyi *(Chief Operations Officer)*

Non-executive Director

Mr. ZHANG Qiang

Independent Non-executive Directors

Mr. HOW Sze Ming
Mr. ZHAO Cong Richard
Mr. WAN Joseph Jason

AUDIT AND COMPLIANCE COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Ms. LEE Ka Man

COMPANY SECRETARY

Ms. LEE Ka Man

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

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CORPORATE INFORMATION

AUDITOR

PricewaterhouseCoopers
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REGISTERED OFFICE

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Cayman Islands

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Hong Kong

PRINCIPAL BANKERS

(in alphabetical order)

China Citic Bank, Guangzhou branch

China Citic Bank, Jiujiang branch

China Merchants Bank, Guangzhou branch

China Merchants Bank, Hong Kong branch

Industrial Bank, Jiujiang branch

Shanghai Pudong Development Bank, Hong Kong branch

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Hong Kong

COMPANY'S WEBSITE

www.forgame.com

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

00484

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM CONTINUING OPERATIONS

	Six Months Ended 30 June		
	2019 (RMB'000) (Unaudited)	2018 (RMB'000) (Unaudited and restated)	Change %
Continuing Operations[(1)]			
Revenue	**53,442**	73,024	–26.8%
Gross profit	**35,444**	49,574	–28.5%
Profit from continuing operations	**27,403**	22,648	21.0%
Non-IFRSs Measures			
— EBITDA[(2)] for the period	**27,891**	20,080	38.9%
— Adjusted EBITDA[(3)] for the period	**13,683**	21,457	–36.2%

Notes:

(1) Financial figures of continuing operations exclude relevant figures of the discontinued operation pursuant to the IFRS 5. Details are disclosed in note 22 to the Financial Statements.

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

(3) The Group defines adjusted EBITDA as EBITDA excluding share-based compensation, changes in the value of financial assets at fair value through profit or loss and distribution of profit from financial assets at fair value through other comprehensive income. For details of EBITDA and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis — Non-IFRSs Measures — EBITDA and Adjusted EBITDA" in this interim report.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2019 (RMB'000) (Unaudited)	As at 31 December 2018 (RMB'000) (Audited)	Change %
Assets			
Non-current assets	**318,520**	102,929	209.5%
Current assets	**850,733**	886,711	–4.1%
Total assets	**1,169,253**	989,640	18.1%
Equity and liabilities			
Total equity	**971,406**	847,687	14.6%
Non-current liabilities	**30,731**	581	5,189.3%
Current liabilities	**167,116**	141,372	18.2%
Total liabilities	**197,847**	141,953	39.4%
Total equity and liabilities	**1,169,253**	989,640	18.1%

CHAIRMAN'S STATEMENT

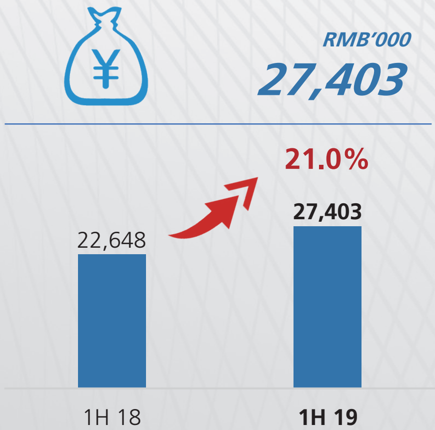
Dear Forgame Shareholders,

On behalf of the Board, I am pleased to present our financial performance for the six months ended 30 June 2019.

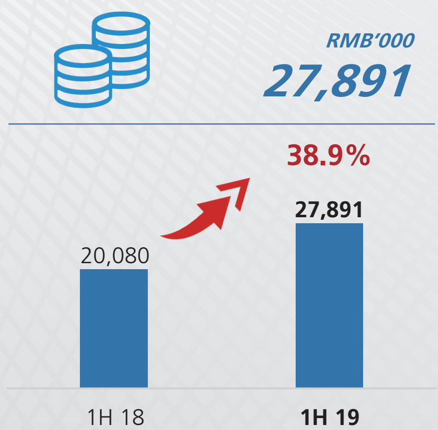
OVERVIEW

We are pleased to announce that with the concerted efforts of our management and staff, we were able to record substantial improvements in our financial results in the first half of 2019. We posted profit of RMB27.4 million and EBITDA of RMB27.9 million from the continuing operations, representing increases of 21.0% and 38.9%, respectively, year-over-year.

Profit
From Continuing Operations



EBITDA
From Continuing Operations



In the past six months, the macroeconomic environment in China has witnessed increasing challenges amid the US-China trade tensions and other growing uncertainties. In addition, the game and fintech industries have been subject to additional complications posed by tightening regulations. Despite such a backdrop, we still managed to increase profits from continuing operations under the leadership of our management, which reflects our strong ability to create value for the shareholders by unlocking opportunities and adapting our business for the changing environment.

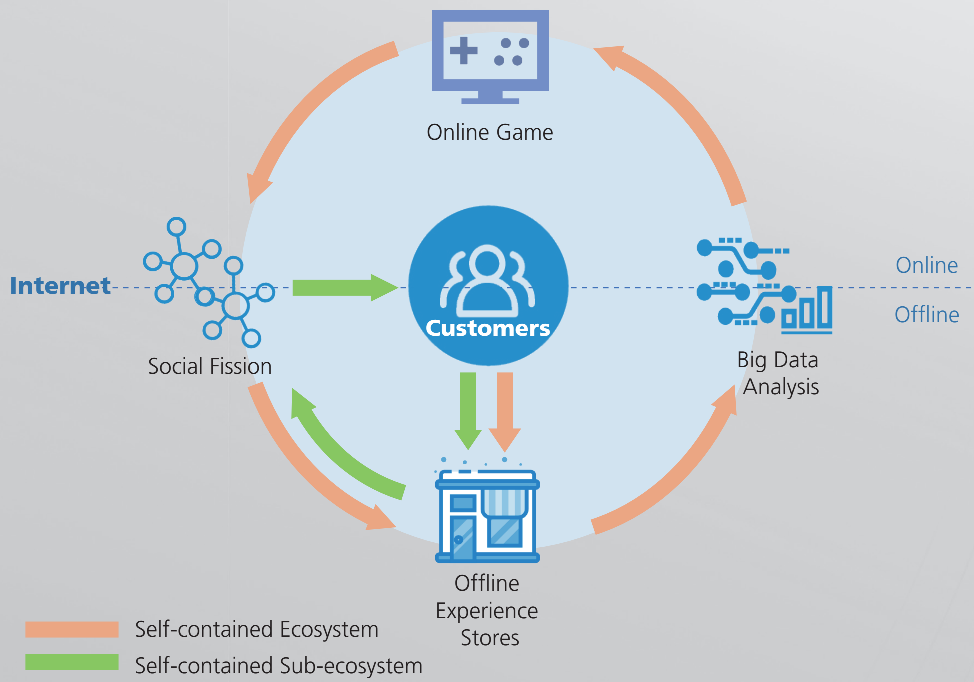
STRATEGY IMPLEMENTATION

For our game business, we have maintained our strategic focus on "quality games". Although many of our games have entered their mature stages, we still managed to achieve a higher average revenue per paying user. This reflects the significant loyalty that we have managed to engender among players of our games. In addition, "Liberators", our self-operated overseas flagship game, has contributed over RMB160 million cumulatively to our revenue since its launch in 2016, which clearly places it in the top-tier of online games with accumulated gross billings of over RMB100 million in our Group. Given the continued solid performance of the game, we believe that we will be able to take our experience with "Liberators" and successfully replicate it with other upcoming games that are set to be launched overseas.

Turning to our fintech business, we adopted "stable growth" strategy in the face of the challenging market environment and the increasingly tightening regulations. In the first half of 2019, "Yunke", our licensed internet micro-credit brand delivered performance that has been jointly driven by both compliance and technology. In the first half of 2019, the total micro-loan volume facilitated by "Yunke" was approximately RMB905.0 million, and the number of loans was over 200,000, contributing roughly 30% to our continuing operations revenue during the period. In the future, "Yunke" may operate with leverage at an appropriate time in an effort to serve more premium users. In July 2019, our shareholders approved the proposed disposal of the entire equity interest we held in "Jianlicai", our another fintech brand. This strategy has helped to strengthen the positions of our two core game and internet micro-credit businesses, which should help to lay a solid foundation for our Company's sustainable development in the future.

UPGRADE OF GAME BUSINESS

As described in our 2018 annual report, we anticipated that the e-sports and virtual reality industries would become key new growth drivers for the internet industry. In particular, as 5G technology starts rolling out and becomes commercialized, VR technology will receive a further boost, and many other related industries could see exponential growth. According to independent third-party research reports, compound annual growth rate (CAGR) of VR market would exceed 80%. China is expected to be the world's largest VR market by 2021, with a total market value of RMB79.02 billion[(1)]. Meanwhile, it is expected that the annual number of visits to offline VR stores will exceed 1 billion by 2023[(2)]. As such, in the first half of 2019, we completed the acquisition of 69.84% equity interest in "Player No.1", China's leading large-space VR experience store brand. This represents a significant upgrade of our core game business, and will enable synergies as we look to integrate our online and offline channels.



Notes:

(1) iResearch: "China's VR Industry Report — Market Data"

(2) IDC: "Ten Forecasts of VR/AR Market in 2019"

In our self-contained ecosystem, consumers receive membership as long as they visit our offline stores and experience our games. By building up a database of member profiles, we can process big data analysis and send the results to our online game team. They can then use the results to improve user retention or attract more new users to our stores by leveraging our strong capabilities in online game development and operations that have been accumulated over the years, and by conducting innovative marketing initiatives such as social fission.

Within self-contained sub-ecosystem, our VR games provide players fascinating content, a high degree of immersion and enjoyable social interaction, which make it easy for the games to go viral among gamers and help convert more online traffic into visitors to our VR stores, creating a virtuous circle within our ecosystem.

OUTLOOK

Looking ahead, we will continue to focus on enhancing our core competencies by leveraging our traffic acquisition, VR technology, content development and distribution capabilities. We have already launched both self-operated and franchised stores in provinces and municipalities across the nation as well as core cities overseas as a part of our efforts to generate high-quality traffic for our VR business. In terms of technology, our industry-leading proprietary Infinite Multi-Target Positioning System enables multiple players to compete smoothly in the large virtual world at the same time. In addition, we also have excellent VR content development and distribution capabilities. At present, we have launched four self-developed and two third-party large-space VR games[1]. Leveraging our strong R&D capabilities, publishing speed and diverse portfolio, we have effectively shored up our competitiveness in the industry.

Stores in Operation and in Preparation

We have over 100 self-operated and franchised stores in operation or in preparation in 28 provinces (including autonomous regions and municipalities) across the country, and we expect this number to continue to increase over time. We also have stores in operation or in preparation in Canada, Singapore and Indonesia to expand our overseas presence and brand influence[1].

Note:

(1) Data statistics as at 9 August 2019.

Our strength and proven capabilities with advanced technologies have attracted interest from a host of elite industry players who want to cooperate with us, including hardware manufacturers, content creators, game publishers and tournament operators. Going forward, guided by our slogan "VR One, We Are One", we will actively explore other development opportunities in fields such as sports competition, education & training and simulation drills, which we believe will serve as a solid foundation for our efforts to become a premium platform and a pivotal bridge connecting the entire VR industry value chain.

Amid the rapidly changing global landscape, we have always stayed true to our mission of "bringing joy to our users". In recent years, leveraging our astute market insights and strong data analysis capabilities, we have managed to identify and capitalize on almost every major trend in the internet industry. During this period of great achievements and frustrating setbacks, our management team has remained firmly committed to our mission and managed to empower enterprise development by leveraging our visionary leadership and professional expertise. Moving ahead, we will continue to uphold our mission to bring joy and fortune to the masses and spare no efforts in creating greater enterprise and social value over the long term.

CHAIRMAN'S STATEMENT

APPRECIATION

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

WANG Dongfeng
Chairman

Hong Kong, 28 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In order to better report the continuing operations of our business, the Group had restated its income statement for the six months ended 30 June 2018. The financial performance of the Jianlicai business, which is classified as assets or liabilities held for sale, is separated and recorded as "Loss from discontinued operation" in the restated income statement.

On 24 April 2019, the Group announced the acquisition of 69.84% equity interest in Xigua Huyu , which is mainly engaged in VR game business in the PRC. On 26 April 2019, the Company announced the proposed disposal of 54.54% of the entire issued share capital of Jlc Inc. (being the entire equity interest held by the Group), which is principally engaged in financial information service business in the PRC through the operations of websites and mobile phone applications under the Jianlicai brand ("**Jianlicai**"). These strategic adjustments have helped us focus on our core businesses in developing and publishing domestic and overseas webgames and mobile games and providing internet micro-credit service, and have laid a solid foundation for business upgrade and future sustainable development.

In the first half of 2019, the Group recorded a total revenue of approximately RMB53.4 million from continuing operations, decreased by 26.8% from the restated revenue from continuing operations of the same period last year. This decrease was primarily due to the decrease in revenue from both the game business and the internet micro-credit business of the Group.

The Group has made progress in diversifying the structure of the internet micro-credit business during the first half of 2019. Other than continuingly providing individual customers underserved by traditional financial institutions in the PRC with practical and flexible short-term financing solutions, we also provide corporate loans as a supplement to our existing product portfolio. The Group's internet micro-credit business generates substantially all of its income through interests accrued on the loans extended to its customers. Despite the continuing challenging regulatory environment, we had originated RMB905.0 million of loans during the six months ended 30 June 2019.

The Group's game business continued to focus on the execution of the overseas market strategy in the first half of 2019. "Liberators", one of the Group's key games, has proven its success in overseas market and we can leverage the sophisticated operational experience developed by the operation team of "Liberators" to launch new games targeting overseas markets. Specifically, the Group is in the process of developing and optimising several casual mobile games and simulation games targeting overseas markets. These new games are developed and operated by the same team of "Liberators".

Game Business

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

	Six Months Ended 30 June	
	2019	2018
Game		
Average MPUs (in thousand) (1) (2)	**15**	31
Monthly ARPPU (RMB)	**424**	255

Notes:

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

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

— **MPUs**. The average MPUs for the game business decreased to approximately 15 thousand for the six months ended 30 June 2019 from approximately 31 thousand for the six months ended 30 June 2018. This decrease was primarily due to the fact that several key games, such as "Liberators" and "Beauty Box", have entered into the mature stages of their lifecycles resulting in fewer paying users in these games.

— **ARPPU**. Monthly ARPPU level of game business increased to approximately RMB424 for the six months ended 30 June 2019 as compared with RMB255 for the six months ended 30 June 2018. This increase was primarily attributable to the higher ARPPU level of several key games, such as "Liberators". When a game enters into the mature stage of its lifecycle, it usually enjoys higher ARPPU level under our effective operation.

Internet Micro-credit Business

The following table sets forth certain operating statistics relating to the Group's internet micro-credit business for the periods indicated:

	Six Months Ended 30 June	
	2019	2018
Average balance of outstanding performing loans (RMB in million)(1)	**288**	383
Average size of our loans (RMB)(2)	**4,335**	2,837
Number of loans originated(3)	**208,763**	569,089

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 indicated.

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

(3) Number of loans originated by our internet micro-credit business for the period indicated.

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

The domestic financial regulatory environment faced continuing uncertainties at the end of last year and the beginning of this year. The Group remained in close communication with the regulatory authorities to ensure that the internet micro-credit business is compliant with regulations. At the beginning of this year, the Group adopted a more prudent strategy by slowing down the pace of loan origination, which caused the outstanding loan balance to decline earlier this year. However, the pace of loan origination returned to a normal level and the loan balance increased steadily since the second quarter this year.

As mentioned earlier, the internet micro-credit business has made significant progress in terms of structural diversification. In addition to the existing personal loan business, the Group also ventured into the corporate loan market to diversify its existing product portfolio. The loan size of our premium corporate clients is generally larger than that of individual clients, which increased the overall average loan sizes of the Group to some extent.

The decline in the number of loans was mainly due to the following factors: (i) the adjustment of the loan pace at the beginning of the year, (ii) the increase in average loan sizes, and (iii) the longer loan term, which caused a decline in repeat borrowing frequency.

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST HALF OF 2019 COMPARED TO FIRST HALF OF 2018

The following table sets forth the Group's income statement for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018:

	Six Months Ended 30 June		
	2019	2018	Change %
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited and restated)	
Continuing operations			
Revenue	**53,442**	73,024	–26.8%
Cost of revenue	**(17,998)**	(23,450)	–23.2%
Gross profit	**35,444**	49,574	–28.5%
Selling and marketing expenses	**(4,111)**	(5,123)	–19.8%
Administrative expenses	**(20,478)**	(22,030)	–7.0%
Research and development expenses	**(11,498)**	(12,942)	–11.2%
Other income	**21,571**	6,800	217.2%
Other losses — net	**(326)**	(357)	–8.7%
Finance (cost)/income — net	**(75)**	865	–108.7%
Share of income of investments accounted for using the equity method	**6,947**	3,525	97.1%
Gain on dilution of investments accounted for using the equity method	**–**	7,148	NM
Impairment loss reversed/(charged) of financial assets measured at amortised cost	**605**	(3,764)	NM
Profit before income tax	**28,079**	23,696	18.5%
Income tax expense	**(676)**	(1,048)	–35.5%
Profit from continuing operations	**27,403**	22,648	21.0%
Discontinued operation			
Loss from discontinued operation	**(17,547)**	(309,322)	–94.3%
Profit/(Loss) for the period	**9,856**	(286,674)	NM

Note: NM — Not meaningful.

Continuing Operations

Revenue. Revenue decreased by approximately 26.8% to RMB53.4 million for the six months ended 30 June 2019 from RMB73.0 million for the six months ended 30 June 2018. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2019 and 2018:

	Six Months Ended 30 June			
	2019		2018	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
	(Unaudited)		(Unaudited and restated)	
Revenue by Segment				
— Game business	**37,358**	**69.9**	46,928	64.3
— Internet micro-credit business	**16,084**	**30.1**	26,096	35.7
Total Revenue	**53,442**	**100.0**	73,024	100.0

— Revenue generated from the Group's game business decreased by approximately 20.4% to RMB37.4 million for the six months ended 30 June 2019 from RMB46.9 million for the six months ended 30 June 2018. This decrease was primarily due to the fact that some of the Group's key games, such as "Liberators" and "Beauty Box", have entered into the mature stage of their lifecycles and generated less revenue than the same period of last year.

— Revenue generated from the Group's internet micro-credit business decreased by approximately 38.4% to RMB16.1 million for the six months ended 30 June 2019 from RMB26.1 million for the six months ended 30 June 2018. This decrease was due to the fact that the average balance of outstanding loans for the six months ended 30 June 2019 was lower than that for the six months ended 30 June 2018. We made these operational adjustments due to the continuing challenging regulatory environment at the beginning of 2019 in China.

Adjusted EBITDA. Adjusted EBITDA decreased to RMB13.7 million for the six months ended 30 June 2019 from RMB21.5 million for the six months ended 30 June 2018. The following table sets forth the adjusted EBITDA of the Group by segment for the six months ended 30 June 2019 and 2018:

	Six Months Ended 30 June		
	2019	2018	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited and restated)	
Adjusted EBITDA by Segment			
Game business	**2,546**	(962)	NM
Internet micro-credit business	**4,190**	11,746	–64.3%

Notes:

(1) The difference between the sum of adjusted EBITDA of the game and internet micro-credit business above and the total adjusted EBITDA of the Group is from gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method.

(2) NM — Not meaningful.

— The Group's game business recorded an adjusted EBITDA of RMB2.5 million for the six months ended 30 June 2019 compared to a negative adjusted EBITDA of RMB1.0 million for the six months ended 30 June 2018. This increase was primarily due to the fact that the Group's game business recorded an operating profit for the six months ended 30 June 2019. Although the key games of the Group have entered into the mature stage of their lifecycles, the Group had optimized the deployment of its operational resources and managed the expenses of its game business effectively.

— Adjusted EBITDA in respect of the Group's internet micro-credit business decreased to RMB4.2 million for the six months ended 30 June 2019 from RMB11.7 million for the six months ended 30 June 2018. This decrease was resulted from the lower revenue and operating profit of the Group's internet micro-credit business.

Cost of revenue. Cost of revenue decreased by approximately 23.2% to RMB18.0 million for the six months ended 30 June 2019 from RMB23.5 million for the six months ended 30 June 2018. This decrease was mainly attributable to lower revenue sharing costs of the Group's self-developed games and lower server cost, which was in line with revenue decrease of such games. For the six months ended 30 June 2019, the percentage of cost of revenue to total revenue was 33.7% (six months ended 30 June 2018: 32.1%).

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 19.8% to RMB4.1 million for the six months ended 30 June 2019 from RMB5.1 million for the six months ended 30 June 2018. This decrease was mainly attributable to lower promotion and marketing expenses incurred by one of our self-developed mobile games, "Clothes Forever", which targets overseas markets.

Administrative expenses. Administrative expenses decreased by approximately 7.0% to RMB20.5 million for the six months ended 30 June 2019 from RMB22.0 million for the six months ended 30 June 2018. The decrease in administrative expenses was mainly because the number of administrative employees and relative administrative expenses we deployed to our continuing operations decreased.

R&D expenses. R&D expenses decreased by approximately 11.2% to RMB11.5 million for the six months ended 30 June 2019 from RMB12.9 million for the six months ended 30 June 2018. This decrease was primarily due to lower employee benefit expenses for the R&D department as we optimized the organization structure of R&D team according to our strategies.

Other income. Other income increased to RMB21.6 million for the six months ended 30 June 2019 from RMB6.8 million for the six months ended 30 June 2018. Such increase was mainly due to the distribution of profit from one of our investee companies during the first half of 2019.

Other losses — net. Other losses — net decreased to RMB0.3 million for the six months ended 30 June 2019 from RMB0.4 million for the six months ended 30 June 2018. The decrease was primarily due to lower loss on disposal of property and equipment, partially offset by higher foreign exchange losses.

Finance (cost)/income — net. Finance cost — net for the six months ended 30 June 2019 was RMB0.1 million, as compared to finance income — net of RMB0.9 million for the six months ended 30 June 2018. The finance cost for the six months ended 30 June 2019 was mainly due to the increase in interest expense as a result of the newly adoption of IFRS 16 *Leases*.

Share of income of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB6.9 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3.5 million). This income is related to the share of profits of our invested associated companies in the first half of 2019, during which our invested associated companies achieved better financial performances than the same period of last year.

Impairment loss reversed/(charged) of financial assets measured at amortised cost. Impairment loss reversed of financial assets measured at amortised cost for the six months ended 30 June 2019 was RMB0.6 million, as compared to impairment loss charged of financial assets measured at amortised cost of RMB3.8 million for the six months ended 30 June 2019. The reversal of impairment loss was mainly because (i) we implemented effective risk management strategy which lowered the delinquency risk level of our internet micro-credit loans and reduced the allowance for impairment loss for outstanding loans, and (ii) we exercised effective management of account receivables and we have collected the revenue sharing of our mobile games, which reduced the bad debt risk.

Income tax expense. The Group recognised income tax expense of RMB0.7 million for the six months ended 30 June 2019 while the income tax expense was RMB1.0 million for the six months ended 30 June 2018. The decrease in income tax expense was in line with the lower profit generated from the Group's internet micro-credit business.

Profit from continuing operations. Profit from continuing operations increased to RMB27.4 million for the six months ended 30 June 2019 from RMB22.6 million for the six months ended 30 June 2018. Although there were challenges as to the revenue growth of the Group's game and internet micro-credit businesses, the Group managed to deploy its resources effectively and optimized the expenses structure during the first half of 2019. Besides, our invested associated companies achieved better financial performance during the first half of 2019 which brought positive impact on our profit from continuing operations.

Discontinued Operation

Loss from discontinued operation. Loss from discontinued operation is the operating results of the Jianlicai business. Loss from discontinued operation was RMB17.5 million for the six months ended 30 June 2019 and RMB309.3 million for the six months ended 30 June 2018. This loss was mainly due to the operational difficulties in the Jianlicai business. As stated in the section headed "Letter from the Board — Reasons and Benefits for the Disposal — Operational Difficulties Faced by Jianlicai" of the circular of the Company dated 12 July 2019, management of the Jianlicai business comprehensively adjusted its business model in order to embrace the spirit of regulations. As a result of such change, "wealth management plan", the base of Jianlicai's valuation on goodwill and identifiable intangible assets, had ceased and will not be re-launched in the foreseeable future. As stated in the announcement of the Company dated 17 August 2018, an after-tax impairment of RMB320.5 million has been made on Jianlicai's goodwill and identifiable intangible assets.

NON-IFRSs MEASURES — EBITDA AND ADJUSTED EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2019 and 2018, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2019	2018
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited and restated)
Profit from continuing operations	**27,403**	22,648
Add:		
Depreciation and amortisation	**2,460**	1,443
Net interest income	**(2,648)**	(5,059)
Income tax expense	**676**	1,048
EBITDA (unaudited)	**27,891**	20,080
Add:		
Share-based compensation	**1,643**	1,377
Changes in the value of financial assets at fair value through profit or loss	**149**	–
Distribution of profit from financial assets at fair value through other comprehensive income	**(16,000)**	–
Adjusted EBITDA (unaudited)	**13,683**	21,457

FINANCIAL POSITION

As at 30 June 2019, the total equity of the Group amounted to RMB971.4 million, compared to RMB847.7 million as at 31 December 2018. This increase was mainly due to the increase in share premium as a result of the allotment and issue of new shares as part of the consideration of the acquisition of Xigua Huyu.

The Group's net current assets amounted to RMB683.6 million as at 30 June 2019, compared to RMB745.3 million as at 31 December 2018. This decrease was mainly due to the payment for several investments recorded as financial assets at fair value through other comprehensive income and the lease liabilities recorded due to the new adoption of IFRS 16 *Leases*.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2019 (RMB'000) (Unaudited)	As at 31 December 2018 (RMB'000) (Audited)
Cash at bank and on hand	**328,025**	751,356
Cash at other financial institutions	**11,144**	5,662
Short-term deposits	**–**	41,534
Total	**339,169**	798,552

The Group's total cash, cash equivalent and short-term deposits amounted to RMB339.2 million as at 30 June 2019, as compared to RMB798.6 million as at 31 December 2018. The decrease was primarily due to the development of internet micro-credit business, which as a result lowered the cash balance and increased the balance of loan receivables.

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

As at 30 June 2019, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0% (as at 31 December 2018: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2019. The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed below, during the six months ended 30 June 2019, the Group did not perform any material acquisition or disposal.

Acquisition of 69.84% equity interest in Xigua Huyu

On 24 April 2019, the Group announced the acquisition of 69.84% equity interest in Xigua Huyu (the "**Acquisition of Xigua Huyu**") which is principally engaged in the research, development and operation of large space VR technologies and VR games. The completion of the Acquisition of Xigua Huyu took place on 26 June 2019. The consideration has been settled through (i) subscription in the registered capital in cash of RMB20,000,000 by the Group, and (ii) as to transfer the equity interest in Xigua Huyu, the Company allotting and issuing 22,268,908 new ordinary shares to the entity(ies) designated by the vendor. For details of this transaction, please refer to the announcements of the Company dated 9 April 2019, 24 April 2019, 24 May 2019 and 26 June 2019.

Disposal of 54.54% equity interest in Jlc Inc.

On 26 April 2019, the Group announced the disposal of 54.54% of the entire issued share capital of Jlc Inc., which was the entire equity interest held by the Company (the "**Disposal of JLC**"). Jlc Inc. is principally engaged in financial information service in the PRC through the operations of websites and mobile phone applications under the "Jianlicai" brand. The completion of the Disposal of JLC had not taken place as at 30 June 2019. The consideration will be settled through collection in cash of RMB47,433,000. For details of this disposal, please refer to the announcements of the Company dated 26 April 2019 and 9 July 2019, the circular of the Company dated 12 July 2019 and the poll results of the extraordinary general meeting held on 29 July 2019.

FOREIGN EXCHANGE RISK

As at 30 June 2019, RMB49.2 million of the financial resources of the Group (as at 31 December 2018: RMB39.1 million) were held as deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was due to an active exchange exposure management in view of the rising value of USD against RMB. The Group will continue to monitor its foreign exchange risk exposure to better preserve the Group's cash value.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2019	2018
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Capital expenditures		
— Purchase of property and equipment	**133**	378
— Purchase of intangible assets	**7**	–
Total	**140**	378

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as computers and leasehold improvement, and the purchase of intangible assets, such as a promotion tool on WeChat platform.

PLEDGE OF ASSET

As at 30 June 2019, the Group had pledged assets of RMB0.9 million (as at 31 December 2018: RMB0.9 million) as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2019, the Group had 774 full-time employees (as at 30 June 2018: 452), the vast majority of whom are based in mainland China.

The remuneration for the Group's employees includes salaries, bonus, allowances and share-based compensation. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group also provides various training programs to its staff to enhance their professional development, such as assigning experienced employees as mentors in relevant teams or departments to provide regular on-the-job guidance and trainings. The Group has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Restricted Share Unit Scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises. Details of the share option schemes and the Restricted Share Unit Scheme are set out in the sections headed "Other Information — Pre-IPO Share Option Scheme", "Other Information — Post-IPO Share Option Scheme", "Other Information — Summary of the Share Option Schemes", "Other Information — the Restricted Share Unit Scheme" and "Other Information — Summary of the RSU Scheme" on pages 27 to 33 of this interim report.

POST BALANCE SHEET EVENT

Saved as disclosed in the section headed "Management Discussion and Analysis — Material Acquisition and Disposal" in this interim report, there were no other significant subsequent events during the period from 30 June 2019 to the approval date of the Financial Statements by the Board.

RISKS AND HURDLES

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

In our established game business, the major hurdles may include (i) delays of game launches, (ii) games developed being unable to meet market expectations at their launch, (iii) departure of key employees, and (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, all of which will negatively affect the Group's performance.

On 26 June 2019, the Group completed the Acquisition of Xigua Huyu, which had strengthened our game business mainly through providing VR games in stores across the PRC. The major hurdles may include (i) the recognition of VR concept by the market being lower than expectation, (ii) delays of game launches, (iii) games developed being unable to meet market expectations at their launch, (iv) the speed of opening stores being slower than expectation, (v) technical issues affecting user experience and existing VR games operation, (vi) damages of fixed assets including VR equipment caused by accidents which were not covered by the existing insurances, (vii) being unable to recruit sufficient well-trained VR sales and managers in the stores, (viii) departure of key employees, (ix) the market share being seized by our competitors, and (x) the capital shortfall between the current cash level and the budget of the expanding stores business plan before the financing solution being implemented.

In addition, the Group is exposed to risks such as fluctuation of foreign exchange, impairment loss due to invested companies' underperformance or contract party becoming insolvent, and other unexpected one-off restructuring costs, all of which will negatively impact the Group's performance.

Since 2014, the Group has made investments in the internet, media and technology industry in China with a remaining value of approximately RMB111.4 million post investment impairment and losses as at 30 June 2019, out of which approximately RMB54.5 million was classified as "investments in associates".

In the first half of 2019, some of the Group's investments achieved higher profits compared to the same period of last year. Along with the better performance of these investments, the Group can focus more on exploring potential opportunities in relevant industries to support the development of the Group's business, such as the emerging technologies on the internet. However, it is difficult to judge whether these investments could survive in the market with increasing competition or the technologies developed by these investments would be suitable to the application scenarios. Therefore, potential impairments or write-offs may occur.

FUTURE PLANS

The Group expects that the strengthening regulation in fintech business in the PRC will eliminate illegal or insufficiently-funded fintech companies, which will create greater opportunity for the Group's licensed and technology-supported fintech business. The Group will continue to adjust its current business models to maintain its full compliance with the regulatory requirements as updated from time to time and develop core technologies in preparation for the new regulated fintech industry.

On the other hand, the Group will continue to explore overseas expansion for its game business. The business model of the game "Liberators" has proven successful, and the Group has developed a sustainable overseas game publishing and operating capability based on the considerable players' data accumulated. Such capability is expected to be replicable in future games.

For the newly acquired Xigua Huyu business, the Group intends to assist Xigua Huyu to launch stores in provinces and municipalities across the nation as well as core cities overseas as a part of our efforts to generate high quality traffic for our VR business. Going forward, the Group will further attract offline traffic, and endeavor to diversify the revenue structure. Besides providing supreme VR experience to individual customers, we will develop long term strategic cooperation with our premium corporate customers by providing a platform which integrates the complementary advantages and resources of each party. In the long term, the Group will devote itself into building an eco-system attracting elite VR industry players and connecting the entire VR industry value chain.

The Group plans to explore investment opportunities across various sectors of the internet, media, and technology industry with the aim of upgrading the Group's current business models. Along with technology development and social network development, the game and fintech businesses have presented their new forms in respective industries. For example, the emergence of e-sports has brought social and sport elements to games. Although new forms/technologies are far from maturity, investing in the future is necessary in order to adapt to the needs of tomorrow. After the completion of the Acquisition of Xigua Huyu, the Group will continue to pay close attention to new game and/or fintech technologies including but not limited to VR and blockchain to ensure the Group will maintain leading position in future internet industry.

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. 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 2019.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Save for the deviation from code provision A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2019.

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 the chief executive officer of the Company. In view of the ever-changing business environment in which the Group operates, 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 different businesses of the Group. 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. Further, the Board considers that a separation of the roles of the chairman and chief executive officer may create unnecessary costs for the daily operations of the Group. 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 from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives at the relevant time in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Relevant Company	Number and Class of Shares/ Underlying Shares Held	Approximate Percentage of Shareholding
WANG Dongfeng（汪東風）	Founder of the Discretionary Trust Interest of Controlled Corporation[1]	The Company	21,673,338 Ordinary Shares (long position)	13.60%
	Beneficial Owner[2]	The Company	1,650,800 Ordinary Shares (long position)	1.04%
ZHAO Cong Richard（趙聰）[3]	Beneficial Owner	The Company	192,733 Ordinary Shares (long position)	0.12%
HOW Sze Ming（侯思明）[4]	Beneficial Owner	The Company	168,333 Ordinary Shares (long position)	0.11%
ZHANG Qiang（張強）[5]	Beneficial Owner	The Company	93,333 Ordinary Shares (long position)	0.06%
LIANG Na（梁娜）[6]	Beneficial Owner	The Company	1,212,222 Ordinary Shares (long position)	0.76%
WAN Joseph Jason（尹宸賢）[7]	Beneficial Owner	The Company	68,333 Ordinary Shares (long position)	0.04%

Notes:

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

(2) Mr. WANG Dongfeng was granted 500,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. Mr. WANG Dongfeng bought an aggregate of 850,800 Shares during the period from 26 June to 13 July 2017. He was further granted 300,000 RSUs under the Restricted Share Unit Scheme in 2018, 50,000 of which vested on 1 December 2018 and 250,000 of which were cancelled on 30 June 2019. The Company further granted 250,000 RSUs to Mr. WANG Dongfeng under the Restricted Share Unit Scheme in 2019, 50,000 of which vested on 1 July 2019.

(3) Mr. ZHAO Cong Richard was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares as at 30 June 2019. He was also granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. Mr. ZHAO Cong Richard sold 25,000 Shares vested under the RSU Scheme on 29 June 2017. Mr. ZHAO Cong Richard was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018 and 41,667 of which were cancelled on 30 June 2019. The Company further granted 60,000 RSUs to Mr. ZHAO Cong Richard under the Restricted Share Unit Scheme in 2019, 12,000 of which vested on 1 July 2019.

(4) Mr. HOW Sze Ming was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018 and 41,667 of which were cancelled on 30 June 2019. The Company further granted 60,000 RSUs to Mr. HOW Sze Ming under the Restricted Share Unit Scheme in 2019, 12,000 of which vested on 1 July 2019.

(5) Mr. ZHANG Qiang was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018 and 41,667 of which were cancelled on 30 June 2019. Mr. ZHANG Qiang sold 75,000 Shares vested under the RSU Scheme on 17 January 2019. The Company further granted 60,000 RSUs to Mr. ZHANG Qiang under the Restricted Share Unit Scheme in 2019, 12,000 of which vested on 1 July 2019.

(6) Ms. LIANG Na was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 25,089 Shares as at 30 June 2019. Ms. LIANG Na was granted 820,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. Ms. LIANG Na sold 216,200 Shares vested under the RSU Scheme during the period from 18 July 2017 to 4 September 2018. She was further granted 200,000 RSUs under the Restricted Share Unit Scheme in 2018, 33,333 of which vested on 1 December 2018 and 166,667 of which were cancelled on 30 June 2019. The Company further granted 550,000 RSUs to Ms. LIANG Na under the Restricted Share Unit Scheme in 2019, 110,000 of which vested on 1 July 2019.

(7) Mr. WAN Joseph Jason was granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018 and 41,667 of which were cancelled on 30 June 2019. The Company further granted 60,000 RSUs to Mr. WAN Joseph Jason under the Restricted Share Unit Scheme in 2019, 12,000 of which vested on 1 July 2019.

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the six months ended 30 June 2019 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

OTHER INFORMATION

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

As at 30 June 2019, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited(1)	Trustee	29,437,335 Ordinary Shares (long position)	18.47%
Foga Group(1)	Beneficial Owner	21,673,338 Ordinary Shares (long position)	13.60%
YANG Tao	Interest of Controlled Corporation(2)	7,785,700 Ordinary Shares (long position)	4.89%
	Beneficial Owner(3)	1,340,000 Ordinary Shares (long position)	0.84%
KongZhong Corporation(4)	Beneficial Owner and Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
Linkedsee Group Limited(4)	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
Linkedsee Limited(4)	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
WANG LeiLei(4)	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%

OTHER INFORMATION

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
上海常匯互聯網科技有限公司 (Shanghai Changhui Internet Technology Co., Limited*)[(4)]	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
北京五星融誠科技有限責任公司 (Beijing Wuxing Rongcheng Technology Co., Limited.*)[(4)]	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
北京和諧欣榮投資中心(有限合夥) (Beijing Hexie Xinrong Investment Center (Limited Partnership)*)[(4)]	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
和諧天明投資管理(北京)有限公司 (Hexie Tianming Investment Management (Beijing) Co., Ltd.*)[(4)]	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
和諧成長二期(義烏)投資中心(有限合夥)(Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership)*)[(4)]	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
GU Wei	Beneficial Owner	6,073,000 Ordinary Shares (long position)	3.81%
	Interest of Controlled Corporation[(5)]	5,717,830 Ordinary Shares (long position)	3.59%
China Create Capital Limited	Beneficial Owner	9,584,000 Ordinary Shares (long position)	6.01%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of Wang Trust. Wang Trust is a discretionary trust set up by Mr. WANG Dongfeng, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of Wang Trust include Mr. WANG Dongfeng and certain of his family members. Mr. WANG Dongfeng and Managecorp Limited are taken to be interested in 21,673,338 Shares held by Foga Group. In addition, Foga Holdings is wholly owned by Managecorp Limited as the trustee of Hao Dong Trust. Hao Dong Trust is a discretionary trust set up by Mr. LIAO Dong, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary object of Hao Dong Trust is Mr. LIAO Dong himself. Mr. LIAO Dong and Managecorp Limited are taken to be interested in 7,763,997 Shares held by Foga Holdings.

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

(3) Mr. YANG Tao was granted 1,340,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018.

(4) KongZhong Corporation is interested in 32,471,076 Shares, representing approximately 20.37% of the issued share capital of the Company. KongZhong Corporation is 100% owned by Linkedsee Limited, which in turn is 73.13% owned by Linkedsee Group Limited. Shanghai Changhui Internet Technology Co., Limited.* (上海常匯互聯網科技有限公司) holds 57.32% of equity interest of Linkedsee Group Limited. Beijing Wuxing Rongcheng Technology Co., Limited.* (北京五星融誠科技有限責任公司) holds 100% equity interest of Shanghai Changhui Internet Technology Co., Limited.* (上海常匯互聯網科技有限公司). Beijing Wuxing Rongcheng Technology Co., Ltd.* (北京五星融誠科技有限責任公司) is 51.11% owned by Mr. WANG Leilei and 40.89% owned by Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership)* (和諧成長二期(義烏)投資中心(有限合夥)). Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership)* (和諧成長二期(義烏)投資中心(有限合夥)) is 3% held by Beijing Hexie Xinrong Investment Center (Limited Partnership)* (北京和諧欣榮投資中心(有限合夥)). Beijing Hexie Xinrong Investment Center (Limited Partnership)* (北京和諧欣榮投資中心(有限合夥)) is 0.1% owned by Hexie Tianming Investment Management (Beijing) Co., Ltd.* (和諧天明投資管理(北京)有限公司).

(5) Onway Sky Group Limited is wholly owned by Ms. GU Wei. Silver Power Enterprise Limited is a wholly-owned subsidiary of Onway Sky Group Limited. Ms. GU Wei is taken to be interested in the 5,717,830 Shares held by Silver Power Enterprise Limited.

Save as disclosed above, as at 30 June 2019, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

At the Company's annual general meeting held on 25 May 2018, the Shareholders granted a share buy-back mandate to the Board to buy-back Shares (which should not exceed 10% of the issued share capital of the Company as at 25 May 2018) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held or, (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting. Pursuant to such mandate, the Company bought back a total of 3,053,800 Shares at a consideration of HK$14,578,273 on the Stock Exchange, all of which were cancelled as at 30 June 2019. The buy-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the buy-backs as at 30 June 2019 are as follows:

Month of buy-backs	Total number of shares bought back (on the Stock Exchange)	Price per Share Highest (HK$)	Price per Share Lowest (HK$)	Aggregate consideration (HK$)
August 2018	756,900	7.35	6.82	5,310,180
September 2018	248,900	7.5	6.22	1,765,296
October 2018	257,700	7.0	6.22	1,734,012
January 2019	1,790,300	3.3	3.15	5,768,785
	3,053,800			**14,578,273**

At the Company's annual general meeting held on 28 May 2019, the Shareholders granted a share buy-back mandate to the Board to buy back Shares (which should not exceed 10% of the issued share capital of the Company as at 28 May 2019) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held or, (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting.

Save as disclosed above, during the six months period ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION

PRE-IPO SHARE OPTION SCHEME

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

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

Set out below are details of the outstanding options granted to the Directors and employees of the Group under the Pre-IPO Option Scheme as at 30 June 2019:

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2019	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2019
Directors										
LIANG Na	157,589 Ordinary Shares	1 January 2013	3 October 2013 to 1 May 2016	10 years from the date of grant	25,089 Ordinary Shares	Par value of the ordinary shares	–	–	–	25,089 Ordinary Shares
ZHAO Cong Richard	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	–	–	–	49,400 Ordinary Shares
Sub-Total	**206,989 Ordinary Shares**	**–**	**–**	**–**	**74,489 Ordinary Shares**	**–**	**–**	**–**	**–**	**74,489 Ordinary Shares**
Two former Directors and 361 employees	6,233,922 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	392,006 Ordinary Shares	Par value of the ordinary shares	8,500 Ordinary Shares	–	–	383,506 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**–**	**–**	**–**	**466,495 Ordinary Shares**	**–**	**8,500 Ordinary Shares (Note)**	**–**	**–**	**457,995 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised during the period was HK$7.51 (equivalent to RMB6.50) per share.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2019, the Company has issued 8,500 Shares to the grantees for an aggregate consideration of USD0.85. Such Shares are of the same class and are identical in all respects with other Shares in issue.

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

POST-IPO SHARE OPTION SCHEME

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

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

Set out below are details of the outstanding options granted to the Directors and employees of the Group under the Post-IPO Share Option Scheme as at 30 June 2019:

Name of grantee	Number and Class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2019	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2019
LIANG Na	329,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	329,000 Ordinary Shares	HK$14.61	–	–	329,000 Ordinary Shares	–
14 employees	1,579,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	1,079,000 Ordinary Shares	HK$14.61	–	–	1,079,000 Ordinary Shares	–
LIANG Na	350,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	–	HK$24.29	–	–	–	–
ZHAO Cong Richard	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	–	HK$24.29	–	–	–	–
Three former Directors and 20 employees	3,425,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	–	HK$24.29	–	–	–	–
Total	**5,753,000 Ordinary Shares**	**–**	**–**	**–**	**1,408,000 Ordinary Shares**	**–**	**–**	**–**	**1,408,000 Ordinary Shares**	**–**

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

During the six months ended 30 June 2019, no options granted under the Post-IPO Share Option Scheme was exercised or cancelled.

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

SUMMARY OF THE SHARE OPTION SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2. Participants	(i) Any Director of any member of the Group from time to time, (ii) any employee or officer of any member of the Group and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company, (ii) the fulltime employees of any of the subsidiaries and/or PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3. Maximum number of Shares	As at 30 June 2019 and the Latest Practicable Date, options to subscribe for an aggregate of 457,995 Shares and 457,995 Shares were outstanding respectively, representing approximately 0.29% and 0.29% of the issued share capital of the Company as at 30 June 2019 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 30 June 2019 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted or have been granted but have not been exercised under the Post-IPO Share Option Scheme was 13,694,591 Shares and 13,694,591 Shares respectively, representing approximately 8.59% and 8.59% of the issued share capital of the Company as at 30 June 2019 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

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

THE RESTRICTED SHARE UNIT SCHEME

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

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

As at 30 June 2019, the Company has offered to grant RSUs to subscribe for 4,260,000 Shares, 2,500,000 Shares and 2,500,000 Shares to Directors and employees of the Group on 13 September 2016, 4 June 2018 and 12 April 2019 respectively.

Set out below are details of the outstanding RSUs granted to the Directors and employees of the Group under the RSU Scheme as at 30 June 2019:

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2019	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2019
WANG Dongfeng	500,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
LIANG Na	820,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
ZHANG Qiang	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
ZHAO Cong Richard	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
HOW Sze Ming	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
One former Director and 17 employees	2,640,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	–	–	–	–	–
WANG Dongfeng	300,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	250,000 Ordinary Shares	–	250,000 Ordinary Shares	–	–
LIANG Na	200,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	166,667 Ordinary Shares	–	166,667 Ordinary Shares	–	–
ZHANG Qiang	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	41,667 Ordinary Shares	–	41,667 Ordinary Shares	–	–
ZHAO Cong Richard	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	41,667 Ordinary Shares	–	41,667 Ordinary Shares	–	–
HOW Sze Ming	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	41,667 Ordinary Shares	–	41,667 Ordinary Shares	–	–
WAN Joseph Jason	50,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	41,667 Ordinary Shares	–	41,667 Ordinary Shares	–	–
One former Director and 29 employees	1,800,000 Ordinary Shares	4 June 2018	1 December 2018 to 1 December 2020	1,274,999 Ordinary Shares	–	700,009 Ordinary Shares	–	574,990 Ordinary Shares
WANG Dongfeng	250,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	250,000 Ordinary Shares
LIANG Na	550,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	550,000 Ordinary Shares
ZHANG Qiang	60,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	60,000 Ordinary Shares

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2019	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2019
ZHAO Cong Richard	60,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	60,000 Ordinary Shares
HOW Sze Ming	60,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	60,000 Ordinary Shares
WAN Joseph Jason	60,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	60,000 Ordinary Shares
16 employees	1,460,000 Ordinary Shares	12 April 2019	1 July 2019 to 1 July 2021	–	–	–	–	1,460,000 Ordinary Shares
Total	**9,260,000 Ordinary Shares**	**–**	**–**	**1,858,334 Ordinary Shares**	**–**	**1,283,344 Ordinary Shares**	**–**	**3,074,990 Ordinary Shares**

SUMMARY OF THE RSU SCHEME

1. Purpose

To reward the participants of the RSU Scheme for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group

2. Participants

(i) full-time employees or officers (including Executive, Non-executive and Independent Non-executive Directors), (ii) full-time employees of any of the subsidiaries and the PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities, and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities

3. Maximum number of Shares

As at 30 June 2019 and the Latest Practicable Date, the maximum number of Shares underlying the RSUs available for grant was 2,673,827 Shares and 2,673,827 Shares respectively, representing approximately 1.68% and 1.68% of the issued share capital of the Company as at 30 June 2019 and the Latest Practicable Date, respectively

The maximum number of Shares underlying the RSUs which may be granted must not in aggregate exceed 11,290,494 Shares, representing 9% of the number of Shares in issue on the Listing Date (the "**RSU Scheme Limit**"). The RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but must not exceed 9% of the number of Shares in issue as at the new approval date

4. Acceptance of Award

A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Company by the grantee in accordance with the instructions from the Company pursuant to the RSU management agreement, being an agreement entered into between the Company and the relevant service provider or any other service agreement to facilitate the acceptance and vesting of RSUs to the grantees from time to time

5. Vesting

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion

6. Trustee

The Board has appointed Computershare Hong Kong Trustees Limited on 2 July 2014 as professional trustee to assist with the administration and vesting of RSUs pursuant to the RSU Scheme

7. Remaining life of the scheme

It shall be valid and effective till 31 August 2023

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

AUDIT AND COMPLIANCE COMMITTEE

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

The Audit and Compliance Committee, together with the Auditor, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2019 and the interim report.

CHANGES OF DIRECTORS

There was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2018 by the Company and up to the Latest Practicable Date.

During the six months ended 30 June 2019 and up to the Latest Practicable Date, changes in Directors and the senior management of the Company are set out below:

Ms. LI Luyi was appointed as an Executive Director with effect from 14 April 2019, and had acted as the co-chief operations officer of the Group since the completion of her application for the change of employment of her working visa from the Immigration Department of the Government of Hong Kong. She was re-designated from co-chief operations officer of the Group to chief operations officer of the Group with effect from 28 May 2019. The biographical information of Ms. LI Luyi has been disclosed in the announcement of the Company dated 14 April 2019 and the Company's 2018 annual report.

Mr. ZHANG Yang was re-designated from chief operations officer of the Group to co-chief operations officer of the Group with effect from 14 April 2019. He retired as an Executive Director with effect from the conclusion of the annual general meeting of the Company held on 28 May 2019. He has also tendered his resignation as the co-chief operations officer of the Group with effect from 28 May 2019.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 70, which comprises the interim condensed consolidated balance sheet of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2019

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and restated)
Continuing operations			
Revenue	*6*	**53,442**	73,024
Cost of revenue		**(17,998)**	(23,450)
Gross profit		**35,444**	49,574
Selling and marketing expenses		**(4,111)**	(5,123)
Administrative expenses		**(20,478)**	(22,030)
Research and development expenses		**(11,498)**	(12,942)
Other income		**21,571**	6,800
Other losses — net		**(326)**	(357)
Finance (cost)/income — net		**(75)**	865
Share of income of investments accounted for using the equity method	*8*	**6,947**	3,525
Gain on dilution of investments accounted for using the equity method	*8*	**–**	7,148
Impairment loss reversed/(charged) of financial assets measured at amortised cost		**605**	(3,764)
Profit before income tax		**28,079**	23,696
Income tax expense	*9*	**(676)**	(1,048)
Profit from continuing operations		**27,403**	22,648
Discontinued operation			
Loss from discontinued operation	*22*	**(17,547)**	(309,322)
Profit/(Loss) for the period		**9,856**	(286,674)
Profit/(Loss) attributable to:			
— Owners of the Company		**10,387**	(245,473)
— Non-controlling interests		**(531)**	(41,201)
		9,856	(286,674)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June **2019** **RMB'000** **(Unaudited)**	 2018 RMB'000 (Unaudited and restated)
Earnings per share for profit from continuing operations attributable to the owners of the Company:			
(expressed in RMB per share)	*10*		
— Basic		**0.20**	0.17
— Diluted		**0.20**	0.16
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company:			
(expressed in RMB per share)	*10*		
— Basic		**0.08**	(1.79)
— Diluted		**0.08**	(1.79)
Profit/(Loss) for the period		**9,856**	(286,674)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
— Currency translation differences		**128**	598
— Change in fair value of financial assets at fair value through other comprehensive income		**(10,369)**	(1,000)
Other comprehensive loss for the period, net of tax		**(10,241)**	(402)
Total comprehensive loss for the period		**(385)**	(287,076)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**141**	(245,875)
— Non-controlling interests		**(526)**	(41,201)
		(385)	(287,076)
Total comprehensive income/(loss) attributable to owners of the Company arises from:			
— Continuing operations		**17,162**	22,251
— Discontinued operation		**(17,021)**	(268,126)
		141	(245,875)

The notes on pages 42 to 70 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	*12*	**20,186**	8,155
Intangible assets	*12*	**137,353**	8,124
Right-of-use assets	*3.1*	**44,033**	–
Investments accounted for using the equity method	*8*	**54,514**	47,567
Financial assets at fair value through profit or loss	*13*	**5,363**	5,512
Financial assets at fair value through other comprehensive income	*14*	**51,513**	30,804
Prepayments and other receivables		**5,558**	2,767
		318,520	102,929
Current assets			
Trade receivables	*15*	**12,706**	23,100
Loan receivables	*16*	**432,550**	46,512
Prepayments and other receivables		**14,800**	17,618
Restricted cash		**933**	929
Short-term deposits		**–**	41,534
Cash and cash equivalents		**339,169**	757,018
		800,158	886,711
Assets classified as held for sale	*22*	**50,575**	–
		850,733	886,711
Total assets		**1,169,253**	989,640
EQUITY			
Equity attributable to owners of the Company			
Share capital	*17*	**102**	86
Shares held for Restricted Share Units Scheme	*17*	**(28,900)**	(28,900)
Share premium	*17*	**2,165,486**	2,066,360
Reserves	*18*	**(61,168)**	(55,028)
Accumulated losses		**(1,162,890)**	(1,173,277)
		912,630	809,241
Non-controlling interests		**58,776**	38,446
Total equity		**971,406**	847,687

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**9,346**	459
Deferred revenue		**–**	122
Lease liabilities	*3.1*	**21,385**	–
		30,731	581
Current liabilities			
Trade payables	*20*	**16,388**	29,153
Other payables and accruals		**91,865**	97,550
Income tax liabilities		**6,273**	8,247
Deferred revenue		**6,397**	6,422
Lease liabilities	*3.1*	**21,453**	–
		142,376	141,372
Liabilities directly associated with assets classified as held for sale	*22*	**24,740**	–
		167,116	141,372
Total liabilities		**197,847**	141,953
Total equity and liabilities		**1,169,253**	989,640

The notes on pages 42 to 70 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited							
		Attributable to Owners of the Company							
	Note	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2019		**86**	**2,066,360**	**(28,900)**	**(55,028)**	**(1,173,277)**	**809,241**	**38,446**	**847,687**
Comprehensive income									
Profit for the period		–	–	–	–	10,387	10,387	(531)	9,856
Other comprehensive income/(loss)									
Changes in fair value of financial assets at fair value through other comprehensive income	*18*	–	–	–	(10,369)	–	(10,369)	–	(10,369)
Currency translation differences	*18*	–	–	–	123	–	123	5	128
Total comprehensive income/(loss)		–	–	–	(10,246)	10,387	141	(526)	(385)
Transactions with owners in their capacity as owners									
Acquisition of a subsidiary	*17, 21*	16	95,991	–	–	–	96,007	20,856	116,863
Employee share-based compensation scheme:									
– Value of employee services	*18*	–	–	–	4,106	–	4,106	–	4,106
Repurchase and cancellation of shares	*17*	(1)	(4,942)	–	–	–	(4,943)	–	(4,943)
Issue of ordinary shares as consideration for investment in financial assets at fair value through other comprehensive income	*14, 17*	1	8,077	–	–	–	8,078	–	8,078
Total transactions with owners in their capacity as owners		16	99,126	–	4,106	–	103,248	20,856	124,104
Balance at 30 June 2019		**102**	**2,165,486**	**(28,900)**	**(61,168)**	**(1,162,890)**	**912,630**	**58,776**	**971,406**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The notes on pages 42 to 70 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Cash flows from operating activities		
Cash used in operations	**(329,295)**	(273,732)
Income tax paid	**(966)**	(1,936)
Net cash used in operating activities	**(330,261)**	(275,668)
Cash flows from investing activities		
Purchases of property and equipment	**(137)**	(2,764)
Proceeds from disposals of property and equipment	**128**	73
Purchases of intangible assets	**(219)**	(256)
Payment for acquisition of subsidiary, net of cash acquired	**(5,585)**	–
Proceeds from disposal of equity interests in a subsidiary without change of control	**–**	2,483
Proceeds from disposal of investments, net	**4,375**	19,875
Payments for investments in associates	**–**	(4,300)
Prepayments for investment	**–**	(5,000)
Payments for investment in financial assets at fair value through other comprehensive income	**(23,000)**	–
Distribution of profit received	**16,162**	–
Placement of short-term deposits	**–**	(995)
Proceeds received upon maturity of short-term deposits	**41,534**	35,645
Interests received from short-term deposits	**476**	1,015
Net cash generated from investing activities	**33,734**	45,776
Cash flows from financing activities		
Purchases of shares for Restricted Share Units Scheme	**–**	(24,121)
Payment for repurchase of shares	**(4,943)**	–
Payments for lease liabilities	**(2,319)**	–
Net cash used in financing activities	**(7,262)**	(24,121)
Net decrease in cash and cash equivalents	**(303,789)**	(254,013)
Cash and cash equivalents at beginning of period	**642,745**	589,286
Effects of exchange rate changes on cash and cash equivalents	**213**	465
Cash and cash equivalents at end of the period	**339,169**	335,738

The cash flows of discontinued operation are presented in note 22.

The notes on pages 42 to 70 are integral parts of the interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in developing and publishing domestic and overseas webgames, mobile games (the "Game Business") and providing virtual reality experience service as well as providing internet micro-credit service (the "Internet Micro-credit Business") in the People's Republic of China (the "PRC").

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

On 26 April 2019, the Company announced the disposal of the Group's entire equity interest in Jlc Inc., representing 54.54% of equity interest held by the Group, at a cash consideration of RMB47,433,000. The Group was of the view that the disposal of Jlc Inc. was highly probable to take place within 1 year. As a result, assets and liabilities of Jlc Inc. were classified as held for sale as at 30 June 2019. The financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the six months ended 30 June 2019. The comparative figures of the financial performance for the six months ended 30 June 2018 have been restated on such basis. Details of the disposal are further disclosed in Note 22.

On 26 June 2019, the Group completed the acquisition of 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd. (北京西瓜互娛科技有限責任公司, "Xigua Huyu"), which is principally engaged in offering self-developed games as well as licensed games in physical stores that are equipped with space positioning technology and virtual reality devices. Details of the acquisition are further disclosed in Note 21.

The interim condensed consolidated balance sheet as at 30 June 2019, 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 28 August 2019.

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 Interim Financial Information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3.1 Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75% with reference to the base interest rate of loans stipulated by the People's Bank of China.

Impact upon the application of IFRS 16 as at 1 January 2019 are listed as follows:

	1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	14,935
Discounted using the lessee's incremental borrowing rate at the date of initial application	12,776
(Less): short-term leases recognised on a straight-line basis as expense	(576)
Lease liabilities recognised as at 1 January 2019	12,200
Of which are:	
Current lease liabilities	7,971
Non-current lease liabilities	4,229
	12,200

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	**1 January 2019** RMB'000
Properties	44,033	12,775

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Lease liabilities, increased by RMB12,200,000;
- Right-of-use assets, increased by RMB12,775,000.

The adoption of IFRS 16 had no material impact on the Group's accumulated losses as at 1 January 2019.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 Adjustments Recognised on Adoption of IFRS 16 (Continued)

3.1.1 Impact on Earnings Per Share

The adoption of IFRS 16 has no material impact on the earnings per share of the Group for the six months ended 30 June 2019.

3.1.2 Practical Expedients Applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 *Leases* and IFRS Interpretations Committee ("IFRIC") 4 *Determining Whether an Arrangement Contains a Lease*.

3.2 The Group's Leasing Activities and How These are Accounted for

The Group leases various stores and offices. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 The Group's Leasing Activities and How These are Accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 JUDGMENTS AND ESTIMATES

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial Risk Factors

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

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

There have been no material changes in the risk management policies since the year ended 31 December 2018.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity Risk

Compared to the year ended 31 December 2018, there was no material change in the contractual undiscounted cash out flows for financial liabilities. The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

5.3 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

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

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

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2019.

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	–	–	5,363	5,363
Financial assets at fair value through other comprehensive income	–	–	51,513	51,513
	–	–	56,876	56,876

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 Fair Value Estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2018.

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	–	–	5,512	5,512
Financial assets at fair value through other comprehensive income	–	–	30,804	30,804
	–	–	36,316	36,316

Financial instrument in level 3

The changes in level 3 instruments for the six months ended 30 June 2019 and 2018 are presented in Notes 13 and 14.

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

Description	Fair value at 30/06/2019 (RMB'000) (Unaudited)	Valuation techniques	Unobservable input	Weighted average
Equity securities:				
Financial assets at fair value through other comprehensive income	**30,435**	Net asset	Net asset	N/A
Financial assets at fair value through other comprehensive income	**21,078**	Comparable companies	Price/sales ratio Illiquidity discount rate	6.00 24%
Financial assets at fair value through profit or loss	**5,363**	Comparable companies	Price/sales ratio Illiquidity discount rate	14.63 20%

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

6 SEGMENT INFORMATION

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

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

— Game Business

— Internet Micro-credit Business

One of the subsidiaries engaged in the financial information service was announced to be disposed in April 2019. Information about the discontinued segment is provided in note 22.

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

Specifically, the revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the assessment of operating segments' results such as changes in the value of financial assets at fair value through profit or loss, non-recurring event such as distribution of profit from financial assets at fair value through other comprehensive income. It also excludes the effects of equity-settled share-based payments.

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

6 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Revenue from continuing operations		
Game Business	**37,358**	46,928
Internet Micro-credit Business	**16,084**	26,096
	53,442	73,024
Adjusted EBITDA from continuing operations		
Game Business	**2,546**	(962)
Internet Micro-credit Business	**4,190**	11,746
Share of income of investments accounted for using the equity method	**6,947**	3,525
Gain on dilution of investments accounted for using the equity method	**–**	7,148
	13,683	21,457

The change in the accounting policy leads to the increases of RMB1,116,000 and RMB441,000 in the adjusted EBITDA of the segment of Game Business and Internet Micro-credit Business for the six months ended 30 June 2019, respectively.

A reconciliation of adjusted EBITDA to operating profit before income tax from continuing operations is provided as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Total adjusted EBITDA from continuing operations	**13,683**	21,457
Share-based compensation	**(1,643)**	(1,377)
Distribution of profit from financial assets at fair value through other comprehensive income	**16,000**	–
Changes in the value of financial assets at fair value through profit or loss	**(149)**	–
Depreciation and amortisation	**(2,460)**	(1,443)
Net interest income	**2,648**	5,059
Profit before income tax from continuing operations	**28,079**	23,696

6 SEGMENT INFORMATION (Continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue for continuing operations provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2019 and 2018 is as follows:

	Unaudited Six Months Ended 30 June 2019		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**37,969**	**15,473**	**53,442**

	Unaudited and restated Six Months Ended 30 June 2018		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	45,091	27,933	73,024

A breakdown of revenue derived from different forms during the six months ended 30 June 2019 and 2018 for continuing operations is as follows:

	Six Months Ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and restated)
Income from Game Business	**37,358**	46,928
Interest income	**16,084**	26,096
	53,442	73,024

As at 30 June 2019 and 31 December 2018, the majority of the non-current assets of the Group were located in the PRC.

7 PROFIT 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	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Employee benefit expenses	**26,288**	28,993
Content cost, distribution cost and other outsourcing expenses	**13,594**	16,497
Bandwidth and server custody fees	**2,749**	5,275
Promotion and advertising expenses	**2,289**	3,533
Depreciation of right-of-use assets	**1,459**	–
Allowance for impairment loss charged on loan receivables *(Note 16)*	**600**	3,547
Amortisation of intangible assets *(Note 12)*	**512**	615
Depreciation of property and equipment *(Note 12)*	**489**	828
Distribution of profit from financial assets at fair value through other comprehensive income	**(16,000)**	–
Share of income of investments accounted for using the equity method *(Note 8)*	**(6,947)**	(3,525)
Interest income arising from cash and cash equivalents	**(2,723)**	(4,194)
Allowance for impairment loss (reversed)/charged on trade receivables	**(1,008)**	126
Gain on dilution of investments accounted for using the equity method *(Note 8)*	**–**	(7,148)

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**47,567**	12,057
Additions	**–**	5,000
Share of income of associates	**6,947**	3,525
Gain on dilution of interest in an associate	**–**	7,148
At end of period	**54,514**	27,730

The investees are principally engaged in internet related business.

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2019 and 2018 are analysed as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and restated)
Current income tax:		
— PRC and oversea enterprise income tax	**676**	524
Deferred income tax:		
— Decrease in deferred tax assets	**–**	524
Income tax expense	**676**	1,048

(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

Mutant Box Limited ("MB") is incorporated in Hong Kong, the applicable tax rate is 8.25% on assessable profits up to HK$2,000,000, and the applicable tax rate is 16.5% on any part of assessable profits over HK$2,000,000.

(c) Taiwan business income tax

Forgame International Co., Ltd. (雲遊股份有限公司, "Yunyou") is incorporated in Taiwan, and the business income tax rate is 19% for the six months ended 30 June 2019 (30 June 2018: 18%).

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

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2019 and 2018, 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") had renewed their qualification of "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2016 and their qualification were expired in 2018. Weidong and Feiyin have not renewed their qualification of HNTEs during the period ended 30 June 2019 yet.

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") has renewed its qualification of HNTEs under the EIT Law in 2017, thus the applicable tax rate was 15% for the six months ended 30 June 2019 and 2018.

9 INCOME TAX EXPENSE (Continued)

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

Xigua Huyu was qualified as HNTEs under the EIT Law in 2018, thus the applicable tax rate was 15% for the six months ended 30 June 2019.

Tianjin Wanke Technology Co., Ltd. (天津玩氪科技有限公司, "Tianjin Wanke") is qualified as a small low-profit enterprise ("SLPE"). According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that became effective from 2019 onwards, the applicable tax rate was 20% for the SLPE. For the SLPE of annual taxable income less than or equal to RMB1 million, the effective taxable income is calculated based on 25% of the annual taxable income. For the SLPE of annual taxable income over RMB1 million and less than or equal to RMB3 million, the effective taxable income is calculated based on 50% of the annual taxable income.

According to the relevant EIT Laws jointly promulgated by the Ministry of Finance of the PRC, State Tax Bureau of the PRC, and Ministry of Science of the PRC that became effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

(e) PRC Withholding Tax ("WHT")

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

As at 30 June 2019, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2019.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each respective period.

Earnings per share for profit from continuing operations attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited and restated)
Profit from continuing operations attributable to owners of the Company (RMB'000)	**27,408**	22,653
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Basic earnings per share (in RMB/share)	**0.20**	0.17

10 EARNINGS/(LOSS) PER SHARE (Continued)

(a) Basic (Continued)

Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company are as follows:

	Six Months Ended 30 June 2019 (Unaudited)	2018 (Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	**10,387**	(245,473)
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Basic earnings/(loss) per share (in RMB/share)	**0.08**	(1.79)

(b) Diluted

For the six months ended 30 June 2019, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and restricted share units granted to employees under Restricted Share Units Scheme.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted earnings/(loss) per share). No adjustment is made to earnings (numerator).

Diluted earnings per share for profit from continuing operations attributable to the owners of the Company are as follows:

	Six Months Ended 30 June 2019 (Unaudited)	2018 (Unaudited and restated)
Profit from continuing operations attributable to owners of the Company (RMB'000)	**27,408**	22,653
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Adjustments for calculation of diluted earnings per share:		
— Adjustments for share options under Pre-IPO Share Option Scheme	**462,785**	555,049
— Adjustments for awarded shares under Restricted Share Units Scheme	**247,270**	657,756
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**135,598,692**	138,384,305
Diluted earnings per share (in RMB/share)	**0.20**	0.16

10 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

Diluted earnings/(loss) per share for profit/(loss) attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	**10,387**	(245,473)
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Adjustments for calculation of diluted earnings/(loss) per share:		
— Adjustments for share options under Pre-IPO Share Option Scheme	**462,785**	–
— Adjustments for awarded shares under Restricted Share Units Scheme	**247,270**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**135,598,692**	137,171,500
Diluted earnings/(loss) per share (in RMB/share)	**0.08**	(1.79)

11 DIVIDENDS

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB'000 (Unaudited)	Intangible Assets RMB'000 (Unaudited)
Six months ended 30 June 2019		
Opening net book amount	**8,155**	**8,124**
Acquisition of a subsidiary (a)	**16,580**	**132,540**
Additions	**133**	**7**
Disposals	**(118)**	**–**
Net book amount classified as held for sale	**(4,075)**	**(2,806)**
Depreciation/amortisation charge	**(489)**	**(512)**
Closing net book amount	**20,186**	**137,353**
Six month ended 30 June 2018		
Opening net book amount	8,565	376,596
Additions	378	–
Disposals	(355)	–
Depreciation/amortisation charge (b)	(1,946)	(18,452)
Impairments	–	(349,126)
Closing net book amount	6,642	9,018

(a) The addition of the intangible assets for the six months period ended 30 June 2019 was mainly derived from acquisition of a subsidiary, which included goodwill of RMB67,713,000 and other identifiable intangible assets of RMB64,827,000 (Note 21).

(b) The depreciation and amortisation charge allocated to held for sale for the six months ended 30 June 2018 were RMB1,118,000 and RMB17,837,000, respectively.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six Months Ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Unlisted securities	**5,363**	–
At 1 January	**5,512**	–
Changes in fair value	**(149)**	–
At 30 June, all non-current	**5,363**	–

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At end of previous period	**30,804**	–
Reclassified from available-for-sale financial assets due to adoption of IFRS 9	**–**	15,312
At beginning of period	**30,804**	15,312
Additions *(Note a)*	**31,078**	–
Changes in fair value	**(10,369)**	(1,000)
At end of period	**51,513**	14,312

(a) On 10 June 2019, the Group completed the investments as a limited partner in a limited partnership entity which is principally engaged in investment activities. The purchase consideration was settled at a total cash consideration of RMB10,000,000.

On 27 March 2019, the Group completed the investment in a company which is principally engaged in operating E-sports venues. The purchase consideration was RMB21,078,000 in aggregation, which included cash consideration of RMB13,000,000 and share consideration with 1,851,568 new ordinary shares at a fair value of HK$5.1 per share, being the closing price per the Company's ordinary share as quoted on The Stock Exchange of Hong Kong Limited on 27 March 2019. The fair value of the consideration of 1,851,568 new ordinary shares is RMB8,078,000. Since the Group cannot control or exert significant influence to the invested company, management designated this investment as financial assets at fair value through other comprehensive income.

15 TRADE RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Third parties	**28,637**	40,801
Related parties	**18**	1,658
	28,655	42,459
Less: allowance for impairment	**(15,949)**	(19,359)
	12,706	23,100

15 TRADE RECEIVABLES (Continued)

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–30 days	**8,838**	8,449
31–60 days	**1,880**	4,456
61–90 days	**1,097**	4,680
91–180 days	**186**	5,760
181–365 days	**391**	2,086
Over 1 year	**16,263**	17,028
	28,655	42,459

16 LOAN RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Guaranteed loans	**394,779**	6,454
Collateralised loans	**38,371**	40,058
Gross loan receivables	**433,150**	46,512
Less: allowance for impairment losses, collectively assessed	**(600)**	–
Net loan receivables	**432,550**	46,512

16 LOAN RECEIVABLES (Continued)

Analysis of loan receivables by overdue and impaired states are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Neither past due nor impaired	**413,415**	41,646
Overdue but not impaired	**19,735**	4,866
	433,150	46,512
Less: allowance for impairment losses	**(600)**	–
Net balance	**432,550**	46,512

Movement of allowance for impairment losses are as follows:

	Six Months Ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
At beginning of period	**–**	3,510
Charge for the period		
— Collectively assessed	**600**	3,547
At end of period	**600**	7,057

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

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

		Unaudited					
	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares	Share Capital	Share Premium	Shares held for Restricted Share Units Scheme	Total
			US$'000	RMB'000	RMB'000	RMB'000	RMB'000
Ordinary shares, issued and fully paid:							
As at 1 January 2019		**133,659,937**	**14**	**86**	**2,066,360**	**(28,900)**	**2,037,546**
Acquisition of a subsidiary:							
— Issue of ordinary shares as consideration	*a*	**22,268,908**	**2**	**16**	**95,991**	**–**	**96,007**
Repurchase and cancellation of shares	*b*	**(1,790,300)**	**–**	**(1)**	**(4,942)**	**–**	**(4,943)**
Issue of ordinary shares as consideration for investment in financial assets at fair value through other comprehensive income	*c*	**1,851,568**	**–**	**1**	**8,077**	**–**	**8,078**
Employee share-based compensation scheme:							
— Shares issued upon exercise of employee share options	*d*	**8,500**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2019		**155,998,613**	**16**	**102**	**2,165,486**	**(28,900)**	**2,136,688**
As at 1 January 2018		137,406,543	14	87	2,074,087	(9,584)	2,064,590
Employee share-based compensation scheme:							
— Shares issued upon exercise of employee share options	*d*	62,094	–	–	–	–	–
— Shares purchased for Restricted Share Units Scheme		(2,728,900)	–	–	–	(24,121)	(24,121)
— Vesting and allotting of shares of Restricted Share Units Scheme		1,000,000	–	–	–	11,523	11,523
As at 30 June 2018		135,739,737	14	87	2,074,087	(22,182)	2,051,992

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

Notes:

(a) During the six months ended 30 June 2019, an aggregate of 22,268,908 new shares were allotted and issued as consideration for business combinations (Note 21) (30 June 2018: Nil). The aggregate consideration was RMB96,007,000 (30 June 2018: Nil).

(b) During the six months ended 30 June 2019, the Company repurchased an aggregate of 1,790,300 (30 June 2018: Nil) ordinary shares at an average price of HK$3.22 per share (30 June 2018: Nil) for an aggregate consideration of HK$5,769,000, equivalent to RMB4,943,000 (30 June 2018: Nil) under the share buy-back mandates approved in the annual general meeting.

(c) During the six months ended 30 June 2019, an aggregate of 1,851,568 new shares were allotted and issued as consideration for investment in financial assets at fair value through other comprehensive income (30 June 2018: Nil). The aggregate consideration was RMB8,078,000 (30 June 2018: Nil).

(d) During the six months ended 30 June 2019, employee share options granted under the Pre-IPO Share Option Scheme were exercised to subscribe for 8,500 shares (30 June 2018: 62,094 shares) with exercise price of US$0.0001.

18 RESERVES

	Unaudited					
	Capital Reserve RMB'000	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
As at 1 January 2019	**30,000**	**20,490**	**201,635**	**49,547**	**(356,700)**	**(55,028)**
Value of employee services						
— Restricted Share Units Scheme	**–**	**–**	**4,106**	**–**	**–**	**4,106**
Currency translation differences	**–**	**–**	**–**	**123**	**–**	**123**
Changes in fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(10,369)**	**(10,369)**
As at 30 June 2019	**30,000**	**20,490**	**205,741**	**49,670**	**(367,069)**	**(61,168)**
As at 1 January 2018	30,000	14,437	205,187	47,756	(371,782)	(74,402)
Value of employee services						
— Restricted Share Units Scheme	–	–	2,419	–	–	2,419
Currency translation differences	–	–	–	598	–	598
Vesting and allotting of shares of Restricted Share Units Scheme	–	–	(7,642)	–	–	(7,642)
Disposal of equity interests in a subsidiary without change of control	–	–	–	–	2,151	2,151
Changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(1,000)	(1,000)
As at 30 June 2018	30,000	14,437	199,964	48,354	(370,631)	(77,876)

19 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

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

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

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

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

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

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

		Pre-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June	
	Exercise Price	**2019**	2018
At beginning of period		**466,495**	577,989
Exercised	US$0.0001	**(8,500)**	(62,094)
At end of period		**457,995**	515,895

As a result of the options exercised during the six months ended 30 June 2019, 8,500 ordinary shares were issued by the Company (Note 17). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$7.51 (equivalent to RMB6.50) per share.

As at 30 June 2019, all share options granted would expire in 2022 with an average exercise price of US$0.0001 per share option. The fair value of share options was determined at the respective grant dates.

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

19 SHARE-BASED PAYMENTS (Continued)

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

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

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

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

Since all the share options related to the Pre-IPO Share Option Scheme have been vested, no share-based compensation expense related to the Pre-IPO Share Option Scheme were incurred for the six months ended 30 June 2019 (30 June 2018: Nil).

(b) Post-IPO Share Option Scheme

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

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

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

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

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

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

19 SHARE-BASED PAYMENTS (Continued)

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

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

	Post-IPO Share Option Scheme Six Months Ended 30 June			
	2019		2018	
	Average Exercise Price	**Number of Share Options**	Average Exercise Price	Number of Share Options
At beginning of period		**1,408,000**		1,563,000
Forfeited	**HK$14.61**	**(1,408,000)**	HK$24.29	(155,000)
At end of period		**–**		1,408,000

As at 30 June 2019, all share options granted have expired with an average exercise price of HK$14.61 per share option.

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

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

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

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

Since all the share options related to the Post-IPO Share Option Scheme had been vested, no share-based compensation expense related to the Post-IPO Share Option Scheme were incurred for the six months ended 30 June 2019 (30 June 2018: nil).

19 SHARE-BASED PAYMENTS (Continued)

(c) Restricted Share Units Scheme

On 13 September 2013, the Board of Directors of the Company approved to adopt a Restricted Share Units Scheme. During the years ended 31 December 2016, 2018 and the six months ended 30 June 2019, the Company granted 4,260,000, 2,500,000 and 2,500,000 restricted share units to certain directors and employees of the Group (collectively, the "Grantees") pursuant to the Restricted Share Unit Scheme at the grant date fair value of HK$8.88 (equivalent to RMB7.64), HK$10.10 (equivalent to RMB8.27) and HK$6.30(equivalent to RMB5.43) respectively for each restricted share unit. The fair value of restricted share units granted to employees is measured with reference to the closing price of the ordinary share of the Company at the grant date and recognised as staff costs with a corresponding increase in the capital reserve within equity.

As at 30 June 2019, the restricted share units granted in 2016 have all been vested. The vesting schedule of the restricted share units newly granted during this period is as follows:

Percentage of the restricted share units	Date of vesting of the relevant percentage of the restricted share units
20%	1 July 2019
20%	1 January 2020
20%	1 July 2020
20%	1 January 2021
20%	1 July 2021

During the six months ended 30 June 2019, the Company recorded share based compensation of RMB4,106,000 (30 June 2018: RMB2,419,000) related to Restricted Share Units Scheme.

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

20 TRADE PAYABLES

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

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–30 days	**4,485**	3,485
31–60 days	**1,510**	2,809
61–90 days	**2,957**	2,885
91–180 days	**250**	11,571
181–365 days	**734**	2,169
over 1 years	**6,452**	6,234
	16,388	29,153

21 BUSINESS COMBINATION

On 26 June 2019 ("the Acquisition Date"), the Group completed the acquisition of 69.84% equity interest in Xigua Huyu, which is principally engaged in offering self-developed games as well as licensed games in the physical stores that are equipped with space positioning technology and virtual reality devices (the "Acquisition").

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid and payable	**20,000**
Issue of ordinary shares *(Note a)*	**96,007**
Total purchase consideration	**116,007**

(a) As at 26 June 2019, the Company issued 22,268,908 new ordinary shares at a fair value of HK$4.9 per share, being the closing price per the Company's ordinary share as quoted on The Stock Exchange of Hong Kong Limited on 26 June 2019. The fair value of the consideration of 22,268,908 new ordinary shares is RMB96,007,000.

The acquisition fell within the scope of IFRS 3 *Business Combinations* and therefore the acquired assets and liabilities as of the acquisition date were recognised at fair values.

21 BUSINESS COMBINATION (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Cash	**4,415**
Trade receivables	**6,398**
Prepayments and other receivables	**23,673**
Plant and equipment	**16,580**
Intangible assets: software licence	**327**
Intangible assets: technology	**34,600**
Intangible assets: backlog	**29,900**
Right-of-use assets	**38,143**
Lease liabilities	**(36,827)**
Other payables and accruals	**(37,299)**
Deferred revenue	**(1,873)**
Deferred income tax liabilities	**(8,887)**
Net identifiable assets acquired	**69,150**
Less: non-controlling interests (i)	**(20,856)**
Add: goodwill	**67,713**
Net assets acquired	**116,007**

(i) Non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Xigua Huyu, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The goodwill of RMB67,713,000 arising from the acquisition is attributable to the workforce and the expected high profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

The revenue and net loss to the Group from the acquired business for the period from the Acquisition Date to 30 June 2019 was immaterial.

22 DISCONTINUED OPERATION

On 26 April 2019, the Company announced the disposal transaction on the Group's entire 54.54% equity interest in Jlc Inc., at a cash consideration of RMB47,433,000. As at 30 June 2019, the disposal transaction had not been completed yet and the Group was of the view that the disposal of Jlc Inc. was highly probable to be taken place within 1 year. As a result, assets and liabilities of Jlc Inc. were classified as held for sale as at 30 June 2019. The financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the six months ended 30 June 2019. The comparative figures of the financial performance for the six months ended 30 June 2018 have been restated on such basis.

Financial information relating to the discontinued operation for the six months ended 30 June 2019 is set out below.

22 DISCONTINUED OPERATION (Continued)

22.1 Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations of Jlc Inc. for the six months ended 30 June 2019 and 2018 respectively are as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**35,816**	132,813
Cost of revenue	**(1,836)**	(33,494)
Expenses	**(57,597)**	(89,962)
Other income — net	**4,677**	528
Impairment of intangible assets	**–**	(349,126)
Finance cost — net	**(105)**	–
Loss before income tax	**(19,045)**	(339,241)
Income tax credit	**1,498**	29,919
Loss from discontinued operation	**(17,547)**	(309,322)
Net cash (outflow)/inflow from operating activities	**(94,277)**	70,274
Net cash (outflow)/inflow from investing activities	**(161)**	69
Net cash outflow from financing activities	**(1,731)**	–
Net cash (used in)/generated from the subsidiary	**(96,169)**	70,343
Basic loss per share for loss attributable to owners of the Company from discontinued operation (expressed in RMB per share)	**(0.12)**	(1.96)
Diluted loss per share for loss attributable to owners of the Company from discontinued operation (expressed in RMB per share)	**(0.12)**	(1.96)

22 DISCONTINUED OPERATION (Continued)

22.2 Assets and liabilities classified as held for sale

As at 30 June 2019, the assets and liabilities classified as held for sale, which were measured after offsetting the intra-group balance, are as follows:

	As at 30 June 2019 RMB'000 (Unaudited)
ASSETS	
Non-current assets	
Property and equipment	**2,492**
Intangible assets	**2,424**
Right-of-use assets	**2,982**
Prepayments and other receivables	**136**
Current assets	
Trade receivables	**18,079**
Prepayments and other receivables	**6,358**
Cash and cash equivalents	**18,104**
Total assets	**50,575**
LIABILITIES	
Current liabilities	
Trade payables	**9,500**
Other payables and accruals	**12,320**
Income tax liabilities	**544**
Lease liabilities	**2,376**
Total liabilities	**24,740**

At the Company's extraordinary general meeting held on 29 July 2019, the shareholders approved the disposal transaction on the Group's entire 54.54% equity interest in Jlc Inc. at a consideration of RMB47,433,000.

23 CAPITAL COMMITMENTS

As at 30 June 2019, the capital expenditure contracted but not provided for amounted to RMB4,000,000(as at 31 December 2018: RMB1,250,000), which were related to investment arrangements.

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Period End Balances

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Other payables to related parties		
Shanghai Dacheng Network Technology Co., Ltd. (上海大承網絡技術有限公司)*	**31,875**	–
Entities controlled by a key management of the Company	**500**	–
	32,375	–

* Shanghai Dacheng Network Technology Co., Ltd. (上海大承網絡技術有限公司) was controlled by a shareholder of the Company.

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

(b) Key Management Compensations

Key management includes directors, chief executive officer and other senior executives. Key management compensation for the six months ended 30 June 2019 and 2018 are as follows:

	Six Months Ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Fees, Wages, salaries and bonuses	**3,178**	4,226
Pension costs — defined contribution plans	**105**	72
Other social security costs and housing benefits	**160**	131
Share-based compensation expenses (i)	**1,708**	1,843
	5,151	6,272

(i) The amount represents the share-based compensation expenses recognised by the Group during the six months ended 30 June 2019 and 2018, which may be different from the amount of the gain obtained by the key management at the time of vesting.

25 CONTINGENCIES

As at 30 June 2019, the Group did not have any significant unrecorded contingent liabilities.

26 SUBSEQUENT EVENTS

Saved as disclosed in Note 22 of these Interim Financial Information, there are no other significant subsequent events after 30 June 2019 which would have material impact on these Interim Financial Information.

DEFINITIONS

"ARPPU"	average revenue per paying user
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands"	the Cayman Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
"Company" or "Forgame"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose Shares became listed on the Main Board of the Stock Exchange on the Listing Date
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trusts"	Wang Trust, Keith Huang Trust, Hao Dong Trust and Zhuangjg Trust, collectively
"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited)* (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, established under the laws of the PRC on 13 June 2012
"Feidong Contractual Arrangements"	a series of contractual arrangements entered into between Feidong, the Feidong PRC Operational Entities and their respective shareholders
"Feidong PRC Operational Entities"	Feiyin, Weidong and Jieyou, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the Feidong Contractual Arrangements, collectively

DEFINITIONS

"Feiyin"	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited)* (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC on 12 April 2004
"Financial Statements"	Unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Hao Dong Trust
"Foga Internet Development"	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly-owned by Mr. Yang and is one of the Holding Companies
"Foga Networks"	Foga Networks Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Huang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Keith Huang Trust
"Founder(s)"	Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, who are the founder(s) of the Company, collectively
"Group" or "we" or "us"	the Company and its subsidiaries, collectively
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary of which is Mr. Liao
"Holding Companies"	Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies of the Company established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang respectively, collectively
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"IFRSs"	financial reporting standards and interpretations approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
"Independent Non-executive Director(s)"	independent non-executive Director(s) of the Company
"IPO"	initial public offering of the Shares on the Stock Exchange
"Jieyou"	Guangzhou Jieyou Software Co., Ltd. (also referred to as Guangzhou Jieyou Software Company Limited)* (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC on 7 June 2012
"Jinweilai"	Beijing Jinweilai Financial Information Service Co., Ltd. (also referred to as Beijing Jinweilai Financial Information Service Company Limited)* (北京金未來金融信息服務有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC Registered Shareholder
"Jlc Inc."	Jlc Inc., an exempted company duly incorporated with limited liability and validly existing under the laws of the Cayman Islands
"JLC (HK)"	Jianlc (HK) Limited, a limited company incorporated in Hong Kong, the entire equity interest of which is held by Jlc Inc.
"JLC (WFOE)"	New Goround Network Technology (Tianjin) Co., Ltd.* (新谷原信息技術(天津)有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC (HK)
"JLC Contractual Arrangements"	a series of contractual arrangements entered into between JLC (WFOE), the JLC VIE Controlled Entities and their respective shareholders
"JLC PRC Equity Owners"	Mr. Guo Yong and Ms. Qiu Zengzhen, who beneficially owned as to 95% and 5%, respectively, of the equity interest of the JLC Register Shareholder
"JLC PRC Operational Entities"	Jinweilai, Laijin and Weilaijin, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the JLC Contractual Arrangements, collectively
"JLC Registered Shareholder"	Jinweilai (Guangzhou) Investment Consultancy Co., Ltd. (also referred to as Jinweilai (Guangzhou) Investment Consultancy Company Limited)* (金未來(廣州)投資諮詢有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC PRC Equity Owners
"JLC VIE Controlled Entity(ies)"	the JLC PRC Operational Entities and the JLC Registered Shareholder

DEFINITIONS

"Keith Huang Trust"	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
"Laijin"	Beijing Laijin Investment Fund Management Co,. Ltd. (also referred to as Beijing Laijin Investment Fund Management Company Limited)* (北京來金投資基金管理有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
"Latest Practicable Date"	12 September 2019, being the latest practicable date prior to the bulk printing and publication of this interim report
"Listing Date"	3 October 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Managecorp Limited"	Managecorp Limited, the trustee of each of the Family Trusts
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users
"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of Hao Dong Trust
"Mr. Wang"	Mr. Wang Dongfeng (汪東風), the Chairman of the Board, an Executive Director, the Chief Executive Officer of the Company, one of the Founders and the settlor of Wang Trust

DEFINITIONS

"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders
"Mr. Zhuang"	Mr. Zhuang Jieguang (莊捷廣), one of the Founders and the settlor of Zhuangjg Trust
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	non-executive director(s) of the Company
"Offer Date"	the date on which the Pre-IPO Share Option(s) are offered to an eligible participant as defined in the Pre-IPO Share Option Scheme
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"PRC Operational Entities"	the Feidong PRC Operational Entities and the JLC PRC Operational Entities
"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
"Prospectus"	the prospectus of the Company dated 19 September 2013 in relation to the IPO
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Restricted Share Unit Scheme" or "RSU Scheme"	the scheme conditionally approved and adopted by the Company on 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
"RSU(s)"	restricted share unit(s) granted pursuant to the RSU Scheme
"R&D"	research and development
"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company

DEFINITIONS

"Shares"	shares of USD0.0001 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United States"	the United States of America
"US$" or "USD"	United States dollars, the lawful currency of the United States
"VR"	virtual reality
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited)* (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC on 22 January 2007
"Weilaijin"	Beijing Weilaijin Technology Co., Ltd. (also referred to as Beijing Weilaijin Technology Company Limited)* (北京未來金科技有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
"Xigua Huyu"	Beijing Xigua Huyu Technology Co., Ltd.* (北京西瓜互娛科技有限責任公司), a company established with limited liability in the PRC
"Yunke"	Jiujiang Yunke Internet Microfinance Co., Ltd.* (九江市雲客網絡小額貸款有限公司), a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016
"Zhuangjg Trust"	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members

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