Forgame Holdings Limited
雲 遊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board (the "Board") of directors (the "Directors") of Forgame Holdings Limited (the "Company" or "Forgame") is pleased to announce the unaudited consolidated interim results (the "Interim Results") of the Company, its subsidiaries and the PRC Operational Entities (as defined in the prospectus of the Company dated 19 September 2013 (the "Prospectus")) (collectively the "Group", "we", "us" or "our") for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014. The Interim Results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". In addition, the Interim Results have also been reviewed by the audit and compliance committee of the Company (the "Audit and Compliance Committee").

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	*%*
	(unaudited)	*(unaudited)*	
Revenue	**309,457**	337,452	-8.3%
Gross profit	**118,285**	250,511	-52.8%
Operating loss	**(9,237)**	(21,645)	-57.3%
Loss for the period	**(14,899)**	(21,773)	-31.6%
Non-IFRSs Measures (Note)			
–Adjusted net loss for the period	**(8,396)**	(3,447)	143.6%
–Adjusted EBITDA for the period	**1,577**	504	212.9%

Note:

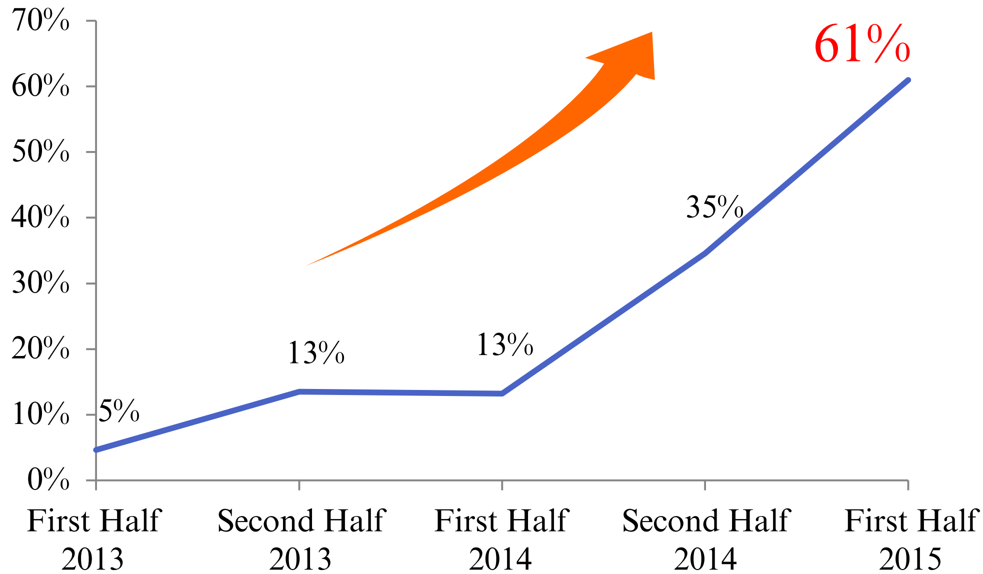
The Group defines adjusted net loss as loss for the period excluding share-based compensation. Adjusted net loss eliminates the effect of non-cash share-based compensation. The use of adjusted net loss has material limitation as an analytical tool, as adjusted net loss does not include all items that impact the Group's net loss for the periods. For details of Adjusted Net Loss and Adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – Adjusted Net Loss and Adjusted EBITDA" in this announcement.

OVERVIEW AND OUTLOOK

Overview

During the first six months of 2015, Forgame has achieved substantial results in executing its transformation plan to become a mobile gaming company. In the first half of 2015, not only our mobile gaming revenue has increased by approximately 324% when compared to that of the first half of 2014, it has also contributed more than half of the total revenue of the Group and amounted to approximately 61% in the period under review. This is an important milestone for us as it not only signifies the Group's determination on executing its transformation plan, but also provides us with confidence that the strategy in place is sound and solid. As part of the transition plan, the management has been working hard to optimise the Group's cost structure with the aim to turnaround the business financially. The Group's net loss reported has narrowed from RMB21.8 million in the first half of 2014 to RMB14.9 million for the first half of 2015.

Forgame Revenue Contribution: Mobile Gaming Revenue Percentage Contribution



The Group's rapid growth in mobile gaming revenue tied closely with its strategy of developing mobile games based on renowned intellectual properties ("IPs") as well as games with sequel potentials. First of all, on the renowned IP adaptation rights, based on the popularity of last year's "Boonie Bears" gaming series, Forgame has published 5 individual "Boonie Bears" mobile games with a wide variety of gameplay such as car racing, match-three and shooting in the first half of 2015. Specifically, "Boonie Bears: A Mystical Winter" is a game adaptation which shares the same name with the actual animation movie, and the Group planned the game launch during the busy 2015 Chinese New Year period along with the movie debut at the theatre. Secondly, on the Group's self-developed IPs, the "Soul Guardian" webgame series, which was debuted in 2010, has been well received and remained popular to date. This series enjoys a long life cycle due to its unique game play and large fan base. The Group successfully introduced a mobile game version using this IP, and the subsequent sequels of this IP have also enjoyed similar popularity as their first mobile version, which partially contributed to our marked growth in mobile gaming revenue for the six months ended 30 June 2015.

Separately, the Group's development in casual gaming platform and research and development ("R&D") have been shaping up. In April 2015, the Group has announced its cooperation with Xiamen Meitu Technology Co., Ltd. to launch the gaming app store "Meitu Game Box". Meitu Game Box is exclusively developed and operated by Forgame, while the games featured in the Meitu Game Box are primarily casual games targeted at female players. At the moment, the Meitu Game Box has already featured over 200 mobile games. The Group believes that many of the Meitu users are inherently casual gamers and therefore this collaboration with the Meitu Game Box will have a positive impact to the Group's development in the casual mobile gaming industry going forward. Also, the Group held a product launch event in Beijing for its first styling and fashion mobile game targeted at female players, “Beauty Box”, at the end of July 2015. This mobile game will first be launched on the Meitu platforms, bringing this unique game play to approximately 1 billion players that are using Meitu’s app products. Overall, the Meitu Game Box is not only catered to bringing quality casual games to a growing market of female players, more importantly it also allowed us to create a unique causal game platform, thus speeding up our pace to become a leader in the casual gaming industry.

Also, the Group’s strategy in its webgame business remains focused on producing quality and tailor-made webgames through in-depth collaboration with major platforms. In the first half of 2015, the Group’s webgames exclusively designed for the Tencent platform, “Warlord of Red Cliffs”, has now entered into the monetization testing phase.

Outlook

Stepping into the second half of 2015, the Group has already laid down the key pieces to carry out its strategy in further developing the Group’s mobile gaming R&D, platform and publishing businesses. On the R&D side, the Group will continue to produce quality games that utilise renowned IPs adoptating rights, such as “Doreamon”, “Ghost Blows Out the Light”, etc., which the Group has already invested in. On the platform side, the Group continues to expand its Meitu Game Box business. On the publishing side, the Group will strive to have a closer cooperation relationship with key platforms such as Meitu, Tencent, and Baidu to create the Group’s unique advantage and value on its platform business. At the same time, we are actively seeking for merger and acquisition opportunities with the goal to create a complete gaming ecosystem. While we have observed a few encouraging results in our transformations, there are still many hurdles and risks in executing the transformation plan. Please refer to the section headed “Management Discussion and Analysis – Transformation Plan: Risks and Hurdles” in this announcement for the relevant risks. The management of the Group will continue to work tirelessly and cautiously to accomplish its transformation plan and ultimately generate greater value to its shareholders.

Dividend

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2015, the Group recorded strong revenue growth from mobile games, while experienced a predicted decline in revenue from webgames, which subsequently resulted in an overall single digit decline in revenue when compared to the first half of 2014. The Group's success in mobile gaming was largely driven by the encouraging results of the "Boonie Bears" mobile game series as well as the mobile game "Sword Immortal", a sequel to "Soul Guardian". In respect of mobile gaming pipeline, the Group has published 13 mobile games in the first half of 2015, of which 11 of them were produced in-house. The management is confident that, by the end of year 2015, the Group should meet and potentially exceed the target of delivering 20 games to at least the beta testing stage.

Revenue from webgames has continued to slide as the management continued to focus on overall profitability. In the first half of 2015, the Group launched only 1 webgame, which was specifically tailored for the Tencent platform. Although the Group has lowered its overall webgame production, the management is focused on producing high quality, profitable webgames as well as developing deep and long-term relationship with major webgame platforms.

While the Group is focused in growing its mobile gaming franchise, the management also works hard to optimise the Group's cost structure, especially in areas such as R&D, sales and marketing. For the first half of 2015, the Group was able to narrow its net loss compared to the first half of 2014.

Also, the Group is actively seeking meaningful merger and acquisition opportunities to generate growth and profitability while enhancing the Group's product offering. For that purpose, the Group successfully raised over HK$314 million through the placing of new shares in June 2015. With the enlarged capital base, the Group envisioned to become a leader in the casual gaming market by having strategic investments in all key areas of the gaming ecosystem.

Operating Information

As at 30 June 2015, the Group had 25 mobile games and 39 self-developed webgames in operation. Out of the Group's 25 mobile games, 16 are self-developed and 9 are exclusively licensed. As at 30 June 2015, *91wan* had over 224 million registered players and distributed 94 webgames in total. Out of the Group's 94 webgames, 23 are self-developed and 71 are licensed from other developers.

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

	Six Months Ended 30 June	
	2015	2014
Game Product:		
Average MPUs (in thousands) [(1)]	**785**	502
Monthly ARPPU (RMB) [(2)]	**60**	77
Game Platform:		
Registered players (in thousands)	**224,223**	220,319
Average MPUs (in thousands) [(1)]	**12**	61
Monthly ARPPU (RMB)	**367**	287

Notes:

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

(2) Average revenue per paying user ("ARPPU") numbers do not include the MPUs of negligible console mobile games.

Game product: The average MPUs for the game product segment has increased from approximately 502,000 for the six months ended 30 June 2014 to approximately 785,000 for the six months ended 30 June 2015. The increase in average MPUs was primarily contributed by the popularity and ramp up in sales of mobile games launched in the second half of 2014 and in the first half of 2015 during the first six months of 2015. Monthly ARPPU of the game product segment has decreased from RMB77 for the six months ended 30 June 2014 to RMB60 for the six months ended 30 June 2015. The decrease in monthly ARPPU was mainly due to the low ARPPU level generated from casual games that the Group has launched in the second half of 2014 and in the first half of 2015.

Game platform. Registered players of webgame platform *91wan* have increased to 224 million as at 30 June 2015 from approximately 220 million as at 30 June 2014, representing a growth of approximately 2%. The average MPUs of game platform segment has declined from approximately 61,000 for the six months ended 30 June 2014 to approximately 12,000 for the six months ended 30 June 2015, while the monthly ARPPU of game platform segment has increased to RMB367 for the six months ended 30 June 2015 from RMB287 for the six months ended 30 June 2014. The decrease in average MPUs but increase in monthly ARPPU was primarily due to the fact that the Group had lowered its marketing expenses on users acquisitions while allocating appropriate resources on games which typically recorded a higher ARPPU.

First Half of 2015 Compared to First Half of 2014

The following table sets forth the income statement for the six months ended 30 June 2015 as compared to the six months ended 30 June 2014:

	Six Months Ended 30 June		
	2015	2014	Change
	RMB'000	*RMB'000*	*%*
	(Unaudited)	*(Unaudited)*	
Revenue	**309,457**	337,452	-8.3%
Cost of revenue	**(191,172)**	(86,941)	119.9%
Gross profit	**118,285**	250,511	-52.8%
Selling and marketing expenses	**(28,180)**	(95,879)	-70.6%
Administrative expenses	**(39,252)**	(44,094)	-11.0%
Research and development expenses	**(78,527)**	(128,961)	-39.1%
Other income	**17,147**	16,372	4.7%
Other losses	**(402)**	(19,594)	-97.9%
Gain on disposal of a subsidiary	**1,692**	—	N/A
Operating loss	**(9,237)**	(21,645)	-57.3%
Finance income	**4,702**	11,013	-57.3%
Finance costs	**—**	(6,377)	N/A
Finance income-net	**4,702**	4,636	1.4%
Share of loss of investments accounted for using the equity method	**(4,949)**	(1,598)	209.7%
Loss before income tax	**(9,484)**	(18,607)	-49.0%
Income tax expense	**(5,415)**	(3,166)	71.0%
Loss for the period	**(14,899)**	(21,773)	-31.6%

Revenue. Revenue decreased by approximately 8.3% to RMB309.5 million for the six months ended 30 June 2015 from RMB337.5 million for the six months ended 30 June 2014. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June			
	2015		2014	
	RMB'000 (Unaudited)	***(% of Total Revenue)***	*RMB'000 (Unaudited)*	*(% of Total Revenue)*
Revenue by Segment				
– Game product	**282,456**	**91.3**	232,212	68.8
– Game platform	**27,001**	**8.7**	105,240	31.2
Total Revenue	**309,457**	**100.0**	337,452	100.0
Revenue by Game Type				
– Mobile games	**189,207**	**61.1**	44,590	13.2
– Webgames	**120,250**	**38.9**	292,862	86.8
Total Revenue	**309,457**	**100.0**	337,452	100.0

– Revenue from the game product segment increased by approximately 21.6% to RMB282.5 million for the six months ended 30 June 2015 from RMB232.2 million for the six months ended 30 June 2014. The revenue from game platform segment decreased by approximately 74.3% to RMB27.0 million for the six months ended 30 June 2015 from RMB105.2 million for the six months ended 30 June 2014. The increase in revenue from game product segment was primarily contributed by the growth in mobile game and the decline in revenue from game platform segment was mainly due to the drop in platform MPUs as the Group scaled back in webgame player acquisitions.

– Revenue from mobile games increased by approximately 324.3% to RMB189.2 million for the six months ended 30 June 2015 from RMB44.6 million for the six months ended 30 June 2014. The increase was mainly due to the increase in revenue from the Group's newly launched mobile games since the second half of 2014, such as "Boonie Bears: Forest Defense (熊出沒之森林保衛戰)", "Boonie Bears: Homeland Defense (熊出沒之保衛家園)", "Boonie Bears: A Mystical Winter (熊出沒之雪嶺熊風)" and "Sword Immortal (劍仙緣)".

– Revenue from webgames decreased by approximately 58.9% to RMB120.3 million for the six months ended 30 June 2015 from RMB292.9 million for the six months ended 30 June 2014. The decrease was mainly due to (i) the Group's ongoing transformation from a webgame company to a mobile game company, resulting in the decrease in the number of webgames the Group launched and operated; and (ii) the existing self-developed and licensed webgames of the Group have reached the mature stage of their product lifecycles. The decline in revenue from webgame was partially offset by the revenue generated from the Group's newly launched webgames since the second half of 2014, such as "Charmed Swordsman (醉武俠)" and "Wind of Contrail (風色軌跡)".

Cost of revenue. Cost of revenue increased by approximately 119.9% to RMB191.2 million for the six months ended 30 June 2015 from RMB86.9 million for the six months ended 30 June 2014. As a percentage of revenue, cost of revenue increased to approximately 61.8% for the six months ended 30 June 2015 from approximately 25.8% for the six months ended 30 June 2014. The following table sets forth the Group's cost of revenue by segment for the six months ended 30 June 2015 and 2014:

	Six Months Ended 30 June			
	2015		2014	
	(% of Total RMB'000 (Unaudited)	***(% of Total Cost of* Revenue)**	*(RMB'000) RMB'000 (Unaudited)*	*(% of Total Cost of Revenue)*
Cost of Revenue by Segment				
– Game product	**182,982**	**95.7**	65,187	75.0
– Game platform	**8,190**	**4.3**	21,754	25.0
Total Cost of Revenue	**191,172**	**100.0**	86,941	100.0

– Cost of revenue for game product segment increased by approximately 180.7% to RMB183.0 million for the six months ended 30 June 2015 from RMB65.2 million for the six months ended 30 June 2014. This increase was mainly due to higher content costs and agency fees incurred for self-developed mobile games for the six months ended 30 June 2015 compared to that for the six months ended 30 June 2014. The increase in content costs and agency fees was in line with the increase in revenue of self-developed mobile games.

– Cost of revenue for game platform segment decreased by approximately 62.4% to RMB8.2 million for the six months ended 30 June 2015 from RMB21.8 million for the six months ended 30 June 2014. The decrease was primarily due to the continuous effort of the Group to optimise the return on investment and profitability of *91wan*.

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 70.6% to RMB28.2 million for the six months ended 30 June 2015 from RMB95.9 million for the six months ended 30 June 2014. This was mainly attributable to the decrease in promotion and advertising expenses for *91wan*.

Administrative expenses. Administrative expenses decreased by approximately 11.0% to RMB39.3 million for the six months ended 30 June 2015 from RMB44.1 million for the six months ended 30 June 2014. This was mainly attributable to (i) the decrease in share-based compensation expenses in connection with the options granted to the Group's employees pursuant to the Pre-IPO Share Option Scheme; and (ii) the Group incurred one off professional service expenses related to a proposed acquisition in the first half of 2014.

Research and development expenses. Research and development expenses decreased by approximately 39.1% to RMB78.5 million for the six months ended 30 June 2015 from RMB129.0 million for the six months ended 30 June 2014. This decrease was primarily due to the continuous effort of the Group to optimise its research and development capability, which is in line with the strategic transition of the Group's business focus from webgames to mobile games.

Other income. Other income increased to RMB17.1 million for the six months ended 30 June 2015 from RMB16.4 million for the six months ended 30 June 2014. Such increase was mainly due to the combined effect of (i) the increase in interest income of bank deposits from RMB10.9 million for the six months ended 30 June 2014 to RMB14.3 million for the six months ended 30 June 2015; and (ii) the decrease in the government grant from RMB5.5 million for the six months ended 30 June 2014 to RMB2.8 million for the six months ended 30 June 2015.

Other losses. Other losses for the six months ended 30 June 2015 was RMB0.4 million, as compared to other losses of RMB19.6 million for the six months ended 30 June 2014. The decrease in other losses was primarily due to the decrease in foreign exchange losses as a result of the relatively stable exchange rate for the six months ended 30 June 2015 as compared to that for the six months ended 30 June 2014. The functional currency of the Company is the United States dollar and the Company has converted its initial public offering ("IPO") of the shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") proceeds from Hong Kong dollars into RMB and recognised foreign exchange gains/(losses) during the Reporting Period with non-cash impact.

Gain on disposal of a subsidiary. Gain on disposal of a subsidiary for the six months ended 30 June 2015 was RMB1.7 million, which represented the gain from the disposal of the 30% equity interest and the fair value gain of the retained 40% of equity interest in Tianjin Laiwan Internet Technology Co., Ltd. ("Tianjin Laiwan"). 30% of equity interest in Tianjin Laiwan was disposed of by the Group on 11 June 2015 for a consideration of RMB9 million.

Finance income-net. Finance income-net for the six months ended 30 June 2015 was RMB4.7 million, as compared to finance income-net of RMB4.6 million for the six months ended 30 June 2014. The finance income-net, which is the interest income from short-term deposits and restricted cash, net off by finance costs, remained stable over the periods.

Share of loss of investments accounted for using the equity method. Share of loss of investments accounted for using the equity method for the six months ended 30 June 2015 was RMB4.9 million, as compared to RMB1.6 million for the six months ended 30 June 2014. The increase in share of loss of investments accounted for using the equity method was mainly because of certain acquisitions of equity interests in game studios and investment in game incubators since the second half of 2014, and these investees incurred losses in their start-up stages.

Income tax expense. Income tax expense increased by approximately 71.0% to RMB5.4 million for the six months ended 30 June 2015 from RMB3.2 million for the six months ended 30 June 2014. This increase was primarily attributable to the reduce in tax allowance resulting from tax deductible research and development expenses for the six months ended 30 June 2015.

Loss for the period. Loss for the six months ended 30 June 2015 was RMB14.9 million, as compared to loss of RMB21.8 million for the six months ended 30 June 2014. The loss for the six months ended 30 June 2015 was narrowed as compared to the loss for the same period last year. The narrowed loss reflected the Group's effort in driving operating efficiency by (i) improving the investment return of the Group's advertising expenses, (ii) optimizing the Group's research and development capability; and (iii) managing the Group's administration cost.

Non-IFRSs Measures-Adjusted Net Loss and Adjusted EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2015 and 2014, and the loss for the six months ended 30 June 2015 and 2014 prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Loss for the period	**(14,899)**	(21,773)
Add:		
Share-based compensation	**6,503**	18,326
Adjusted net loss	**(8,396)**	(3,447)
Add:		
Depreciation and amortization	**23,557**	20,483
Interest income and interest expenses	**(18,999)**	(19,698)
Income tax expense	**5,415**	3,166
Adjusted EBITDA	**1,577**	504

Financial Position

As at 30 June 2015, total equity of the Group amounted to RMB1,631.3 million, as compared to RMB1,401.0 million as at 31 December 2014. The increase was mainly due to the increase in share premium offset by the loss for the six months ended 30 June 2015. The increase in share premium of RMB245.6 million was mainly from the issuance of ordinary shares relating to the placing of new shares completed in June 2015.

The Group's net current assets amounted to RMB1,276.6 million as at 30 June 2015, as compared to RMB1,056.1 million as at 31 December 2014. This increase was primarily due to the net proceeds received from the ordinary shares placing completed in June 2015.

Liquidity and Financial Resources

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Cash at bank and on hand	**1,022,580**	851,051
Cash at other financial institutions	**5,712**	896
Short-term deposits	**200,000**	200,000
Net cash	**1,228,292**	1,051,947

The Group's total cash, cash equivalent and short-term deposits amounted to RMB1,228.3 million as at 30 June 2015, as compared to RMB1,051.9 million as at 31 December 2014. The increase was primarily due to the net proceeds received from the ordinary shares placing completed in June 2015.

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

As at 30 June 2015, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was 0% (as at 31 December 2014: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2015. The borrowing requirements of the Group are not subject to seasonality.

Foreign Exchange Risk

As at 30 June 2015, RMB258.3 million of the Group's financial resources (as at 31 December 2014: RMB22.8 million) were held in deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was because the Group had not converted its Placing proceeds from Hong Kong dollars into RMB as at 30 June 2015 and the Group had converted it into RMB in July 2015. The Group currently conducts most of its transaction in RMB and therefore does not hedge transactions undertaken in foreign currencies but manages its foreign exchange exposure by limiting its foreign currency exposure and monitoring foreign exchange rate change.

Transformation Plan: Risks and Hurdles

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

Since 2014, we have made investments in a number of mobile game studios and incubators in China amounting to approximately RMB212 million, out of which approximately RMB52 million were classified as "investments in associates", including but not limited to Guangzhou Zhengyou Information Technology Co., Ltd. and Tianjin Laiwan. These investments are mostly angel investments and during the development phase, which can take up to 12 or more months before monetization testing, do not generate meaningful revenue and profit. Similar to most angel investments, it is difficult to determine the success of these investments in the early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

Capital Expenditures

	Six Months Ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Capital expenditures		
– Purchase of property and equipment	**1,104**	2,629
– Purchase of intangible assets	**18,955**	9,698
Total	**20,059**	12,327

Capital expenditures comprised purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third party developers. The total capital expenditures were RMB20.1 million and RMB12.3 million for the six months ended 30 June 2015 and 2014, respectively. The increase of RMB7.8 million in total capital expenditures was primarily due to the increase in purchase of intangible assets partially offset by the decrease in purchase of property and equipment and the decrease in leasehold improvement for the offices of the PRC Operational Entities (as defined in Prospecus). The Group has less property and equipment purchase requirements for the six months ended 30 June 2015 because the property and equipment purchase incurred prior to 2015 sufficiently supports its business growth. The purchase of intangible assets increased by RMB9.3 million for the six months ended 30 June 2015 from the six months ended 30 June 2014 mainly because the Group has incurred licensing expenditures for several third party mobile games as well as the adaptation rights of several popular IPs, such as internet novel "Ghost Blows out the Light (鬼吹燈)" during the six months ended 30 June 2015.

Pledge of Asset

As at 30 June 2015, the Group had a pledge of assets of RMB0.6 million as restricted cash for corporate credit card deposits.

Contingent Liabilities

As at 30 June 2015, the Group did not have any significant unrecorded contingent liabilities.

Major Games and Business Partners

For the six months ended 30 June 2015, the percentage of the revenue attributable to the Group's highest-revenue generating game and the top five highest-revenue generating games (including both self-developed games and licensed games developed by third party developers) accounted for approximately 20% and 50% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the revenue attributable to the Group's largest game licensor and the top five largest game licensors accounted for approximately 2% and 6% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the revenue attributable to the Group's largest publishing partner and the top five largest publishing partners accounted for approximately 14% and 38% of the Group's total revenue, respectively.

For the six months ended 30 June 2015, the percentage of the purchases attributable to the Group's largest supplier and the top five largest suppliers accounted for approximately 24% and 62% of the Group's cost of revenue, respectively.

Human Resources

As at 30 June 2015, the Group had 805 full-time employees (as at 30 June 2014: 1,643), the vast majority of whom are based in Guangzhou. The following table sets forth the number of the Group's employees by function as at 30 June 2015:

	Number of Employees	% of Total
Game development	**488**	**61%**
Publishing	**114**	**14%**
Sales and Marketing	**25**	**3%**
General and Administration	**178**	**22%**
Total	**805**	**100%**

The remuneration to 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 defined in the Prospectus) as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises.

Progress of Overseas Expansion Plans

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

Post Balance Sheet Event

On 28 May 2015, the Company's annual general meeting approved a share buy-back plan to grant a general mandate to the Directors to buy back shares of the Company. From 1 July 2015 to 26 August 2015, the Company had bought back an aggregate of 1,316,900 shares at a weighted average price of approximately HK$13.80 for an aggregate consideration of approximately HK$18,168,000 (equivalent to RMB14,332,000) under this share buy-back plan.

Save as disclosed above, there were no other significant events affecting the Group after 30 June 2015 which required disclosure in this announcement.

Interim Condensed Consolidated Statement of Comprehensive Loss

	Note	Six Month Ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	**309,457**	337,452
Cost of revenue	3	**(191,172)**	(86,941)
Gross profit		**118,285**	250,511
Selling and marketing expenses		**(28,180)**	(95,879)
Administrative expenses		**(39,252)**	(44,094)
Research and development expenses		**(78,527)**	(128,961)
Other income		**17,147**	16,372
Other losses		**(402)**	(19,594)
Gain on disposal of a subsidiary		**1,692**	—
Operating loss	4	**(9,237)**	(21,645)
Finance income		**4,702**	11,013
Finance costs		**—**	(6,377)
Finance income-net		**4,702**	4,636
Share of loss of investments accounted for using the equity method		**(4,949)**	(1,598)
Loss before income tax		**(9,484)**	(18,607)
Income tax expense	5	**(5,415)**	(3,166)
Loss for the period		**(14,899)**	(21,773)

	Note	Six Month Ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Other comprehensive income:			
Items that will not be classified subsequently to profit or loss:			
– Currency translation differences		**177**	19,631
Total other comprehensive income, before tax		**177**	19,631
Income tax relating to components of other comprehensive income		**—**	—
Other comprehensive income for the period, net of tax		**177**	19,631
Total comprehensive loss for the period		**(14,722)**	(2,142)
Loss attributable to:			
– Owners of the Company		**(14,450)**	(21,773)
– Non-controlling interests		**(449)**	—
		(14,899)	(21,773)
Total comprehensive loss attributable to:			
– Owners of the Company		**(14,273)**	(2,142)
– Non-controlling interests		**(449)**	—
		(14,722)	(2,142)
Loss per share (expressed in RMB per share)	6		
– Basic		**(0.11)**	(0.17)
– Diluted		**(0.11)**	(0.17)

	Note	Six Month Ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Dividends	7	**—**	—

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**34,884**	43,365
Intangible assets		**79,503**	79,284
Investments accounted for using the equity method		**55,619**	45,126
Financial assets at fair value through profit or loss		**21,057**	21,054
Available-for-sale financial assets	8	**151,090**	138,140
Prepayments and other receivables		**3,949**	7,181
Deferred income tax assets		**11,414**	18,310
		357,516	352,460
Current assets			
Trade receivables	9	**92,077**	90,212
Prepayments and other receivables		**65,342**	64,601
Short-term deposits		**200,000**	200,000
Cash and cash equivalents		**1,028,292**	851,947
Restricted cash		**640**	—
		1,386,351	1,206,760
Total assets		**1,743,867**	1,559,220

	Note	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**92**	80
Share premium		**2,180,160**	1,934,534
Reserves		**(109,241)**	(117,075)
Accumulated losses		**(439,667)**	(425,217)
		1,631,344	1,392,322
Non-controlling interests		**—**	8,724
Total equity		**1,631,344**	1,401,046
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**687**	687
Deferred revenue		**2,037**	6,866
		2,724	7,553
Current liabilities			
Trade payables	10	**39,537**	25,927
Other payables and accruals		**53,781**	95,533
Income tax liabilities		**—**	403
Deferred revenue		**16,481**	28,758
		109,799	150,621
Total liabilities		**112,523**	158,174
Total equity and liabilities		**1,743,867**	1,559,220
Net current assets		**1,276,552**	1,056,139
Total assets less current liabilities		**1,634,068**	1,408,599

Notes to 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, licensing and operating webgames and mobile games (the "Group's Game Business") in the People's Republic of China (the "PRC").

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

The interim condensed consolidated balance sheet as at 30 June 2015, 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 26 August 2015.

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

The Interim Financial Information has been reviewed, not audited.

2 Basis of Preparation

The Interim Financial Information for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014 as set out in the 2014 annual report of the Company (the "2014 Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Except as described below, the accounting policies applied are consistent with those of the 2014 Financial Statements, which have been prepared in accordance with IFRSs under the historical cost convention, as modified by the revaluation of assets and liabilities stated at fair value, such as available-for-sale financial assets, and financial assets (including derivative instruments) at fair value through profit or loss.

The Group has adopted the following new standards and amendments to existing standards and interpretations which are relevant for the Group's existed business and mandatory for the first time for the financial year beginning 1 January 2015.

– Annual improvements to IFRS 2, "Share-based payment"

– Annual improvements to IFRS 8, "Operating segments"

– Annual improvements to IFRS 13, "Fair value measurement"

The adoption of the policies or interpretation does not have a material impact on the financial statements for earlier periods and on the Interim Financial Information for the period ended 30 June 2015.

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

– Annual improvements to IFRS 3, 9, IAS 37 and 39

– Amendments to IAS 19

– Annual improvements to IAS 24

– Annual improvements to IAS 16

– Annual improvements to IAS 40

The Group has not early adopted any new accounting and financial reporting standard, amendments to existing standards and interpretations which have been issued but are not yet effective for the financial year beginning 1 January 2015. The Group is still in the process of assessing the impact on the Group.

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

3 Segment Information

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

– Game Product

– Game Platform

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

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

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

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2015 and 2014 is as follows:

	Unaudited Six Months Ended 30 June 2015		
	Game Product	**Game Platform**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**282,456**	**27,001**	**309,457**
Segment cost	**(182,982)**	**(8,190)**	**(191,172)**
Gross profit	**99,474**	**18,811**	**118,285**
Depreciation and amortization included in segment cost	**13,313**	**1,073**	**14,386**

	Unaudited Six Months Ended 30 June 2014		
	Game Product	Game Platform	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	232,212	105,240	337,452
Segment cost	(65,187)	(21,754)	(86,941)
Gross profit	167,025	83,486	250,511
Depreciation and amortization included in segment cost	14,523	1,442	15,965

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2015 and 2014 is as follows:

	Unaudited Six Months Ended 30 June 2015		
	PRC (Excluding Hong Kong)	**Other Regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**283,058**	**26,399**	**309,457**

	Unaudited Six Months Ended 30 June 2014		
	PRC (Excluding Hong Kong)	Other Regions	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	307,753	29,699	337,452

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

The Group offers its products and services in different forms: mobile games and webgames. A breakdown of revenue derived from different forms for six months ended 30 June 2015 and 2014 is as follows:

	Six Months Ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Mobile games	**189,207**	44,590
Webgames	**120,250**	292,862
	309,457	337,452

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2015 and 2014.

Turnover consists of revenues generated by the Group, which accounted for RMB309,457,000, and RMB337,452,000 for the six months ended 30 June 2015 and 2014, respectively.

As at 30 June 2015 and 31 December 2014, the majority of the non-current assets of the Group were located in the PRC.

4 Operating Loss

An analysis of the amounts presented as operating items in the Interim Financial Information is given below.

	Six Months Ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating items		
Content costs and agency fees	**152,639**	33,641
Employee benefit expenses	**92,290**	156,866
Promotion and advertising expenses	**22,841**	88,289
Bandwidth and server custody fees	**12,587**	22,114
Depreciation of property and equipment	**9,043**	10,249
Amortization of intangible assets	**14,514**	10,234
Other income		
– Interest income arising from cash and cash equivalents	**(14,297)**	(10,901)
Exchange loss, net	**84**	19,474
Loss on disposal of property and equipment, net	**318**	120
Gain on disposal of a subsidiary	**(1,692)**	—

5 Income Tax Expense

The income tax expense of the Group for the six months ended 30 June 2015 and 2014 are analyzed as follows:

	Six Months Ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax:		
– PRC enterprise income tax	**(1,481)**	10,674
Deferred income tax	**6,896**	(7,508)
Income tax expense	**5,415**	3,166

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended 30 June 2015 and 2014.

(c) Taiwan Business Income Tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the periods ended 30 June 2015 and 2014.

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

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the periods ended 30 June 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

Weidong and Feiyin were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. The applicable tax rate was 15% for the period ended 30 June 2015 (period ended 30 June 2014: 15%).

Feidong and Jieyou were accredited as "software enterprise" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years. The applicable tax rate for two companies was 12.5% for the period ended 30 June 2015 (for the period ended 30 June 2014: 12.5%).

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the periods ended 30 June 2015 and 2014.

(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 2015, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings or intend 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 2015.

6 Loss per Share

(a) Basic

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

	Six Months Ended 30 June	
	2015	2014
	(Unaudited)	*(Unaudited)*
Loss attributable to equity holders of the Company (RMB'000)	**(14,450)**	(21,773)
Weighted average number of ordinary shares in issue	**130,062,163**	126,836,006
Basic loss per share (in RMB/share)	**(0.11)**	(0.17)

(b) Diluted

For the six months ended 30 June 2014, the Company had only one category of dilutive potential ordinary shares: share options granted to directors and employees of the Company under Pre-IPO Share Option Scheme. As the Group incurred loss for the six months ended 30 June 2014, the options are anti-dilutive and not included in the computation of diluted loss per share.

For the six months ended 30 June 2015, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. As the Group incurred loss for the six months ended 30 June 2015, the options are anti-dilutive and not included in the computation of diluted loss per share.

No adjustment has been made to basic loss per share to derive the diluted loss per share for the six months ended 30 June 2015 and 2014.

7 Dividends

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

8 Available-for-sale Financial Assets

	Six Months Ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	*(Unaudited)*
At beginning of period	**138,140**	32,000
Additions (Note a)	**12,950**	80,500
At end of period, all non-current	**151,090**	112,500

(a) During the six months ended 30 June 2015, the Group acquired equity interests in a number of entities incorporated in the PRC at an aggregate cash consideration of RMB12,950,000. They are principally engaged in the provision of game development and other internet-related businesses. The Group has neither control nor significant influence over these entities. The Company classified these investments as available-for-sale financial assets.

(b) The fair values of these financial assets are based on cash flows discounted using a rate based on the market interest rate and the risk premium (2015: 33.0%). The fair values are within level 3 of the fair value hierarchy. There were no gains or losses arising from the changes in fair value of available-for-sale financial assets during the six months ended 30 June 2015.

9 Trade Receivables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Third parties	**96,798**	94,409
Less: provision for impairment	**(4,721)**	(4,197)
	92,077	90,212

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0-30 days	**35,095**	37,556
31-60 days	**15,653**	18,492
61-90 days	**18,165**	10,016
91-180 days	**16,042**	16,849
181-365 days	**5,520**	2,258
Over 1 year	**6,323**	9,238
	96,798	94,409

The sales of the Group are mainly made on credit terms determined on individual basis with normal credit periods of 60 to 180 days from respective invoice dates. As at 30 June 2015 and 31 December 2014, trade receivables which were past due but not impaired were RMB11,502,000 and RMB11,052,000, respectively. These receivables were due from a number of Platforms which were assessed by the Company to have no significant financial difficulty. The Company had assessed, based on past experience, that these overdue amounts could be recovered.

10 Trade Payables

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

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

	As at 30 June 2015 ***RMB'000*** ***(Unaudited)***	As at 31 December 2014 *RMB'000* *(Audited)*
0-30 days	**11,482**	7,714
31-60 days	**2,973**	4,368
61-90 days	**5,214**	2,369
91-180 days	**15,170**	8,022
181-365 days	**4,510**	3,299
1-2 years	**188**	155
	39,537	25,927

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2015.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules ("CG Code") as disclosed below, the Company has complied with all applicable code provisions under the CG Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015.

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

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

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

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

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

At the Company's annual general meeting held on 27 May 2014, the Shareholders granted a share repurchase mandate to the Board to repurchase shares (which should not exceed 10% of the issued share capital of the Company as at 27 May 2014) from time to time as the Board thinks fit until the Company's annual general meeting held on 28 May 2015. Pursuant to such mandate, the Company has repurchased 220,000 shares at an average price of approximately HK$14.78 per Share on 27 March 2015 (with the highest and lowest price paid per Share being HK$14.98 and HK$14.68 respectively) on the Stock Exchange. All of the repurchased shares were subsequently cancelled.

At the Company's annual general meeting held on 28 May 2015, the Shareholders granted a share buy-back mandate to the Board to buy back shares (which should not exceed 10% of the issued share capital of the Company as at 28 May 2015) from time to time as the Board thinks fit until the next annual general meeting of the Company.

Save as disclosed above, during the six months period ended 30 June 2015, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

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. LEVIN Eric Joshua and Ms. POON Philana Wai Yin, and one non-executive Director, being Mr. TUNG Hans. The chairman of the Audit and Compliance Committee is Mr. LEVIN Eric Joshua, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee, together with the auditor of the Company, have reviewed the Group's unaudited interim financial information for the six months ended 30 June 2015.

Use of Proceeds from Initial Public Offering

The Company's shares were listed on the Stock Exchange in October 2013 and the Company raised net proceeds of approximately HK$982.8 million from the IPO. As at 30 June 2015, the Group had utilised approximately RMB301.7 million of the net proceeds, out of which approximately RMB240.6 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, approximately RMB58.5 million was used in funding the expansion of the Group's international operation and approximately RMB2.6 million was used in other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future plans and use of proceeds" in the Prospectus. The unutilised portion of the net proceeds (i.e. approximately HK$605.7 million) is currently held in cash and cash equivalents and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

Publication of the Unaudited Consolidated Interim Results and 2015 Interim Report

This Interim Results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2015 interim report of the Company containing all information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in September 2015.

Appreciation

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

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 26 August 2015

As at the date of this announcement, the executive Director of the Company is Mr. WANG Dongfeng; the non-executive Director of the Company is Mr. TUNG Hans; the independent non-executive Directors of the Company are Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.