2014 Annual Report

Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00484

Forgame

China's Leading Developer and Publisher of Cloud-based Games

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Mr. WANG Dongfeng *(Chairman)*

Non-executive Director
Mr. TUNG Hans

Independent Non-executive Directors
Mr. LEVIN Eric Joshua
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

AUDIT AND COMPLIANCE COMMITTEE

Mr. LEVIN Eric Joshua *(Chairman)*
Mr. TUNG Hans
Ms. POON Philana Wai Yin

REMUNERATION COMMITTEE

Mr. ZHAO Cong Richard *(Chairman)*
Mr. LEVIN Eric Joshua
Mr. TUNG Hans

NOMINATION COMMITTEE

Mr. WANG Dongfeng *(Chairman)*
Mr. ZHAO Cong Richard
Ms. POON Philana Wai Yin

AUTHORIZED REPRESENTATIVES

Mr. WANG Dongfeng
Mr. LAW Yat Yang Arthur
(appointed with effect from 1 November 2014)

COMPANY SECRETARY

Mr. LAW Yat Yang Arthur
(appointed with effect from 1 November 2014)

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road
Central
Hong Kong

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

Davis Polk & Wardwell
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

Sidley Austin
39/F, Two Int'l Finance Centre
8 Finance Street
Central
Hong Kong

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

CORPORATE INFORMATION

As to Cayman Islands law:
(in alphabetical order)

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

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

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

AUDITOR

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

37/F, West Hall Renfeng Building
490 Tianhe Road
Guangzhou
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Merchants Bank, Hong Kong branch
21/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

China Merchants Banks, Guangzhou branch
Fung Hing sub-branch
Floor 1 & 6, Room 25-26
Fung Hing Square
No.67 Tianhe East Road
Guangzhou
China

INVESTOR RELATIONS

Strategic Financial Relations Limited
Unit A, 29/F, Admiralty Centre I
18 Harcourt Road
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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

	Year Ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**643,470**	1,183,128	776,649	384,009	95,078
Gross profit	**425,191**	1,001,911	697,561	315,179	40,377
Operating (loss)/profit	**(36,471)**	329,215	283,591	40,513	(40,410)
(Loss)/profit for the year	**(38,807)**	(475,404)	217,617	17,849	(40,384)

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**352,460**	170,376	104,864	62,211	34,094
Current assets	**1,206,760**	1,421,100	417,165	192,606	74,026
Total assets	**1,559,220**	1,591,476	522,029	254,817	108,120
Equity and liabilities					
Total equity/(deficit)	**1,401,046**	1,388,082	(136,663)	95,470	(19,532)
Non-current liabilities	**7,553**	8,465	459,290	9,362	5,563
Current liabilities	**150,621**	194,929	199,402	149,985	122,089
Total liabilities	**158,174**	203,394	658,692	159,347	127,652
Total equity and liabilities	**1,559,220**	1,591,476	522,029	254,817	108,120

CHAIRMAN'S STATEMENT

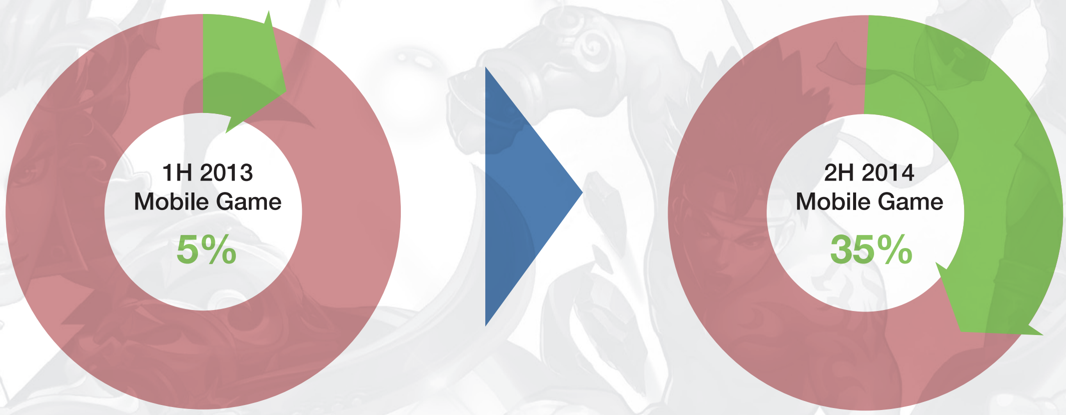
Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2014.

OVERVIEW

The year of 2014 was a transitional year for us as we continued to make progress in transforming to a major mobile gaming company. By implementing the Group's strategy as laid out in the interim report for the six months ended 30 June 2014, we are pleased to share that the Company has achieved categorical success by increasing its total revenue contribution from mobile game from 5% in the first half of 2013 to 35% in the second half of 2014. Also, the Group's net loss reported for the second half of 2014 has narrowed from RMB21.8 million in the first half of 2014 to RMB17.0 million.

Forgame Revenue Contribution: Mobile Game vs. Webgame



This breakthrough was significant in proving Forgame's strategy thus far was sound and our execution was effective. The progress was the result of the following three major mobile game development strategies:

i) IP strategy: As the mobile gaming market continues to boom, the Group recognized that IP of popular animations and on-line literatures will be an important asset to help attract mobile players and lower players acquisition cost. The Group has invested and accumulated many popular IPs in 2014 for future gaming pipeline, such as "Doraemon" and "Ultraman".

ii) Casual game strategy: The Group believed a meaningful portion of the future Chinese mobile gaming growth would come from casual games. The characteristics of having diversed genres within casual games allowed us to produce a variety of games and accumulate a vast gamer base. For example, Forgame's "Bonnie Bears (熊出沒)" gaming series, adapted from the highly popular "Boonie Bears (熊出沒)" movie and TV series, has launched one shooting game and one tower defense game in 2014. Forgame would launch more "Boonie Bears (熊出沒)" casual games in different genres, such as car racing, running and match-three games in 2015. In order to capture such opportunities, Forgame has built up capable casual game development and publishing teams, as well as established strong relationships with major channels and the top 3 telecommunication operators in China to strengthen our casual games development, promotion and fees collection capabilities. The commercial success of "Boonie Bears (熊出沒)" gaming series to date is an encouraging sign for the Group, and we will continue to build on this foundation and offer more casual games in 2015 to serve the underdeveloped Chinese casual game market.

iii) Mid/Hard core game strategy: Developing and publishing mid/hard core games have been our strength because of our webgame research and development experience. The Group believes the combination of IP and an experienced development team is crucial to deliver a successful mid/hard core game. In December 2014, the Group had successfully launched the game "Wu Di Huan Ling (無敵喚靈)", a Chinese online literature adapted mobile game. Forgame promoted the game in multiple angles, including active collaboration and pre-launch testing with key channels as well as inviting Ms. Angela Yeung, a famous Asian actress more widely known as "Angelababy", as the game's spokesperson. These efforts allowed the game to be ranked No.1 and No.3 on iOS paid app top chart and iOS free game top chart, respectively, shortly after launch. Building on this success, the Group has already identified another exciting IP and begun working on the next major production.

On the webgames development front, the Group has continued to carry out its strategy devised in developing higher quality and diversified webgames. The Group recognized the challenges of Chinese webgame market and has been working closely with its channel partners and making necessary changes to maximize profitability.

OUTLOOK

Stepping into 2015, we are convinced that the Group will continue to make progress and eventually become a leading mobile gaming company in China. The launches of "Boonie Bears (熊出沒)" and "Wu Di Huan Ling (無敵喚靈)" have placed the Group's brand squarely on the mobile gaming map and won the recognitions of major channel operators, publishers and content providers. In the first two months in 2015, we have already launched 2 games and we target to commence beta testing on approximately 20 games in 2015. The Group has and will continue to closely monitor its cost structure and streamline its overheads to increase overall efficiency and operating leverage. However, there are still many hurdles and risks exposed to the Group as the Group has been executing its transformation plan to become a mobile gaming company. Please refer to the paragraph headed "Transformation Plan: Risks and Hurdles" in this report for the relevant risks. In summary, it takes time before the market may see the fruits of the Group's efforts and for the time being, it requires the management to be agile and focused on the Group's transformation plan to drive revenue growth and return to profit making. The Group's management will pledge to work tirelessly to ensure a successful transformation and ultimately to create shareholders value.

APPRECIATION

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

WANG Dongfeng
Chairman

Hong Kong, 26 March 2015

REPORT OF DIRECTORS

The Directors are pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group principally engages in the development and publishing of webgames and mobile games in China. During 2014, the Group has launched and operated a total of 12 webgame titles and 12 mobile games. The Group has also continued to optimise the profitability of webgame publishing platform, *91wan*. Capturing the mobile opportunity has been the major strategic direction of the Group, and the Group has implemented a series of strategic initiatives during 2014 and the first quarter of 2015 by (i) devising and establishing an IP adaption strategy to develop mobile games based on popular TV animation, movie, and on-line literature IPs; (ii) establishing a casual game focused development and publishing team to deliver high quality casual games through which the Group aims to accumulate organic traffic of game players and (iii) carrying on the mid-hard core games development competency of the Group and publishing third party RPGs.

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2014.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of comprehensive loss on pages 62 to 63 of this annual report.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2014.

SHARE CAPITAL

During the year ended 31 December 2014, the Company had issued Shares as a result of the exercise of the options granted under the Pre-IPO Share Options Scheme. Details of the movement in the share capital of the Company during the year ended 31 December 2014 are set out in note 24 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity on page 68 of this annual report and in note 25 to the Financial Statements, respectively.

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 31 December 2014, the Group had utilized approximately RMB235 million of the net proceeds, out of which approximately RMB206.6 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, and approximately

RMB28.4 million was used in funding the expansion of our international operation. Such utilization 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 unutilized portion of the net proceeds 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.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company had distributable reserves of approximately RMB987.0 million (as at 31 December 2013: RMB949.3 million), none of which had been proposed as final dividend for the year under review.

FINANCIAL HIGHLIGHTS

A summary of the condensed consolidated results and financial position of the Group is set out on page 5 of this annual report.

CHARITABLE DONATIONS

No donation was made by the Group during the year ended 31 December 2014.

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2014 are set out in note 15 to the Financial Statements.

BORROWINGS

Details of borrowings of the Group during the year ended 31 December 2014 are set out in note 29 to the Financial Statements.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any significant unrecorded contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2014 and as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, or the laws of the Cayman Islands, and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2014 were:

Executive Directors
Mr. WANG Dongfeng *(Chairman and Chief Executive Officer)*
Mr. ZHUANG Jieguang
Mr. LIAO Dong (retired on 27 May 2014 and not offered for re-election)
Mr. HUANG Weibing (retired on 27 May 2014 and not offered for re-election)

Non-executive Directors
Mr. TUNG Hans
Mr. TAN Hainan (resigned on 6 October 2014)

Independent Non-executive Directors
Mr. LEVIN Eric Joshua
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

In accordance with article 104(1) of the Articles, Mr. WANG Dongfeng and Mr. TUNG Hans shall retire from office as Directors by rotation at the Annual General Meeting and Mr. WANG Dongfeng and Mr. TUNG Hans, being eligible, will offer themselves for re-election as Directors at the Annual General Meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 55 to 59 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive and Non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 1 September 2013 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Each of the Independent Non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from 1 September 2013 unless terminated by not less than 30 days' notice in writing served by either the Independent Non-executive Director or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors proposed for re-election at the Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors, namely Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard, has confirmed to the Company their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has reviewed the independence of each of these Directors and considers all the Independent Non-executive Directors to be independent.

DIRECTORS AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 Executives	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Relevant Class of Shares/ Underlying shares held	Approximate Percentage of Shareholding
WANG Dongfeng (汪東風)	Founder of a discretionary trust Interest in controlled corporation(1)	The Company	26,755,218 Ordinary Shares (long position)	21.06%
ZHUANG Jieguang (莊捷廣)	Founder of a discretionary trust Interest in controlled corporation(2)	The Company	19,840,828 Ordinary Shares (long position)	15.62%
LEVIN Eric Joshua(3)	Beneficial Owner	The Company	69,292 Ordinary Shares (long position)	0.05%
POON Philana Wai Yin (潘慧妍) (4)	Beneficial Owner	The Company	49,400 Ordinary Shares (long position)	0.04%
ZHAO Cong Richard (趙聰) (5)	Beneficial Owner	The Company	49,400 Ordinary Shares (long position)	0.04%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of the Wang Trust. The Wang Trust is a discretionary trust set up by Mr. Wang as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of the Wang Trust include Mr. Wang and certain of his family members. Mr. Wang and Managecorp Limited are taken to be interested in 26,755,218 Shares held by Foga Group pursuant to Part XV of the SFO.

(2) Foga Development is wholly owned by Managecorp Limited as the trustee of the ZHUANGJG Trust. The ZHUANGJG Trust is a discretionary trust set up by Mr. Zhuang as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of the ZHUANGJG Trust include Mr. Zhuang and certain of his family members. Mr. Zhuang and Managecorp Limited are taken to be interested in 19,840,828 Shares held by Foga Development pursuant to Part XV of the SFO.

(3) Mr. LEVIN Eric Joshua is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 69,292 Shares.

(4) Ms. POON Philana Wai Yin is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares.

(5) Mr. ZHAO Cong Richard is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares.

Save as disclosed above, none of the Directors or chief executives of the Company 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 31 December 2014.

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

As at 31 December 2014, the following are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	**Capacity/Nature of Interest**	**Number and Class of Shares**	**Approximate Percentage of Shareholding**
Managecorp Limited[(1) (2) (3) (4)]	Trustee	63,667,440 Ordinary Shares (long position)	50.11%
Foga Group [(1)]	Registered owner	26,755,218 Ordinary Shares (long position)	21.06%
Foga Development [(2)]	Registered owner	19,840,828 Ordinary Shares (long position)	15.62%
Foga Holdings[(3)]	Registered owner	13,945,197 Ordinary Shares (long position)	10.98%
TA	Registered owner	13,138,353 Ordinary Shares (long position)	10.34%

Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Foga Networks [4]	Registered owner	8,991,852 Ordinary Shares (long position)	7.08%
KongZhong Corporation	Registered owner	8,893,300 Ordinary Shares (long position)	6.99%
Foga Internet Development[5]	Beneficial owner	8,085,700 Ordinary Shares (long position)	6.36%

Notes:

(1) Foga Group is wholly owned by Managecorp Limited as the trustee of the Wang Trust. The Wang Trust is a discretionary trust set up by Mr. Wang as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of the Wang Trust include Mr. Wang and certain of his family members. Mr. Wang and Managecorp Limited are taken to be interested in 26,755,218 Shares held by Foga Group pursuant to Part XV of the SFO.

(2) Foga Development is wholly owned by Managecorp Limited as the trustee of the ZHUANGJG Trust. The ZHUANGJG Trust is a discretionary trust set up by Mr. Zhuang as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of the ZHUANGJG Trust include Mr. Zhuang and certain of his family members. Mr. Zhuang and Managecorp Limited are taken to be interested in 19,840,828 Shares held by Foga Development pursuant to Part XV of the SFO.

(3) Foga Holdings is wholly-owned by Managecorp Limited as the trustee of the Hao Dong Trust. The Hao Dong Trust is a discretionary trust set up by Mr. Liao as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary object of the Hao Dong Trust is Mr. Liao himself. Mr. Liao and Managecorp Limited are taken to be interested in 13,945,197 Shares held by Foga Holdings pursuant to Part XV of the SFO.

(4) Foga Networks is wholly-owned by Managecorp Limited as the trustee of the Keith Huang Trust. The Keith Huang Trust is a discretionary trust set up by Mr. Huang as settlor and protector, and Managecorp Limited as trustee on 15 March 2013. The beneficiary object of the Keith Huang Trust include Mr. Huang and certain of his family members. Mr. Huang and Managecorp Limited are taken to be interested in 8,991,852 Shares held by Foga Network pursuant to Part XV of the SFO.

(5) Foga Internet Development is wholly-owned by Mr. Yang.

Save as disclosed above, as at 31 December 2014, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors and chief executives interests and short positions in Shares, underlying Shares and debentures" above, at no time during the year ended 31 December 2014 and up to the date of this annual report 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group (including the PRC Operational Entities), none of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended 31 December 2014.

CONNECTED TRANSACTIONS

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, which were issued on 11 December 2001 by the State Council and amended on 10 September 2008, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet content provision services. Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator of such services must obtain an ICP License from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in China. In addition, a foreign investor who invests in a value-added telecommunications businesses in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas ("Qualification Requirement"). As advised by the Company's PRC legal advisers, as at 31 December 2014, no applicable PRC laws, regulations or rules had provided clear guidance or interpretation on the Qualification Requirement, and there was no update to the Qualification Requirement. Therefore, in order for the Company to be able to carry on its business in China, the Group entered into a series of contractual arrangements between Feidong, on one hand, the PRC Operational Entities and their respective shareholders on the other hand, which enable the Company to exercise control over the PRC Operational Entities and Feidong, and to consolidate these companies' financial results in the results of the Company under IFRSs as if they were wholly-owned subsidiaries of the Company.

Progress of overseas expansion plans

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Company has been gradually building up the track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of the PRC Operational Entities when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China.

After the IPO, Foga Tech has set up a physical office in Hong Kong to provide managerial support to the Group in January 2014, a development centre in Taiwan in October 2013 and a development and publishing centre in the United States that focuses on developing mobile games with a global appeal in San Francisco in early 2014.

Contractual Arrangements

The Contractual Arrangements which were in place during the year ended 31 December 2014 and brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

i. Exclusive options agreements dated June and July 2012, which were amended and restated on 12 September 2013, entered into between each of the PRC Operational Entities, their respective shareholders, and Feidong, under which Feidong was granted an exclusive irrevocable option to purchase from the respective shareholders some or all of their equity interests in the PRC Operational Entities at any time, at a nominal amount subject to applicable PRC laws.

ii. Exclusive business cooperation agreements dated 21 June 2012, which were amended and restated on 12 September 2013, entered into between each of the PRC Operational Entities and Feidong, under which each of the PRC Operational Entities agreed to engage Feidong as its exclusive provider of business support, technical and consulting services, including network support, business consultations, intellectual property development, equipment leasing, marketing consultancy, system integration, product research and development and system maintenance, in exchange for a monthly service fee. The monthly fee is, subject to Feidong's adjustment, equal to 100% of the net income of the PRC Operational Entities and may also include accumulated earnings of the PRC Operational Entities from previous financial years. Pursuant to the exclusive business cooperation agreements, Feidong also has the exclusive and proprietary rights to all intellectual properties developed by the PRC Operational Entities.

iii. Share pledge agreements dated July 2012, which were amended and restated on 12 September 2013, entered into between each of the PRC Operational Entities, its respective shareholders, and Feidong, under which the shareholders of the PRC Operational Entities pledged all of their respective equity interests in the PRC Operational Entities to Feidong as collateral security for all of their payments due to Feidong and to secure performance of their obligations under the above-mentioned exclusive business cooperation agreements.

iv. Irrevocable powers of attorney executed in June and July 2012, which were amended and restated on 12 September 2013, executed by each of the shareholders of the PRC Operational Entities to appoint Feidong as the exclusive agent and attorney to act on their behalf on all matters concerning the PRC Operational Entities and to exercise all of their rights as registered shareholders of the PRC Operational Entities.

For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

Apart from the above, there are no new Contractual Arrangements entered into, renewed or reproduced between the Group and the PRC Operational Entities during the year ended 31 December 2014. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2014.

During the year ended 31 December 2014, none of the structured contracts mentioned above has been unwound as none of the restrictions that led to the adopted of structured contracts under the Contractual Arrangements has been removed.

Particulars of the PRC Operational Entities as at 31 December 2014:

Name of the PRC Operational Entities	Kind of legal entity/ place of establishment and operation	Registered owners	Business activities
Feiyin	Limited liability company/ the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development of webgames and mobile games
Weidong	Limited liability company/ the PRC	41.10% by Mr. Huang 24.70% by Mr. Liao 23.75% by Mr. Wang 9.50% by Mr. Zhuang 0.95% by Mr. Yang	Development and operation of webgames and mobile games
Jieyou	Limited liability company/ the PRC	48.61% by Mr. Zhuang 20.94% by Mr. Wang 17.13% by Mr. Liao 12.37% by Mr. Huang 0.95% by Mr. Yang	Development and operation of webgames and mobile games

The PRC Operational Entities are significant to the Group as they hold certain licenses and permits that are essential to the operation of the business of the Group, such as the ICP License, the Network Cultural Business Permit and the Internet Publication License. In addition, most of the intellectual property rights, including software copyrights, trademarks, patents and domain names, are held by the PRC Operational Entities. The revenue and the total asset value of the PRC Operational Entities subject to the Contractual Arrangements amounted to approximately RMB503.9 million for the year ended 31 December 2014 and approximately RMB838.6 million as at 31 December 2014, respectively.

The PRC Operational Entities have undertaken to the Company that, for so long as the shares of the Company are listing on the Stock Exchange, the PRC Operational Entities will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions as contemplated under the Contractual Arrangements.

Requirements related to Contractual Arrangements (other than relevant foreign ownership restrictions)

As advised by the Company's PRC legal advisers, requirements related to Contractual Arrangements (other than relevant foreign ownership restrictions) include:

i. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the state; (ii) malicious collusion is conducted to damage the interest of the state, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. As advised by the Company's PRC legal advisers, the relevant terms of the Contractual Arrangements do not fall within any of the aforementioned five circumstances, and in particular, would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" under Article 52 of the PRC Contract Law, and do not violate the provisions of the PRC Contract Law or the General Principles of the PRC Civil Law.

ii. According to the Contractual Arrangements, when dispute occurs, any party to the agreement may deliver such dispute to the China International Economic and Trade Arbitration Commission for settlement pursuant to the effective arbitration rules at that time, and the arbitration award shall be final and binding to the parties. Arbitration tribunal may decide compensation for the equity interests and property ownership of the on-shore subsidiaries, decide enforceable remedy or demand liquidation for relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect. The courts in Hong Kong and Cayman Islands also have the right to grant or execute awards of arbitration tribunal and make decision or execute temporary remedy on the equity interests and property ownership of the on-shore subsidiaries. However, pursuant to the laws of China, in the settlement of dispute, the arbitration tribunals shall not be entitled to grant an injunction in order to protect the property ownership or equity interests of the on-shore subsidiaries, and shall not issue a temporary or final liquidation order directly. Moreover, the temporary compensation or order decided by the off-shore courts, including Hong Kong and Cayman Islands, may not be recognized or enforced by the court of China. Therefore, such terms in above agreement may not be enforceable under the laws of China.

Risks associated with the Contractual Arrangements and the actions taken by the Company to mitigate the risks

	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
i.	If the PRC government finds that the agreements that establish the structure for operating the business of the Company in the PRC do not comply with PRC laws and regulations, or if these regulations or their interpretation change in the future, the Group could be subject to severe penalties or be forced to relinquish the interests in those operations.	Pursuant to the amended and restated exclusive business cooperation agreements, at any time after the date of such agreements, in the event of any promulgation or change of any law, regulation or rule of China or any interpretation or applicable change on such laws, regulations or rules, the following agreement shall be applicable: if the economic interests of any party under the agreements suffer a significant adverse effect directly or indirectly due to above change of laws, regulations or rules, the agreements should continue to operate pursuant to the original terms. Each of the parties shall obtain a waiver for complying on such change or rule via all legal channels. If any adverse effect on the economic interests of any party may not be eliminated according to this agreement, upon the receipt by other parties of such notice from the affected party, all the parties shall promptly discuss and make all necessary modification to the agreements to maintain the economic interests of the affected party under the agreement.
ii.	The Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operational Entities or their shareholders may fail to perform their obligations under the Contractual Arrangements.	According to the amended and restated powers of attorney, the amended and restated share pledge agreements and the amended and restated exclusive business cooperation agreements, the arbitration tribunal may decide compensation for the equity interests or property ownership of Chinese business entities or their shareholders, decide enforceable remedy or demand a bankrupt on Chinese business entities or their shareholders for relevant business or enforceable asset transfer. Any party is entitled to request the competent court to execute the arbitration award when it comes into effect.

	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
iii.	The Company may lose the ability to use and enjoy assets held by the PRC Operational Entities that are important to the operation of the business of the Group if the PRC Operational Entities declare bankrupt or become subject to dissolution or liquidation proceedings.	Pursuant to the amended and restated exclusive option agreements, in the event of a mandatory liquidation required by the laws of PRC, the relevant PRC Operational Entities shall sell all of their assets and any residual interest through a non-reciprocal transfer to the extent permitted by the laws of PRC to Feidong or another qualifying entity designated by Feidong, at the lowest selling price permitted by applicable laws of the PRC.
iv.	The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Group owes additional taxes could substantially reduce the consolidated net income of the Group and the value of the investment of the Shareholders.	As advised by the Company's PRC legal advisers, who took the view that the Contractual Arrangements will not be challenged by the PRC tax authorities or other government authorities, provided that Feidong and the PRC Operational Entities implement the Contractual Arrangements in accordance with the terms of the structured contracts, unless the PRC tax authorities determine that such transactions are not conducted on an arm's length basis.
v.	The Group may be subject to higher income tax rates and incur additional taxes as a result of the Contractual Arrangements, which may increase the tax expenses and decrease the new profit margin.	Pursuant to the PRC Enterprise Income Tax Law, Feidong is accredited as "software enterprise" and entitled to preference income tax rates during preferential periods as disclosed in note 12 to the Financial Statements. Feidong would use its reasonable endeavours to take all necessary actions to maintain its status as "software enterprise" in order to continue enjoy a reduced income tax rate of 12.5% from 2014 to 2016. Please also refer to paragraph iv of the above.

	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
vi.	Shareholders of the PRC Operational Entities may potentially have a conflict of interest with the Group, and such shareholders may breach their contracts with Group, or cause such contracts to be amended in manner contrary to the interests of the Group.	The shareholders of the PRC Operational Entities have undertaken to Feidong that during the period when the Contractual Arrangements remain effective, (i) unless otherwise agreed to by Feidong in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of the PRC Operational Entities or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Feidong (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Feidong has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Feidong.
vii.	The Group depends on the PRC Operational Entities to provide certain services that are critical to its business. The breach or termination of any of these service agreements or any failure of or significant quality deterioration in these services could have a material adverse effect on the business, financial condition and results of operations of the Group.	To ensure sound and effective operation of the Group after the adoption of the Contractual Arrangements, the relevant business units and operation divisions of the Group will report regularly, which will be no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Contractual Arrangements and other related matters. In addition, the PRC Operational Entities are not permitted to terminate the amended and restated exclusive business cooperation agreements unless Feidong commits gross negligence or a fraudulent act against it.

	Risks associated with the Contractual Arrangements	Mitigation actions taken by the Company
viii.	The Group conducts its business operation in the PRC through the PRC Operational Entities by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws.	As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.
ix.	If Feidong (or its designee within the Group) exercise the option to acquire equity ownership of the PRC Operational Entities, the ownership transfer may subject the Group to substantial costs.	According to the amended and restated exclusive option agreements, unless valuation is required under the laws of China before exercising such option, the purchase price of the equity interests shall be the nominal price, if the relevant governmental authorities specify a particular price as the purchase price of equity interests, the purchaser shall return the surplus or make up the difference to the vendor, provided that the vendor and purchaser need to assume such tax as occurred from such party or levied on such party, respectively.

For details of the Risks associated with the Contractual Arrangements, please refer to the section headed "Risk factors - Risks relating to our Contractual Arrangements" in the Prospectus.

WAIVER FROM THE STOCK EXCHANGE AND ANNUAL REVIEW

Mr. Zhuang is an Executive Director and Mr. Huang was an Executive Director prior to his retirement on 27 May 2014, and are therefore the Company's connected persons pursuant to Rule 14A.07(1) of the Listing Rules. Each of Weidong and Feiyin is owned as to 41.10% by Mr. Huang, and are therefore associates of Mr. Huang and the Company's connected person pursuant to Rule 14A.07 (4) of the Listing Rules. Jieyou is owned as to 48.61% by Mr. Zhuang and is therefore an associate of Mr. Zhuang and the Company's connected person pursuant to Rule 14A.07(4) of the Listing Rules. The Contractual Arrangements between Feidong, being a wholly-owned subsidiary of the Company, and the PRC Operational Entities (i.e. Weidong, Feiyin and Jieyou) would technically constitute connected transactions under the Listing Rules. The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirement of Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section headed "Connected Transactions" in the Prospectus.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions under the Contractual Arrangements and confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Independent Non-executive Directors have also confirmed that (i) the transactions carried out during the year ended 31 December 2014 have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the PRC Operational Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) there were no new contracts entered into, renewed or reproduced between the Group and the PRC Operational Entities during the year ended 31 December 2014. Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed-upon procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the aforesaid continuing connected transactions. Based on the work performed, the auditors of the Company have provided a letter to the Board confirming that:

1. nothing has come to their attention that causes the auditors of the Company to believe that the disclosed continuing connected transactions have not been approved by the Board;

2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditors of the Company to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. nothing has come to their attention that causes the auditors of the Company to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

4. nothing has come to their attention that causes the auditors of the Company to believe that dividends or other distributions have been made by the PRC Operational Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to the Group.

For the year ended 31 December 2014, the services provided by Feidong to the PRC Operational Entities (including sales of intellectual property, provision of product development and system maintenance services, provision of data integration services) amounted to an aggregate of approximately RMB42.2 million.

During the year ended 31 December 2014, no related parties transactions disclosed in note 36 to the Financial Statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2014 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014 and up to the date of this annual report.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2014, the Group had 1,186 employees. The remuneration to the employees of the Group includes salaries, bonus and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. The Group also provides intensive customized trainings to its staff to enhance their technical and product knowledge as they will be designated to mentors who are experienced employees in relevant teams or departments. The mentors will provide regular on-the-job trainings to the staff. The Group offers competitive remuneration packages to the Directors, and the Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

The Group has also adopted Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and Restricted Share Unit Scheme as long-term incentive schemes of the Group.

Details of the Directors' remuneration during the year ended 31 December 2014 are set out in note 9 to the Financial Statements.

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 and amended on 1 September 2013. The Pre-IPO Share Option Scheme is not subject to the provisions 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 employees and Directors of the Group.

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

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting year	Option year	Outstanding as at 1 January 2014	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2014
Directors										
Mr. LEVIN Eric Joshua	69,292 Ordinary Shares	1 January 2013	3 October 2013 to 31 October 2014	10 years from the date of grant	69,292 Ordinary Shares	Par value of the ordinary shares	—	—	—	69,292 Ordinary Shares
Ms. POON Philana Wai Yin	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
Mr. 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	**168,092 Ordinary Shares**	**—**	**—**	**—**	**168,092 Ordinary Shares**	**—**	**—**	**—**	**—**	**168,092 Ordinary Shares**
362 employees	6,272,819 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	5,602,472 Ordinary Shares	Par value of the ordinary shares	1,113,925 Ordinary Shares (Note)	—	1,256,363 Ordinary Shares	3,232,184 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**5,770,564 Ordinary Shares**	**—**	**1,113,925 Ordinary Shares**	**—**	**1,256,363 Ordinary Shares**	**3,400,276 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year was approximately HK$50.41.

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the year ended 31 December 2014, the Company has issued 1,113,925 shares to the grantees for an aggregate consideration of US$111.3925. Such shares are of the same class and are identical in all respect 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 26 to the Financial Statements.

THE RESTRICTED SHARE UNIT SCHEME

The Company has approved and adopted a Restricted Share Unit ("RSU") Scheme by a resolution of its shareholders on 1 September 2013 and a resolution of the Board on 1 September 2013. The Restricted Share Unit Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Unit 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 RSUs Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an award of RSUs ("Award") pursuant to the Restricted Share Unit Scheme. An award of Restricted Share Unit Scheme gives a participant in the Restricted Share Unit Scheme a contractual right when the Award vests to obtain either shares or an equivalent value of the Shares in or about the date of vesting, as determined by the Board in its absolute discretion. Notwithstanding the foregoing, if so specified by the Board in its entire discretion, the RSUs 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.

During the year ended 31 December 2014 and up to the date of this annual report, no awards have been made pursuant to the Restricted Share Unit Scheme.

For further details of the Restricted Share Unit Scheme, please refer to the section headed "Statutory and general information" in Appendix IV to the Prospectus .

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted a 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.

No Option has been granted under the Post-IPO Share Option Scheme as at 31 December 2014. The Company had granted options to subscribe for 1,908,000 Shares to employees of the Group on 2 January 2015.

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

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting year	Option year	Exercise price
15 employees	1,908,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	HK$14.61

None of the grantees of the outstanding options granted under the Post-IPO Option Scheme is a director, chief executive or substantial shareholder of the Company, or an associate (as defined under the Listing Rules) of any of them.

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.

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) Any Director of any member of the Group from time to time; (ii) any employee or officer of any member of the Group; and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company; (ii) the full-time employees of any of the subsidiaries and/or PRC Operational Entities; (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group; and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3.	Maximum number of Shares	As at 31 December 2014, options to subscribe for an aggregate of 3,400,276 Shares were outstanding, representing approximately 2.68% of the issued share capital of the Company as at 31 December 2014. No further option could be granted under the Pre-IPO Share Option Scheme	As at 31 December 2014, the maximum number of Shares in respect of which options may be granted under the Post-IPO Share Option Scheme was 9,305,147 Shares, representing approximately 7.32% of the issued share capital of the Company as at 31 December 2014. No option has been granted under the Post-IPO Share Option Scheme as at 31 December 2014 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 10th 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 year 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 expired on 3 October 2013	It shall be valid and effective for a year of ten years commencing on 3 October 2013

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, the percentage of the aggregate revenue attributable to the Group's largest game and five largest games accounted for approximately 11% and 37% of the Group's total revenue, and accounted for approximately 14% and 50% of the Group's product revenue, respectively.

During the year ended 31 December 2014, the percentage of the aggregate revenue attributable to the Group's largest game licensor and five largest game licensors accounted for approximately 4% and 10% of the Group's total revenue, respectively.

During the year ended 31 December 2014, the percentage of the aggregate revenue attributable to the Group's largest publishing partner and five largest publishing partners accounted for approximately 13% and 35% of the Group's total revenue, respectively.

During the year ended 31 December 2014, the percentage of the aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 24% and 42% of the Group's cost of revenue, respectively.

None of the Directors or any of their close associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest game licensors, publishing partners and suppliers.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2014

On 2 January 2015, the Group has offered to grant a total of 1,908,000 share options to certain employees of the Group to subscribe for a total of 1,908,000 ordinary shares of US$0.0001 each in the share capital of the Company under the Post-IPO Share Option Scheme adopted by the Company on 1 September 2013 at an exercise price of HK$14.61 per Share. The fair value of the services received in exchange for the grant of the share options is accounting to approximately RMB8.5 million. For details, please refer to the announcement of the Company dated 2 January 2015.

REPORT OF DIRECTORS

COMPLIANCE WITH THE CG CODE

The Company has applied the principles and code provisions as set out in the CG Code. Save as disclosed in the corporate governance report under this annual report in relation to the deviations from Code Provisions A.2.1 and C.1.2, the Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2014.

AUDITOR

The Financial Statements of the Group for the year ended 31 December 2014 have been audited by PricewaterhouseCoopers, certified public accountants.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect will be proposed at the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 16 May 2015 to Thursday, 28 May 2014, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting to be held on Thursday, 28 May 2015. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 15 May 2015.

By order of the Board
WANG Dongfeng
Chairman

Hong Kong, 26 March 2015

DIVISIONAL HIGHLIGHTS

Game product

During 2014, revenue from the game product segment decreased by approximately 39.6% to RMB483.1 million from RMB799.4 million recorded in 2013. This result was primarily due to the Group's ongoing transformation from a webgame company to a mobile game company, which results in a decrease in webgame revenue that was not fully offset by the approximately 38.6% increase in the mobile game revenue. The game product revenue from webgame was RMB332.9 million in 2014 compared to RMB691.1 million in 2013. The game product revenue from mobile games was RMB150.2 million in 2014 compared to RMB108.3 million in 2013.

On the mobile game side, the Group has launched and operated a total of 12 mobile games during 2014, and as at 31 December 2014, the Group had 13 mobile games in operation. Most notably, the Group's implementation of IP strategy together with mobile games development has generated encouraging results. For example, "Boonie Bears: Forest Defense (熊出沒之森林保衛戰)" and "Boonie Bears: Homeland Defense (熊出沒之保衛家園)" were two casual games developed based on the popular TV series "Boonie Bears (熊出沒)". The initial results have been encouraging and the games' popularity continued to rise. Another successful title published by the Group was "Wu Di Huan Ling (無敵喚靈)", a mobile RPG adapted from a Qidian online literature. With the help of having Angelababy, a famous Asian actress, as the game's spokesperson, the newly built mobile game publishing team was able to promote this game on all major channels in China. The game was ranked No.1 and No.3 on iOS paid app top charts and iOS free game top charts, respectively, shortly after launch with monthly gross billings of the game being over RMB8 million.

On the webgame side, the Group has launched and operated a total of 12 webgame titles during 2014, and as at 31 December 2014, the Group had 40 self-developed webgames in operation. As the competitive landscape of webgame market changed significantly in 2014 and the webgame players became more sophisticated, the Group has adjusted its strategy to invest additional time and resources in webgame development and aimed to deliver games of higher quality in terms of graphics and gameplay. The change in strategy, however, also led to the delay in game launches. The three games launched by the Group in 2014, namely "Solitary Conquest (獨步天下)", "Charmed Swordsman (醉武俠)" and "Wind of Contrail (風色軌迹)", a western fantasy themed RPG, had peak monthly gross billings ranging from RMB10 million to RMB20 million.

The average MPUs of the Group for game product segment has decreased to approximately 661,000 in 2014 from approximately 710,000 in 2013, driven by lower webgame MPUs contribution as the Group had delayed the launches of several webgames according to the Group's strategic decision to invest additional development time and resources to enhance the quality of webgames. ARPPU has decreased from RMB94 in 2013 to RMB61 in 2014. Such decrease was mainly due to the increased contribution of newly launched casual mobile titles that typically generate a lower ARPPU.

Game platform

During 2014, revenue from the game platform segment decreased by approximately 58.2% to RMB160.4 million from RMB383.7 million. The result was primarily due to strategic adjustment of the *91wan*, the self-publishing platform of the Group. Since 2014, the Group has shifted its focus on prioritizing the profitability of *91wan* over revenue expansion. The Group has lowered the promotion and advertising expenses for *91wan* as the Group has been controlling the advertising spending in order to optimize return on investment. As at the end of 2014, *91wan* published over 90 self-developed and licensed webgames and had attracted over 222 million registered players, a growth rate of 7.5% compared to that as at the end of 2013. The growth in registered players was driven by the Group's continuous efforts on targeted marketing and promotion of the games, as well as a well-balanced game portfolio consisting of both self-developed and licensed games that drive organic traffic to the *91wan* platform.

The average MPUs of the Group for game platform segment decreased to approximately 44,000 in 2014 from approximately 109,000 in 2013, primarily because the Group has lowered the marketing expenses in order to strike a more balanced return on investment for the *91wan* platform. ARPPU for game platform segment has remained stable.

The following table sets forth certain operating statistics relating to the businesses of the Group at the dates and in the years presented:

	Year Ended 31 December	
	2014	2013
Game Product:		
Average MPUs (in thousands) (1)	**661**	710
Monthly ARPPU (RMB)	**61**	94
Game Platform:		
Registered players (in thousands)	**222,690**	207,221
Average MPUs (in thousands) (1)	**44**	109
Monthly ARPPU (RMB)	**305**	293

Note:

(1) The figures mentioned in the above table did not eliminate the duplication in paying users of the games published on the Group's platforms.

The following table sets forth the Group's income statement for the year ended 31 December 2014 as compared to the year ended 31 December 2013.

	Year Ended 31 December		
	2014	2013	Change
	RMB'000	RMB'000	%
Revenue	**643,470**	1,183,128	-45.6%
Cost of revenue	**(218,279)**	(181,217)	20.5%
Gross profit	**425,191**	1,001,911	-57.6%
Selling and marketing expenses	**(149,807)**	(303,425)	-50.6%
Administrative expenses	**(93,984)**	(88,739)	5.9%
Research and development expenses	**(231,417)**	(293,174)	-21.1%
Other income	**37,362**	10,333	261.6%
Other (losses)/gains	**(23,816)**	2,309	-1,131.4%
Operating (loss)/profit	**(36,471)**	329,215	-111.1%
Finance income	**16,463**	7,146	130.4%
Finance costs	**(6,369)**	(126)	4,954.8%
Finance income-net	**10,094**	7,020	43.8%
Share of loss of investments accounted for using the equity method	**(5,605)**	—	NM
Fair value loss of convertible redeemable preferred shares	**—**	(741,348)	-100.0%
Loss before income tax	**(31,982)**	(405,113)	-92.1%
Income tax expense	**(6,825)**	(70,291)	-90.3%
Loss for the year	**(38,807)**	(475,404)	-91.8%

Note:

NM – Not meaningful

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue. Revenue decreased by 45.6% to RMB643.5 million for the year ended 31 December 2014 from RMB 1,183.1 million for the year ended 31 December 2013. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2014 and 2013:

	Year Ended 31 December			
	2014		2013	
	(RMB'000)	**(% of Total Revenue)**	(RMB'000)	(% of Total Revenue)
Revenue by Segment				
– Game product	**483,095**	**75.1**	799,437	67.6
– Game platform	**160,375**	**24.9**	383,691	32.4
Total Revenue	**643,470**	**100.0**	1,183,128	100.0

Note:

Game product segment is of the same definition as "game development" and game platform segment is of the same definition as "game publishing" as referred in the Company's annual report for the year ended 31 December 2013.

— Revenue from game product segment decreased by 39.6% to RMB483.1 million for the year ended 31 December 2014 from RMB799.4 million for the year ended 31 December 2013. The decrease was due to the combined effects of (i) the existing webgames of the Group having entered the mature stage of their product life cycles; (ii) performance of the new webgame titles launched by the Group in 2014 was below initial expectation; and (iii) the Group delayed the launches of several new webgames due to the Group's strategic decision to invest additional development time and resources to enhance the quality of its webgames, which was partially offset by the increase in revenue of the newly launched mobile games in the second half of 2014, such as "Boonie Bears: Forest Defense (熊出沒之森林保衛戰)", "Wu Di Huan Ling (無敵喚靈)" and "Boonie Bears: Homeland Defense (熊出沒之保衛家園)".

— Revenue from game platform segment decreased by 58.2% to RMB160.4 million for the year ended 31 December 2014 from RMB383.7 million for the year ended 31 December 2013 which was mainly due to the average MPUs of game platform segment declined from approximately 109,000 for the year ended 31 December 2013 to approximately 44,000 for the year ended 31 December 2014. The decrease in average MPUs reflected that (i) the existing self-developed and licensed webgames of the Group have entered the mature stage of their product life cycles; (ii) performance of the self-developed new webgames of the Group was below initial expectation; and (iii) the Group delayed the launches of several new webgames due to the Group's strategic decision to invest additional development time and resources to enhance the quality of its webgames. The monthly ARPPU of game platform segment has remained stable for the years ended 31 December 2013 and 2014, respectively.

Cost of revenue. Cost of revenue increased by 20.5% to RMB218.3 million for the year ended 31 December 2014 from RMB181.2 million for the year ended 31 December 2013. As a percentage of revenue, cost of revenue increased to 33.9% for the year ended 31 December 2014 from 15.3% for the year ended 31 December 2013. The following table sets forth the cost of revenue of the Group by segment for the years ended 31 December 2014 and 2013:

	Year Ended 31 December			
	2014		2013	
	(RMB'000)	**(% of Total Cost of Revenue)**	(RMB'000)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game product	**179,847**	**82.4**	136,310	75.2
– Game platform	**38,432**	**17.6**	44,907	24.8
Total Cost of Revenue	**218,279**	**100.0**	181,217	100.0

Note:

Game product segment is of the same definition as "game development" and game platform segment is of the same definition as "game publishing" as referred in the Company's annual report for the year ended 31 December 2013.

— Cost of revenue for game product segment increased by 31.9% to RMB179.8 million for the year ended 31 December 2014 from RMB136.3 million for the year ended 31 December 2013. This increase was mainly due to (i) higher content costs and agency fees of self-developed mobile games for the year ended 31 December 2014 compared to the year ended 31 December 2013 as the self-developed mobile games contribution increased; and (ii) higher amortization of license fee as a result of the increase in the number of mobile games licensed. As the revenue contribution of mobile games continued to increase, cost of revenue for game product segment would continue to increase due to the reasons listed above.

— Cost of revenue for game platform segment decreased by 14.4% to RMB38.4 million for the year ended 31 December 2014 from RMB44.9 million for the year ended 31 December 2013. This was mainly attributable to the decrease in server and bandwidth costs and payment handling costs as the Group has been focusing on optimizing the return on investment and profitability of *91wan* platform in 2014.

Selling and marketing expenses. Selling and marketing expenses decreased by 50.6% to RMB149.8 million for the year ended 31 December 2014 from RMB303.4 million for the year ended 31 December 2013. This was mainly attributable to the decrease in promotion and advertising expenses for *91wan* as the Group has been focusing on controlling the advertising spending in order to optimize return on investment and profitability of *91wan* platform during 2014.

Administrative expenses. Administrative expenses increased by 5.9% to RMB94.0 million for the year ended 31 December 2014 from RMB88.7 million for the year ended 31 December 2013. Administrative expenses were largely stable since a significant portion of the administrative expenses were fixed costs such as salary, compensation expenses and professional service expenses.

Research and development expenses. Research and development expenses decreased by 21.1% to RMB231.4 million for the year ended 31 December 2014 from RMB293.2 million for the year ended 31 December 2013. This decrease was primarily due to the continuous effort of the Group to optimize its research and development organization in line with the strategic transition from webgame to mobile game.

Other income. Other income increased by 261.6% to RMB37.4 million for the year ended 31 December 2014 from RMB10.3 million for the year ended 31 December 2013 mainly due to (i) the increase in interest income of bank deposits from RMB7.5 million for the year ended 31 December 2013 to RMB27.0 million for the year ended 31 December 2014; and (ii) the increase in government grant from RMB2.8 million for the year ended 31 December 2013 to RMB10.4 million for the year ended 31 December 2014.

Other (losses)/gains. Other losses for the year ended 31 December 2014 was RMB23.8 million, as compared to other gains of RMB2.3 million for the year ended 31 December 2013. The increase in other losses was primarily due to foreign exchange losses of RMB19.8 million for the year ended 31 December 2014. The Group has converted its IPO proceeds from Hong Kong dollars into RMB and recognized exchange losses from the depreciation of RMB in 2014.

Finance income-net. Finance income-net for the year ended 31 December 2014 was RMB10.1 million, as compared to finance income-net of RMB7.0 million for the year ended 31 December 2013. The increase in finance income-net was primarily attributable to the interest income from short-term bank deposits as a part of the Group's cash management strategy. The Company will monitor the RMB interest rate movements and will reevaluate its cash management strategy from time to time to best utilize the cash available on hand.

Income tax expense. Income tax expense decreased by 90.3% to RMB6.8 million for the year ended 31 December 2014 from RMB70.3 million for the year ended 31 December 2013. This decrease was primarily due to the decrease in taxable profit before income tax of the PRC Operational Entities for the year ended 31 December 2014.

Loss for the year. As a result of the foregoing, the loss for the year ended 31 December 2014 was RMB38.8 million, as compared to the loss of RMB475.4 million for the year ended 31 December 2013 (including the one-off fair value loss of convertible redeemable preferred shares of approximately RMB741.3 million). The loss for the year ended 31 December 2014 was primarily due to decrease in revenue of the Group's webgame business and was not able to be offset by the increase in mobile game revenue. Operating expenses were relatively stable due to that a decrease in operating cost for webgame were largely offset by higher expenses as the Group expands its mobile game operation.

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

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the years ended 31 December 2014 and 2013, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss for the year	**(38,807)**	(475,404)
Add:		
Share-based compensation	**18,057**	59,258
Fair value change of preferred shares	**—**	741,348
Adjusted net (loss)/profit (unaudited)	**(20,750)**	325,202
Add:		
Depreciation and amortization	**49,205**	28,012
Net interest income	**(41,284)**	(14,639)
Income tax expense	**6,825**	70,291
Adjusted EBITDA (unaudited)	**(6,004)**	(408,866)

FINANCIAL POSITION

As at 31 December 2014, total equity of the Group amounted to RMB1,401.0 million, as compared to RMB1,388.1 million as at 31 December 2013. Total equity was stable as the increase in reserves net off the loss for the year. The increase in reserves was mainly driven by (i) currency translation differences of RMB19.1 million; and (ii) the share-based compensation reserve of RMB18.1 million.

The Group's net current assets amounted to RMB1,056.1 million as at 31 December 2014, as compared to RMB1,226.2 million as at 31 December 2013. This decrease was primarily due to the utilization of the current financial resources of the Group for strategic investments which were recognized as non-current assets. These strategic investments include acquisition of equity interest in innovative game studios and game publishers, investment in game incubators, acquisition of IP rights of games, game licensing and authorization of IP rights of popular TV series and internet novels. Many of the game studios, game publishers and game incubators acquisitions are early stage venture capital investments and inherently have a higher risk of failure, including complete impairment, which could adversely impact Forgame's net profit and/or equity value.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cash at bank and on hand	**851,051**	943,905
Cash at other financial institutions	**896**	2,854
Short-term deposits	**200,000**	325,540
	1,051,947	1,272,299
Borrowings	**—**	(15,242)
Net cash	**1,051,947**	1,257,057

The total cash, cash equivalent and short-term deposits of the Group amounted to RMB1,051.9 million as at 31 December 2014, compared to RMB1,272.3 million as at 31 December 2013. The decrease was primarily due to the utilization of the current financial resources of the Group for strategic investments. For details of strategic investments, please refer to paragraph headed "Financial Position" of this section.

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 RMB, followed by USD.

As at 31 December 2014, the Group's gearing ratio (calculated by bank borrowing divided by total assets) decreased to 0% (2013: 1.0%), which means the Group did not have any bank borrowing balance as at 31 December 2014. The borrowing requirements of the Group are not subject to seasonality.

FOREIGN EXCHANGE RISK

As at 31 December 2014, RMB22.8 million of the financial resources of the Group (2013: RMB33.3 million) were held in deposits denominated in non-RMB currencies. The Group's results of operations for the year ended 31 December 2015 could be adversely impacted if RMB continues to devalue against the USD in 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 constant monitoring of foreign exchange rate change.

CAPITAL EXPENDITURES

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Capital expenditures		
– Purchase of property and equipment	**7,636**	35,004
– Purchase of intangible assets	**66,503**	21,018
Total	**74,139**	56,022

Capital expenditures comprise the purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP rights of games developed by third-party developers. The total capital expenditures were RMB74.1 million and RMB56.0 million for the years ended 31 December 2014 and 2013, respectively. The increase of RMB18.1 million in total capital expenditures was 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. The Group has less property and equipment purchase requirements for the year ended 31 December 2014 because the property and equipment purchase incurred prior to 2014 sufficiently supports its business growth. The purchase of intangible assets increased by RMB45.5 million for the year ended 31 December 2014 from the year ended 31 December 2013 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 the cartoon TV series "Boonie Bears (熊出沒)" and internet novels during the year ended 31 December 2014.

Pledge of Asset

As at 31 December 2014, the Group did not have any pledge of assets.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant unrecorded contingent liabilities.

Human Resources

As at 31 December 2014, the Group had 1,186 full-time employees, the vast majority of whom are based in Guangzhou. As the Group continued to transit from a webgame business to a mobile game business, the management has actively monitored human resources costs and made headcount adjustments, and as a result, the Company had a net decrease of 794 employees in 2014. The Group will continue to monitor the costs on human resources in 2015 until the Group has completed the transformation plan. The following table sets forth the number of employees by function as at 31 December 2014:

	Number of Employees	% of Total
Game development	760	64%
Publishing	172	15%
Sales and Marketing	47	4%
General and Administration	207	17%
Total	1,186	100%

Details of remuneration policies and training schemes are set out in "Report of Directors – Remuneration Policy and Directors' Remuneration".

Details of share option schemes are set out in the sections headed "Report of Directors – Pre-IPO Share Option Scheme" and "Report of Directors – Share Option Scheme" of this report.

POST BALANCE SHEET EVENT

On 2 January 2015, the Group has offered to grant a total of 1,908,000 share options to certain employees of the Group to subscribe for a total of 1,908,000 ordinary shares of US$0.0001 each in the share capital of the Company under the Post-IPO Share Option Scheme adopted by the Company on 1 September 2013. The fair value of the services received in exchange for the grant of the share options is accounting to approximately RMB8.5 million.

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 operations and financials. The major hurdles include (i) delays of game launches; (ii) games developed not able to meet market expectation at 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 will negatively affect the Group's revenue. Also, the Group is exposed to risks such as fluctuation of foreign exchange, impairment charge due to invested companies underperformance or becoming insolvent, and other unexpected one-off restructuring costs, all of which will negatively impact the Group's net profit.

Based on what the management has observed thus far in 2015, the Group believes its overall performance in the first half of 2015 will be comparable with that of the second half of 2014.

FUTURE PLANS

The Group is evaluating investment opportunities across various parts of the mobile game value chain using the net proceeds from IPO and/or the general working capital of the Group with the aim of building an ecosystem that would drive organic growth. Going forward, the Group will evaluate both early stage investments as well as established acquisition targets that are synergistic and could contribute to the net profit of the Group after acquisition.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company's corporate governance practices are based on the code provisions as set out in the CG Code.

Save as disclosed in this Corporate Governance Report in relation to the deviations from Code Provisions A.2.1 and C.1.2, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2014.

A. The Board

1. Responsibilities

The Board is responsible for the leadership and control of the Group and is responsible for promoting the success of the Group by directing and supervising its affairs. The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

All Directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the best interests of the Company and its Shareholders at all times.

2. Delegation of Management Function

The Board is responsible for all major matters of the Group including the approval and monitoring of all major policies of the Group, overall strategies and budgets, internal control and risk management systems, notifiable and connected transactions, nomination of directors and company secretary (or joint company secretaries) and other significant financial and operational matters.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective operation. Upon reasonable request, all Directors can seek independent professional advice in appropriate circumstances, at the Company's expense.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (or joint company secretaries) of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

The day-to-day management, administration and operation of the Group are delegated to the senior management. The delegated functions are periodically reviewed. Authorization has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Code provision C.1.2 requires the Group's management to provide the Directors with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail. During the year from 1 January 2014 to 31 December 2014, the Group produced preliminary financial key performance indices and operational report on a monthly basis and these were circulated to all Executive Directors and Non-executive Directors (but not the Independent Non-executive Directors) due to the preliminary nature of this information which were not prepared according to IFRSs. Instead, the Independent Non-executive Directors received (i) regular verbal updates from the Company's management; and (ii) the unaudited quarterly management accounts of the Group prepared according to IFRSs when they were circulated to all Directors on a quarterly basis. As the Company has subsequently developed a system in place to create monthly IFRSs management accounts for the Group, such monthly management accounts were circulated to all Directors from August 2014 onwards.

3. *Board Composition*

As at 31 December 2014, the Board consisted of 6 Directors, two of whom were Executive Directors, 1 of whom was Non-executive Director and 3 of whom were Independent Non-executive Directors. At the annual general meeting held on 27 May 2014, Mr. LIAO Dong and Mr. HUANG Weibing retired from office as Executive Directors and did not offer themselves for re-election. On 6 October 2014, Mr. TAN Hainan resigned as Non-executive Director. As at the date of this annual report, the Board consists of 6 Directors, 2 of whom are Executive Directors, 1 of whom is a Non-executive Director and 3 of whom are Independent Non-executive Directors. Biographies of the Directors are set out on pages 55 to 58 of this annual report.

As at 31 December 2014, the Board of the Company comprises the following Directors:

Executive Director	Mr. WANG Dongfeng (Chairman and Chief Executive Officer) Mr. ZHUANG Jieguang (resigned on 1 April 2015)
Non-executive Director	Mr. TUNG Hans
Independent Non-executive Directors	Mr. LEVIN Eric Joshua Ms. POON Philana Wai Yin Mr. ZHAO Cong Richard

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The Independent Non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. The Company maintains on its website and on the Stock Exchange's website an updated list of all Directors identifying their role and function and whether they are Independent Non-executive Directors.

Save as disclosed in the Prospectus and in this annual report, to the best knowledge of the Company, there are no financial, business, family, or other material relationships among members of the Board.

During the year ended 31 December 2014, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing at least one-third of the Board and at least one Independent Non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Prior to their respective appointment, each of the Independent Non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received written annual confirmation from each of the Independent Non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence requirements set out in the Listing Rules.

4. *Appointment and Re-election of Directors*

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

Each of the Executive and Non-executive Directors has entered into a service contract with the Company for an initial term of three years with effect from 1 September 2013 unless terminated by not less than three months' notice in writing served by either the Director or the Company. Each of the Independent Non-executive Directors has signed an appointment letter with the Company for a term of two years with effect from 1 September 2013 unless terminated by a written notice not less than 30 days' prior to the termination serviced by either the Independent Non-executive Director or the Company. The appointments are subject to the provisions of retirement and rotation of directors under the Articles.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for election or re-election by shareholders at the first general meeting after appointment.

5. *Induction and Continuing Development for Directors*

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Directors are continually provided with information related to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefing and professional development for Directors were arranged by the Group and its legal advisers.

For the year ended 31 December 2014, each of Directors (namely, Mr. WANG Dongfeng, Mr. ZHUANG Jieguang, Mr. TUNG Hans, Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard) has attended training sessions arranged by the Group's legal advisers relating to corporate governance and continuing obligations of listed companies and its directors.

On top of the above-mentioned trainings, the chairman and chief executive officer (namely, Mr. WANG Dongfeng) and members of the senior management have also attended several presentations organized by the Group on case studies relating to compliance of listed companies.

6. *Directors Liability Insurance*

The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 31 December 2014, the Company was not involved in any material litigation liable by any Director. Each Director has the necessary qualification and experience required for performing his duty. The Company estimates that in the reasonably foreseeable future, there is little risk that there would be any event for which any Director shall take responsibility. Notwithstanding, the Company has arranged for appropriate directors and officers liability insurance in respect of legal action against the Directors.

7. *Board Meetings and General Meetings*

Number of meetings and Directors' attendance

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Board held four regular Board meetings during the year ended 31 December 2014 for discussing the Group's affairs, reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group. In total, the Board held 8 Board meetings during the year ended 31 December 2014.

The attendance records of each Director at the Board meetings and annual general meeting (whether in person or by means of electronic communication) held during the year ended 31 December 2014 are set out below:

Name of Director	Board Meeting	Annual general meeting
Mr. WANG Dongfeng	7/8	1/1
Mr. ZHUANG Jieguang	5/8	1/1
Mr. TUNG Hans	5/8	0/1
Mr. LEVIN Eric Joshua	8/8	1/1
Ms. POON Philana Wai Yin	8/8	1/1
Mr. ZHAO Cong Richard	7/8	1/1
Mr. LIAO Dong *(retired on 27 May 2014)*	2/3	1/1
Mr. HUANG Weibing *(retired on 27 May 2014)*	2/3	1/1
Mr. TAN Hainan *(resigned on 6 October 2014)*	6/8	0/1

Practices and conduct of meetings

Annual meeting schedules and draft agendas of each meeting are made available to Directors in advance. Arrangements have also in place to ensure Directors are given an opportunity to include matters in the agenda.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The Chief Operating Officer and the Chief Financial Officer, members of the senior management, attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The company secretary (or joint secretaries) of the Company is (are) responsible for taking and keeping minutes of all Board meetings and committee meetings, which record sufficient details of the matters considered by the Directors and decisions made, including any proposal raised by the Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

B. Chairman and Chief Executive

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.

C. Board Committees

The Board has established three committees, namely, the Remuneration Committee, Audit and Compliance Committee and Nomination Committee, for overseeing particular aspects of the Group's affairs. All of these three committees of the Company are established with defined written terms of reference.

The majority of the members of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee are Independent Non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

1. Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee comprises three members, the majority of whom are Independent Non-executive Directors:

Mr. ZHAO Cong Richard *(Chairman)*
Mr. LEVIN Eric Joshua
Mr. TUNG Hans

The primary roles and functions of the Remuneration Committee include, but not limited to: (i) making recommendations to the Directors on the remuneration policy of the Group and structure of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives and ensuring that it is consistent with contractual terms and are reasonable and appropriate; and (iii) determining the terms of the remuneration package of the Directors and senior management with reference to their time commitment and responsibilities, employment condition in the Group, and comparable companies.

The Remuneration Committee held three meetings during the year ended 31 December 2014 to review, inter alias, (i) the remuneration policy and structure; (ii) making recommendations to the Board on determining the annual remuneration packages of the Executive Directors and the senior management; (iii) making recommendations to the Board on the granting of share options pursuant to the Post IPO Share Option Scheme and RSUs pursuant to the Restricted Share Unit Scheme of the Company; and (iv) other matters related to the foregoing.

The attendance records of the Remuneration Committee held during the year ended 31 December 2014 are set out below:

Committee members	**Meeting attended/Total**
Mr. ZHAO Cong Richard *(Chairman)*	3/3
Mr. TUNG Hans	2/3
Mr. LEVIN Eric Joshua	3/3

Due to prior business engagements external to the Company, Mr. TUNG Hans was unable to attend one of the remuneration committee meetings.

Please refer to note 9 to the Financial Statements for the remuneration of the senior management by band.

2. *Audit and Compliance Committee*

We have established the Audit and Compliance Committee 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 comprises three non-executive members, and the majority of whom are Independent Non-executive Directors:

Mr. LEVIN Eric Joshua *(Chairman)*
Ms. POON Philana Wai Yin
Mr. TUNG Hans *(appointed on 6 October 2014)*
Mr. TAN Hainan *(resigned on 6 October 2014)*

The chairman of the Audit and Compliance Committee, Mr. LEVIN Eric Joshua, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The primary roles and functions of the Audit and Compliance Committee include, but not limited to: (i) reviewing and monitoring the relationship of the external auditors and the Group, particularly the independence and objectivity and effectiveness of the external auditor; (ii) providing an independent view of the effectiveness of the financial reporting process, internal control, compliance and risk management systems of the Group; (iii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board; (iv) developing, reviewing and monitoring the policies and practices on corporate governance, compliance with legal and regulatory requirements and requirements under the Listing Rules, in particular, the functions set out in the code provision D.3.1 of the CG Code; (v) reviewing the financial information of the Group and ensuring compliance with accounting standards and reviewing significant adjustments resulting from audit; and (vi) developing, reviewing and monitoring the code of conduct applicable to the employees of the Group and the Directors.

The Audit and Compliance Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management. The Audit and Compliance Committee considers that the annual financial results for the year ended 31 December 2014 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit and Compliance Committee held three meetings during the year ended 31 December 2014 to, inter alias, (i) review the financial results and reports, financial reporting and compliance procedures, the report of the internal auditor on the Group's internal control; (ii) reviewed the Company's corporate governance policies and practices (including but not limited to training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code); (iii) risk management review and processes; (iv) the re-appointment of the external auditors; and (v) other matters related to the foregoing.

The attendance records of the Audit and Compliance Committee held during the year ended 31 December 2014 are set out below:

Committee members	**Meeting attended/Total**
Mr. LEVIN Eric Joshua *(Chairman)*	3/3
Ms. POON Philana Wai Yin	3/3
Mr. TUNG Hans *(appointed on 6 October 2014)* [1]	0/3
Mr. TAN Hainan *(resigned on 6 October 2014)*	2/3

Notes:

(1) Two of the three meetings of Audit and Compliance Committee held during the year ended 31 December 2014 were held prior to the appointment of Mr. Tung Hans. Due to prior business engagements external to the Company, Mr. TUNG Hans was unable to attend an Audit and Compliance Committee meeting.

(2) The Group's annual results for the year ended 31 December 2014 and this corporate governance report have been reviewed by the Audit and Compliance Committee on 23 March 2015.

3. *Nomination Committee*

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.4 of the CG Code. The Nomination Committee comprises three members, the majority of whom are Independent Non-executive Directors:

Mr. WANG Dongfeng *(Chairman)*
Mr. ZHAO Cong Richard
Ms. POON Philana Wai Yin

The primary roles and functions of the Nomination Committee include, but not limited to (i) identifying, selecting and recommending to the Board appropriate candidates to serve as Directors and chief executive officer of the Company; (ii) identifying candidates for succession planning; (iii) overseeing the process for evaluating the performance of the Board; (iv) developing, recommending to the Board and monitoring nomination guidelines for the Group; and (v) assessing the independence of independent Non-executive Directors.

The Nomination Committee held two meetings during the year ended 31 December 2014 to, inter alias, (i) review the size and composition of the Board or identify any new Board member; (ii) review and assess the board composition with reference to the board diversity policy of the Company; and (iii) discuss other matters related to the foregoing.

The attendance records of the Nomination Committee held during the year ended 31 December 2014 are set out below:

Committee members	**Meeting attended/Total**
Mr. WANG Dongfeng *(Chairman)*	2/2
Ms. POON Philana Wai Yin	2/2
Mr. ZHAO Cong Richard	2/2

The composition and diversity of the Board were considered by taking into account the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership. All the Executive Directors possess extensive IT and webgame experience. The Non-executive Director and the three Independent Non-executive Directors possess professional knowledge in management, investment, finance and legal matters, respectively with broad and extensive experience in business advisory and management, respectively.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the board diversity policy of the Company by making reference to a range of diversity perspectives.

Summary of the board diversity policy

The Board Diversity Policy ("the Policy") was adopted by the Company pursuant to the Board resolution passed on 29 November 2013. The Policy aims to set out the approach to diversity on the Board of the Company. The Policy applies to the Board but not to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company. In reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Company aims to maintain an appropriate balance of diversity perspectives of the Board in supporting the attainment of its strategic objectives and its sustainable development. The Board has not set any measureable objectives for implementing the Policy.

D. Model Code for Securities Transactions

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2014.

E. Directors' Responsibilities for Financial Reporting

The Directors acknowledge their responsibility for preparing the Financial Statements of the Group and the Company for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as are necessary to enable the Board to carry out an informed assessment of the financial information and position of the Group.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the Financial Statements is set out in the "Independent Auditor's Report" on pages 60 to 61.

The external auditor of the Company will be invited to attend the Annual General Meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor's independence.

For the year ended 31 December 2014, the fees paid/payable to PricewaterhouseCoopers for the audit service are RMB6.1 million.

Fees paid/payable to PricewaterhouseCoopers for non-audit services provided to the Group for the year was RMB0.4 million. The non-audit services include professional service for tax issues and internal control of the Group.

G. Internal Controls

The Board is responsible for maintaining sound and effective internal control system in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to the individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

During the year ended 31 December 2014, the Board has conducted a review of the effectiveness of the internal control system of the Group. The review has covered the financial, operational, compliance and risk management aspects of the Group. The review was made by discussions with the management of the Company, its external and internal auditors and the review performed by the Audit and Compliance Committee. The Board believes that the existing internal control system is adequate and effective.

H. Communications with Shareholders and Investors

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company are expected to provide a forum for communication between the Board and the shareholders. The Chairman of the Board, the chairmen of the Remuneration Committee, Audit and Compliance Committee and Nomination Committee, or, in their absence, other members of the respective committees are available to answer questions at the general meetings.

At the annual general meeting of the Company held on 27 May 2014, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of retiring directors. Procedures for conducting a poll were explained by the chairman at the meeting. The chairman of the Board and the chairman of each of the board committees were present to answer questions from shareholders. Representatives from external auditors had also attended the annual general meeting of the Company held on 27 May 2014. All resolutions were voted by way of poll. The Company appointed the branch share registrar of the Company to act as scrutineers and to ensure votes cast were properly counted and recorded, and announced the results of the poll on the websites of the Stock Exchange and the Company in accordance with the Articles and the Listing Rules. No other general meeting was held by the Company during the year under review.

To promote effective communication, the Company maintains a website at www.forgame.com, where information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access.

The Company has established a shareholders' communication policy since 3 October 2013 and will review it on a regular basis to ensure its effectiveness.

I. Shareholder Rights

To safeguard shareholder interests and rights, separate resolutions are proposed at shareholder meetings on each substantial issue, including the election of individual Directors. Meanwhile, the procedures for shareholder to (i) convene an extraordinary general meeting; (ii) direct their enquiries to the Board and (iii) put forward proposals at shareholders' meetings are available.

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, namely, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Shareholders who wish to put enquiries to the Board can send their enquiries to the company secretary (or where applicable, any one of the joint secretaries) of the Company who will ensure these enquiries to be properly directed to the Board. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

General meetings shall be convened on the written requisition of any two or more shareholders of the Company deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one shareholder of the Company which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonably expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

All resolutions put forward at a general meeting will be taken by poll pursuant to the Listing Rules.

In addition, the poll results will be posted on the websites of the Company and of the Stock Exchange after the shareholder meeting.

During the year ended 31 December 2014, there was no change in the constitutional documents of the Company. The latest version of the Company's Articles of Association is available on the websites of the Company and of the Stock Exchange.

J. Company Secretary

Mr. LAW Yat Yang Arthur was appointed by the Board as the company secretary of the Company with effect from 1 November 2014 while Mr. NGAN King Leung Gary and Ms. YUNG Mei Yee resigned as joint company secretaries of the Company with effect from 1 November 2014.

Mr. LAW Yat Yang Arthur is a full-time employee of the Group and has day-to-day knowledge of the Group's affairs. He is also the legal counsel of the Company and he reports to the chairman and chief executive officer. All Directors have access to the advice and services of the company secretary of the Company to ensure the Board procedures, and all applicable law, rules and regulations, are followed.

For the financial year ended 31 December 2014, Mr. Law, Mr. Ngan and Ms. Yung had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company as at 31 December 2014 were:

DIRECTORS

Executive Directors

Mr. WANG Dongfeng *(Chairman)*
Mr. ZHUANG Jieguang *(resigned on 1 April 2015)*

Non-executive Director

Mr. TUNG Hans

Independent Non-executive Directors

Mr. LEVIN Eric Joshua
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Board considers each of them independent.

DIRECTORS' UPDATED BIOGRAPHICAL DETAILS

WANG Dongfeng, aged 38, co-founded the Group in September 2009 and was appointed as the chairman of the Board and Executive Director on 26 July 2011. Since Mr. Wang has acquired interests in Feiyin and Weidong, he has been involved in the management of the Group in the capacity as a shareholder by making important management decisions. Mr. Wang has also been acting as the chief executive officer of the Company since July 2011 and was appointed as the Company's authorized representative on 4 February 2013. He is responsible for the overall corporate development and strategic management of the Group's business and participates in making the Group's key strategic and operational decisions. In addition, Mr. Wang also sits on the boards of various companies within the Group, including acting as chairman of Foga Tech since August 2011. He also has been serving as executive director of the PRC Operational Entities, namely Feiyin and Weidong since May 2011 and Jieyou since June 2012 where he is mainly responsible for overseeing the overall development of the companies and formulating corporate and business strategies.

Mr. Wang has more than 14 years of experience in technology-oriented companies. From January 2005 to October 2008, he was the chief executive officer of ZCOM (北京智通無限科技有限公司) where he was responsible for carrying out the strategies and policies established by ZCOM. Prior to that, he was also the business director of Beijing Feixing Network Music Software Development Co., Ltd from April 2000 to August 2004 where he was involved in the operations of the business.

Mr. Wang graduated from Beijing Construction University, the PRC, in July 1998 where he obtained a college diploma in international trade and global economics. Mr. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Wang is the chairman of the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

ZHUANG Jieguang, aged 33, co-founded the Group in September 2009 and was an Executive Director and co-president of the Company from 15 June 2012 to 31 March 2015. He was responsible for the overall management of Jieyou. Mr. Zhuang had also been serving as a director of Foga Tech from June 2012 to March 2015. From June 2011 to June 2012, Mr. Zhuang was the consultant of Feiyin where he provided general advice on research.

He has more than six years of experience in the webgame industry. From April 2008 to June 2012, he worked in Guangzhou Jieyou Information Technology Co. Ltd, a former related-party of the Company until July 2011, where he was responsible for managing the research and development as general manager of the company.

Mr. Zhuang graduated from South China Normal University, the PRC, where he was awarded a college diploma in E-commerce in July 2004. Mr. Zhuang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhuang resigned from all positions held within the Group (including but not limited to the position of Executive Director) with effect from 1 April 2015.

TUNG Hans, aged 44, was appointed as a Non-executive Director on 15 June 2012.

Mr. Tung joined GGV Capital in October 2013 as a managing director where he focuses on mobile internet, e-commerce, the internet of things, and gaming industry investments in the US and Asia. Prior to that, he was a managing partner of Qiming Venture Partner from June 2011 to August 2013 in Beijing, and a partner from September 2007 to May 2011 in Shanghai. Mr. Tung started his career at Merrill Lynch (now known as Bank of America Merrill Lynch) as an investment banking analyst from July 1993 to June 1996. He was one of the co-founders of Taipei-based Crimson Asia Capital from July 1996 to March 1999; of HelloAsia, a pan-Asia focused consumer Internet start-up headquartered in Silicon Valley, from April 1999 to August 2000; and of Asia2B, a Hong Kong and Mainland China based e-marketplace backed by leading conglomerates in the region from September 2000 to May 2001. Prior to joining Qiming Venture Partner, Mr. Tung initiated Bessemer Venture Partners' China investment practice from January 2005 to September 2007.

Mr. Tung obtained a bachelor of science degree in industrial engineering from Stanford University, CA, U.S., in June 1995. Mr. Tung is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Tung is a member of the Audit and Compliance Committee and the Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

LEVIN Eric Joshua, aged 52, was appointed as an Independent Non-executive Director on 1 November 2012.

Mr. Levin has been serving as the executive vice president and chief financial officer of Warner Music Group since October 2014. He has been the financial director of Ecolab (China) Investment Co. Ltd from October 2012 until June 2014, responsible for providing financial advice and overseeing the financial aspects of the company. Mr. Levin also has extensive experience in financial planning of companies. From May 1988 to December 2001, he worked in the Home Box Office, Inc. ("HBO"), New York, a subsidiary of Time Warner, during which time he was responsible for financial planning of the company and was promoted to become the chief financial officer from January 2000 to December 2001 where he led the financial team of HBO. Thereafter and until 2011, he took up various roles in companies in the media and publishing industry. He was the co-founder and chief executive officer of City on Demand, LLC. From 2009 to 2011, Mr. Levin worked at the SCMP Group Limited (HK Stock Code: 583), a company listed on the Stock Exchange, as the chief financial officer, where he formulated strategies and established the corporate direction of the company to manage the financial performance of the SCMP Group, and assumed the role as a board member in the Post Publishing Public Company Limited (Thailand Stock Code: POST), a company listed on the Stock Exchange of Thailand in Bangkok, which publishes newspapers and magazines.

Mr. Levin obtained a bachelor degree in science, majoring in electrical engineering from the University of Pennsylvania, Philadelphia, U.S., in May 1984 and a master degree in business administration, majoring in finance and economics, from the University of Chicago Business School in March 1988.

Save as disclosed herein, Mr. Levin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Levin is the chairman of the Audit and Compliance Committee and a member of the Remuneration Committee.

POON Philana Wai Yin, aged 47, was appointed as an Independent Non-executive Director on 1 September 2013.

Ms. Poon has had various senior roles in the communications, media and IT solutions industries since she joined PCCW-HKT in 1998. She was the Group General Counsel and Company Secretary of HKT Limited and the HKT Trust (together, "HKT") (HK Stock Code: 06823) from November 2011 to April 2015, and the Group Company Secretary of PCCW Limited ("PCCW") (HK Stock Code: 00008) from August 2012 to April 2015. She was also the Group General Counsel and Company Secretary of PCCW from February 2007 to November 2011, and General Counsel of PCCW Group from February 2004 to February 2007. Ms. Poon has held directorships in various PCCW-HKT group companies during this 17 year period and was primarily responsible for legal and company secretarial matters of the PCCW and HKT groups. She has over 20 years of post-qualification experience both in private practice and in-house. Prior to joining PCCW-HKT, Ms. Poon was in private practice from 1992 to 1998.

Ms. Poon obtained a Bachelor of Commerce degree from the University of Toronto in November 1989 and a Doctor of Law degree from Cornell University in May 1992. Ms. Poon was an independent non-executive director of AZ Electronic Materials S.A., a company which was listed on the London Stock Exchange, from June 2012 to May 2014. Save as disclosed herein, Ms. Poon is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Ms. Poon is a member of the Audit and Compliance Committee and the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

ZHAO Cong Richard, aged 64, was appointed as an Independent Non-executive Director on 1 September 2013.

Mr. Zhao has been serving as the managing director of Yangtze Ventures Management Limited since March 2002. Mr. Zhao has over 30 years of experience in managing and investing in businesses based in Hong Kong and China. From March 2000 to February 2001, he served as a vice president of the venture capital arm of PCCW Limited (HK Stock Code: 0008) stationed in Beijing, PRC, where he assisted in completing a number of key investments. From October 1995 to March 2000, Mr. Zhao served as the chief adviser to the president and chief executive officer of China Investment Group Ltd, where he was responsible for providing analysis on political and economic issues and investment opportunities in China. From April 1992 to January 1995, he served as the general manager of the China Division of China Strategic Holdings Limited (HK Stock Code: 0235), where he assisted in the completion of numerous joint ventures in China. Prior to that, Mr. Zhao also served as a deputy general manager and a director at Power View Development Ltd. between 1988 to 1991; a trading manager and a director at Reliance Agency Ltd. between 1986 to 1988; and a trading manager and a director at High & Mighty Co. Ltd. between July 1983 to July 1986.

Mr. Zhao currently serves as a director in three management service companies, namely Viscon Limited since July 1994, the Yangtze Ventures Management (HK) Limited since March 2002, Yangtze Capital Advisory Limited since June 2007 and an investment holding company, namely Ecoplast Technologies Inc since November 2009. Mr. Zhao also served as a non-executive director of CIG Yangtze Ports PLC (HK Stock Code: 8233) from November 2003 to January 2007. In addition, he was admitted as a fellow by the Hong Kong Institute of Directors in July 2006. Save as disclosed herein, Mr. Zhao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhao is the chairman of the Remuneration Committee and a member of the Nomination Committee.

SENIOR MANAGEMENT

The Group's senior management is responsible for the day-to-day management of the business of the Group. The table below shows certain information in respect of the senior management of the Group:

Name	Age	Position/Title	Date of Appointment
YANG Tao	38	Chief Product Officer	15 June 2012
NGAN King Leung Gary	31	Chief Operating Officer	1 November 2014
LIANG Na Anna	34	Chief Financial Officer	1 November 2014

YANG Tao, aged 38, was appointed as the chief product officer of the Group on 15 June 2012. He joined the Group in June 2010 through Feiyin where he was the game producer until November 2011. From December 2011 onwards, he became the vice president where he was in charge of overseeing the development of webgames and products of the Group. Mr. Yang is primarily responsible for the research and development of webgame products at the Group and drives the planning and selection of the genres, features and design of webgames. Mr. Yang possesses management and development experience in the webgame industry, which is underpinned by his work in pioneering the Group's "凡人修真" (translated as "Soul Guardian") flagship webgame series.

Prior to joining the Group, he was the deputy general manager of Beijing Internet Vision Technology Co. Ltd from July 2007 to August 2008 where he was responsible for managing the research and development of the company.

Mr. Yang graduated from Capital University of Economics where he was awarded a college diploma in economics information management in July 1998. Mr. Yang is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

NGAN King Leung Gary, CFA, aged 31, was appointed as the chief operating officer of the Group with effect from 1 November 2014. He was the Group's chief financial officer from 1 May 2012 to 31 October 2014 and joint company secretary from 4 February 2013 to 31 October 2014.

Mr. Ngan is responsible for the Group's strategic planning and implementation as well as setting the performance target for various business units, under the direction of the chief executive officer of the Company. He works closely with the chief product officer of the Company in setting the directions for the Group's game development efforts.

Mr. Ngan possesses extensive knowledge in the internet industry. Prior to joining the Group in May 2012, he was a director and the head of Hong Kong and China internet research at UBS AG, where he worked from July 2006 to April 2012. Mr. Ngan graduated from the Wharton School, University of Pennsylvania, the United States of America, obtaining a Bachelor of Science in Economics degree in June 2006. Mr. Ngan is a CFA charterholder.

Mr. Ngan is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

LIANG Na Anna, aged 34, was appointed as the chief financial officer of the Group with effect from 1 November 2014. She has held various key roles within the Group (including the vice president and director of finance of the Group) and has over 11 years of financial management experience in both traditional and technology sectors. Prior to joining the Group in June 2011 as director of finance, she was employed by Digital China Holdings Limited (HK Stock Code: 861) from January 2005 to June 2011 and took up the role of director of finance within the supply chain business unit.

Ms. Liang is responsible for overseeing the Group's financial management, corporate finance, budget implementation, investor relations, as well as managing the Group's support functions. She is assisted by the deputy chief financial officer of the Group, who mainly focuses on the Group's corporate finance and investor relations.

Ms. Liang graduated from Xi'an University of Technology and obtained a bachelor degree in accounting in July 2002. Ms. Liang is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

LAW Yat Yang Arthur, aged 31, was appointed as the legal counsel & company secretary of the Group with effect from 1 November 2014. Prior to such, he was the Group's legal counsel & deputy company secretary from 4 February 2014 to 31 October 2014.

Mr. Law was admitted as a solicitor of New South Wales (Australia) by the Supreme Court of New South Wales (Australia) in August 2007 and as a solicitor of Hong Kong by the High Court of Hong Kong in September 2010. Prior to joining the Group in February 2014, Mr. Law worked as a solicitor in the corporate & commercial department of Messrs. Woo, Kwan, Lee & Lo from October 2010 to January 2014.

Mr. Law obtained a Bachelor of Applied Finance degree and a Bachelor of Laws degree from Macquarie University, Sydney (Australia) in April 2007, a graduate diploma in legal practice from The College of Law (New South Wales, Australia) in August 2007, and a Postgraduate Certificate in Laws from the University of Hong Kong in June 2008.

Mr. Law is not and has not been a director of any listed companies in Hong Kong or overseas in the past three years.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the shareholders of Forgame Holdings Limited
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 153, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	5	**643,470**	1,183,128
Cost of revenue	6	**(218,279)**	(181,217)
Gross profit		**425,191**	1,001,911
Selling and marketing expenses	6	**(149,807)**	(303,425)
Administrative expenses	6	**(93,984)**	(88,739)
Research and development expenses	6	**(231,417)**	(293,174)
Other income	7	**37,362**	10,333
Other (losses)/gains	8	**(23,816)**	2,309
Operating (loss)/profit		**(36,471)**	329,215
Finance income	10	**16,463**	7,146
Finance costs	10	**(6,369)**	(126)
Finance income-net	10	**10,094**	7,020
Share of loss of investments accounted for using the equity method	11	**(5,605)**	—
Fair value loss of convertible redeemable preferred shares	32	**—**	(741,348)
Loss before income tax		**(31,982)**	(405,113)
Income tax expense	12	**(6,825)**	(70,291)
Loss for the year		**(38,807)**	(475,404)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in value of available-for-sale financial assets		**4,580**	—
Items that will not be reclassified to profit or loss:			
– Currency translation differences		**19,090**	6,326
Total other comprehensive income, before tax		**23,670**	6,326
Income tax relating to components of other comprehensive income		**(687)**	—
Other comprehensive income for the year, net of tax		**22,983**	6,326
Total comprehensive loss for the year		**(15,824)**	(469,078)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Loss attributable to:			
– Owners of the Company		**(38,531)**	(475,404)
– Non-controlling interests		**(276)**	—
		(38,807)	(475,404)
Total comprehensive loss attributable to:			
– Owners of the Company		**(15,548)**	(469,078)
– Non-controlling interests		**(276)**	—
		(15,824)	(469,078)
Loss per share (expressed in RMB per share)	13		
– Basic		**(0.30)**	(10.10)
– Diluted		**(0.30)**	(10.10)

The notes on pages 71 to 153 are integral parts of these consolidated financial statements.

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Dividends	14	**—**	—

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property and equipment	15	**43,365**	64,209
Intangible assets	17	**79,284**	40,130
Investments accounted for using the equity method	11	**45,126**	—
Financial assets at fair value through profit or loss	19	**21,054**	18,291
Available-for-sale financial assets	20	**138,140**	32,000
Prepayments and other receivables	22	**7,181**	2,512
Deferred income tax assets	33	**18,310**	13,234
		352,460	170,376
Current assets			
Trade receivables	21	**90,212**	92,194
Prepayments and other receivables	22	**64,601**	40,937
Restricted cash	23	**—**	15,670
Short-term deposits	23	**200,000**	325,540
Cash and cash equivalents	23	**851,947**	946,759
		1,206,760	1,421,100
Total assets		**1,559,220**	1,591,476
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**80**	80
Share premium	24	**1,934,534**	1,934,534
Reserves	25	**(117,075)**	(159,846)
Accumulated losses		**(425,217)**	(386,686)
		1,392,322	1,388,082
Non-controlling interests		**8,724**	—
Total equity		**1,401,046**	1,388,082

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	33	**687**	—
Deferred revenue	28	**6,866**	8,465
		7,553	8,465
Current liabilities			
Borrowings	29	**—**	15,242
Trade payables	30	**25,927**	34,990
Other payables and accruals	31	**95,533**	76,675
Income tax liabilities		**403**	19,674
Deferred revenue	28	**28,758**	48,348
		150,621	194,929
Total liabilities		**158,174**	203,394
Total equity and liabilities		**1,559,220**	1,591,476
Net current assets		**1,056,139**	1,226,171
Total assets less current liabilities		**1,408,599**	1,396,547

The notes on pages 71 to 153 are integral parts of these consolidated financial statements.

The financial statements on pages 62 to 153 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

WANG Dongfeng
Director

ZHUANG Jieguang
Director

BALANCE SHEET - COMPANY

	Note	2014 RMB'000	2013 RMB'000
		As at 31 December	
ASSETS			
Non-current assets			
Investments in subsidiaries	16	**160,381**	140,793
Amounts due from subsidiaries	16	**91,972**	48,776
		252,353	189,569
Current assets			
Amounts due from subsidiaries		**45,117**	—
Prepayments and other receivables		**14,479**	940
Cash and cash equivalents	23	**700,008**	781,329
		759,604	782,269
Total assets		**1,011,957**	971,838
EQUITY			
Share capital	24	**80**	80
Share premium	24	**1,934,534**	1,934,534
Reserves	25	**(163,885)**	(206,158)
Accumulated losses	27	**(783,625)**	(779,105)
Total equity		**987,104**	949,351
LIABILITIES			
Current liabilities			
Other payables and accruals		**24,853**	22,487
Total liabilities		**24,853**	22,487
Total equity and liabilities		**1,011,957**	971,838
Net current assets		**734,751**	759,782
Total assets less current liabilities		**987,104**	949,351

The notes on pages 71 to 153 are integral parts of these financial statements.

The financial statements on pages 62 to 153 were approved by the Board of Directors on 26 March 2015 and were signed on its behalf.

WANG Dongfeng
Director

ZHUANG Jieguang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Owners of the Company						
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Retained earnings/ (Accumulated Losses) RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2013		49	—	(228,351)	91,639	(136,663)	—	(136,663)
Comprehensive income								
Loss for the year		—	—	—	(475,404)	(475,404)	—	(475,404)
Other comprehensive income:								
– Currency translation differences	25	—	—	6,326	—	6,326	—	6,326
Total comprehensive loss		—	—	6,326	(475,404)	(469,078)	—	(469,078)
Contributions by and distributions to owners of the Company recognized directly in equity								
Issuance of ordinary shares related to initial public offering, net of underwriting commissions and other issuance costs	24	13	761,520	—	—	761,533	—	761,533
Conversion of preferred shares to ordinary shares	24	18	1,173,014	—	—	1,173,032	—	1,173,032
Employee share-based compensation scheme:								
– Value of employee services	25	—	—	59,258	—	59,258	—	59,258
Total contributions by and distributions to owners of the Company for the year		31	1,934,534	59,258	—	1,993,823	—	1,993,823
Profit appropriations to statutory reserves	25	—	—	2,921	(2,921)	—	—	—
Balance at 31 December 2013		80	1,934,534	(159,846)	(386,686)	1,388,082	—	1,388,082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to Owners of the Company						
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Retained earnings/ (Accumulated Losses) RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2014		80	1,934,534	(159,846)	(386,686)	1,388,082	—	1,388,082
Comprehensive loss								
Loss for the year		—	—	—	(38,531)	(38,531)	(276)	(38,807)
Other comprehensive income:								
– Revaluation reserve for available-for-sale financial assets	25	—	—	3,893	—	3,893	—	3,893
– Currency translation differences	25	—	—	19,090	—	19,090	—	19,090
Total comprehensive loss		—	—	22,983	(38,531)	(15,548)	(276)	(15,824)
Contributions by and distributions to owners of the Company recognized directly in equity								
Capital injection from non-controlling interests holders		—	—	—	—	—	9,000	9,000
Employee share-based compensation scheme:								
– Value of employee services	25	—	—	18,057	—	18,057	—	18,057
Total contributions by and distributions to owners of the Company for the year		—	—	18,057	—	18,057	9,000	27,057
Share of other net asset changes in associates' equity	25	—	—	1,731	—	1,731	—	1,731
Balance at 31 December 2014		80	1,934,534	(117,075)	(425,217)	1,392,322	8,724	1,401,046

The notes on pages 71 to 153 are integral parts of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**274**	348,994
Income tax paid		**(33,212)**	(60,005)
Net cash (used in)/generated from operating activities		**(32,938)**	288,989
Cash flows from investing activities			
Purchase of property and equipment		**(8,705)**	(33,952)
Proceeds from disposals of property and equipment and intangible assets	34	**1,542**	1,231
Purchase of intangible assets		**(58,722)**	(21,262)
Payments for investments in associates		**(25,315)**	—
Acquisitions of financial assets at fair value through profit or loss	19	**(2,458)**	(18,725)
Prepayments for investment		**(3,640)**	—
Purchase of available-for-sale financial assets		**(97,560)**	(32,000)
Placement of short-term deposits		**(952,181)**	(325,540)
Proceeds received upon maturity of short-term deposits		**1,077,721**	—
Interest received from short-term deposits		**11,942**	2,192
Payment for restricted cash		**(592,702)**	(15,670)
Refund of restricted cash		**608,372**	—
Interest received from restricted cash		**5,112**	—
Payment for short-term investment		**—**	(330,000)
Proceeds received upon maturity of short-term investment		**—**	330,000
Interest received from short-term investment		**—**	3,140
Net cash used in investing activities		**(36,594)**	(440,586)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Proceeds from borrowings	29	**555,246**	15,242
Repayments of borrowings	29	**(570,488)**	—
Interest and bank facilities arrangement fee paid		**(6,430)**	(65)
Proceeds from issuance of ordinary shares, net of underwriting commissions and other issuance costs	24	**—**	771,765
Payment for issuance costs relating to the IPO		**(10,062)**	—
Proceeds from capital contribution from non-controlling interests holders		**6,000**	—
Net cash (used in)/generated from financing activities		**(25,734)**	786,942
Net (decrease)/increase in cash and cash equivalents		**(95,266)**	635,345
Cash and cash equivalents at beginning of year		**946,759**	312,639
Exchange gains/(losses) on cash and cash equivalents		**454**	(1,225)
Cash and cash equivalents at end of year		**851,947**	946,759

The notes on pages 71 to 153 are integral parts of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (2011 Revision) 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 its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "IPO").

The Group's Game Business is carried out through several domestic operating companies, incorporated in the PRC, namely Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin"), Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou"). Mr. Wang Dongfeng, Mr. Huang Weibing, Mr. Liao Dong, Mr. Yang Tao and Mr. Zhuang Jieguang (collectively as the "Founders") are their respective legal shareholders. Weidong, Feiyin and Jieyou are collectively defined as the "PRC Operational Entities" thereafter.

Pursuant to applicable PRC laws and regulations, foreign investors are restricted from conducting value-added telecommunications services or holding equity interest in an entity conducting such services in China. In order to enable investments be made into the Group's Game Business, the Company established a subsidiary, Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong"), which is a wholly foreign owned enterprise incorporated in the PRC.

Feidong has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Operational Entities and their respective equity holders, which enable Feidong and the Company to:

- exercise effective financial and operational control over the PRC Operational Entities;
- exercise equity holders' voting rights of the PRC Operational Entities;
- receive substantially all of the economic interest returns generated by the PRC Operational Entities in consideration for the business support, technical and consulting services provided by Feidong, at Feidong's discretion;
- obtain an irrevocable and exclusive right with an initial period of 10 years to purchase the entire equity interest in the PRC Operational Entities from the respective equity holders. The right automatically renews upon expiry until Feidong specifies a renewal term;
- obtain a pledge over the entire equity interest of the PRC Operational Entities from their respective equity holders as collateral security for all of the PRC Operational Entities' payments due to Feidong and to secure performance of PRC Operational Entities' obligations under the Contractual Arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION (Continued)

The Company does not have any equity interest in PRC Operational Entities. However, as a result of the Contractual Arrangements, the Company has rights to variable returns from its involvement with the PRC Operational Entities and has the ability to affect those returns through its power over the PRC Operational Entities and is considered to control the PRC Operational Entities. Consequently, the Company regards the PRC Operational Entities as consolidated structured entities under International Financial Reporting Standards ("IFRSs"). The Group has included the financial position and results of the PRC Operational Entities in the consolidated financial statements.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the PRC Operational Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC Operational Entities. However, the Company believes that the Contractual Arrangements are in compliance with relevant PRC laws and regulations and are legally enforceable.

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's Board of Directors on 26 March 2015.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

– Amendments to IAS 32 "Financial instruments: presentation" on asset and liability offsetting, these amendments are to the application guidance in IAS 32, "Financial instruments: Presentation" and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

– Amendments to IAS 36 "Impairment of assets" on recoverable amount disclosures for non-financial assets, these amendments require additional disclosure of fair value information should the recoverable amount of impaired assets be based on fair value less costs of disposal. In addition, it removes the requirements of disclosing recoverable amounts in annual impairment test of goodwill and intangible assets with indefinite useful lives if not impaired.

– IFRIC 21, "Levies", addresses the accounting for a liability to pay a levy imposed by governments in accordance with legislation if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.

– Annual improvements to IFRS 2, "Share-based payments", the improvements clarify the definition of a "vesting condition" and separately define "performance condition" and "service condition".

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on or after 1 January 2014 and are not applicable for the Group:

– Amendments to IFRS10, 12 and IAS 27

– Amendments to IAS 39

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

2.1.1 Changes in Accounting Policy and Disclosures (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

– IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities.

– IFRS 15, "Revenue from contracts with customers", deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

There are no other IFRSs that are not yet effective that would be expected to have a material impact on the Group. The Group is in the process of making an assessment of the impact of the new standards, amendments to standards and interpretations on the financial statements of the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in Ownership Interests in subsidiaries without Change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate Financial Statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of loss of investments accounted for using equity method" in the consolidated statement of comprehensive loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive loss.

2.4 Joint Arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.6 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the United States dollar ("US$"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its financial statements in RMB (unless otherwise stated).

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign Currency Translation (Continued)

(c) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting currency exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.7 Property and Equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property and Equipment (Continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Furniture and office equipment	5 years
– Server and other equipment	3-5 years
– Motor vehicles	5 years
– Leasehold improvement	Shorter of remaining term of the lease and the estimated useful lives of the assets

The depreciation method, residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within "other (losses)/gains" in the consolidated statement of comprehensive loss.

2.8 Intangible Assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible Assets (Continued)

(b) Computer Software Licenses

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 10 years), and recorded in amortization within operating expenses in the consolidated statement of comprehensive loss.

(c) Game Intellectual Properties and Licenses

Game intellectual properties and licenses are initially recorded at cost or estimated fair value of intangible assets acquired through business combinations. These intangible assets are amortized on a straight-line basis over their estimate useful lives (ranged from 2 to 5 years).

(d) Research and Development Expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use or sale; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the years ended 31 December 2014 and 2013, there were no development costs meeting these criteria and capitalized as intangible assets.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of Non-financial Assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each of the reporting dates.

2.10 Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

The Group has the following instruments falling into this category:

(i) Certain redeemable convertible preferred shares and convertible bonds issued by investee companies, which are host debt instruments with conversion feature. The Company designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the conversion feature from those host debt instruments;

(ii) Ordinary shares issued by an investee which are listed on a stock exchange, which are financial assets held-for-trading ("Ordinary Shares of Investee");

(iii) Performance shares, which can be converted to the Ordinary Shares of Investee upon occurrence of certain future conversion events. These shares are accounted for as derivatives and categorized as financial assets held-for-trading.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As at 31 December 2014, the Group's investment in this category are all classified as non-current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

(a) *Classification (Continued)*

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting year. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "short-term deposits", "restricted cash" and "cash and cash equivalents" in the balance sheet (Notes 2.13 and 2.14).

Available-for-sale financial assets:

The Group's available-for-sale financial assets comprise non-derivative investments in a private fund and some other private companies. The Company designated the investments in this category based on the consideration that they are held for capital appreciation and business strategic purposes. They are included in non-current assets unless management intends to dispose within 12 months after the end of the reporting year.

(b) *Recognition and Measurement*

Regular way purchases and sales of financial assets are recognized on the trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Equity instruments that do not have any quoted market price in an active market and whose fair value cannot be reliably measured and derivative assets that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently carried at actual cost.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive loss within "other (losses)/gains" in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of comprehensive loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale financial assets are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

(b) Recognition and Measurement (Continued)

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated statement of comprehensive loss as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated statement of comprehensive loss as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive loss as part of other income when the Group's right to receive payments is established.

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Impairment of Financial Assets

(a) Assets Carried at Amortized Cost

The Group assesses at the end of each reporting year whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of Financial Assets (Continued)

(a) Assets Carried at Amortized Cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(b) Assets classified as available-for-sale financial assets

The Group assesses at the end of reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative losses – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment loss recognized in the consolidated statement of comprehensive loss on equity instruments are not reversed through the consolidated statement of comprehensive loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale financial assets increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive loss.

2.13 Trade Receivables and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade receivables and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other financial institutions and short-term highly liquid investments with original maturity of three months or less.

2.15 Share Capital and Premium

Ordinary shares are classified as equity. Convertible redeemable preferred shares are classified as liabilities (Note 2.17).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury share), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.16 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares (Note 32) are redeemable upon occurrence of certain future events and at the option of the holders. This instrument can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Company or agreed by majority of the holders as detailed in Note 32.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive loss.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Convertible Redeemable Preferred Shares (Continued)

The convertible redeemable preferred shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting year.

All convertible redeemable preferred shares of the Company had been converted into ordinary shares of the Company upon its IPO (Note 32).

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

2.19 Current and Deferred Income Tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) *Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws, enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and Deferred Income Tax (Continued)

(b) Deferred Income Tax

Inside Basis Differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside Basis Differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee Benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the relevant governmental authorities. The Group's liability in respect of these plans is limited to the contributions payable in each year. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based Payments

(a) *Equity-settled Share-based Payments Transactions*

The Group operates the Pre-IPO Share Option Scheme, under which the Group receives services from employees or other service providers as consideration for equity instruments (options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognized as expense.

In terms of share options awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

In terms of share options, the total amount to be expensed is determined by reference to the fair value of the service unless such fair value could not be estimated reliably. In such case, the expense will be measured indirectly by reference to the fair value of the equity instruments granted at the date when such counterparties render services.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of the reporting year, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based Payments (Continued)

(b) Share-based Payments Transactions among Group Entities

The grant by the Company of options over its equity instruments to the employees or other service providers of the subsidiaries is treated as a capital contribution. The fair value of consulting and employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the separate financial statements of the Company.

2.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue Recognition

The Group engaged in provision of webgames and mobile games development service ("Game Product") and publishing services ("Game Platform"). The Group's revenue is principally derived from the sales of virtual items in games from both Game Product and Game Platform. Revenues reported in the financial statements are net of sales tax and related surcharges.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue Recognition (Continued)

(a) Game Product Revenue

The Group provides Game Product service through its own web-based and mobile platforms (91wan.com, 2918.com, 9vs.com, 915.com and 336.com, collectively "*91wan*") and third party web-based and mobile platforms (collectively "Platforms" thereafter). The Group is responsible for hosting the games, providing on-going updates of new contents, sales of in-game virtual items, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities, etc. Platforms are responsible for distribution, marketing, payer authentication and payment collections related to the games.

The Group's games are free-to-play and players can pay for virtual items for better in-game experience. Players purchase the Group's game credits ("Paying Players") through Platform's own charging system and use the game credits to exchange in-game virtual items. Paying Players usually exchange their game credits for the virtual items shortly after purchases. The monetary value of the virtual items sold is shared between the Group and Platforms, which is pre-determined in individual revenue sharing arrangements ("Revenue Sharing Arrangements"). Platforms collect the payments made by Paying Players and remit the cash to the Group according to the Revenue Sharing Arrangements.

Upon the sales of virtual items, the Group typically has an implied obligation to provide the service which enables the virtual items to be displayed and used in the respective games. As a result, the proceeds from the sales of virtual items are initially recorded in deferred revenue and are recognized as revenue subsequently only when the services have been rendered. For the purposes of determining when services have been rendered to the respective Paying Players, the Group has determined the following:

– Consumable virtual items represent items that will be extinguished shortly after consumption by a specific game player action. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognized (as a release from deferred revenue) when the items are consumed.

– Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognized ratably over the average playing period of Paying Players ("Player Relationship Period"), which represents the best estimates of the average life of durable virtual items for the applicable game.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue Recognition (Continued)

(a) Game Product Revenue (Continued)

The Group determines the Player Relationship Period on a game-by-game and platform-by-platform basis by tracking the player data, such as log-in data and purchase record. If there is insufficient player data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other similar types of games of the Group or third-party developers, taking into account the games profile, target audience and its appeal to Paying Players of different demographics groups, until the new game establishes its own history, which is normally up to 12 months after launch. The Group re-assesses such periods semi-annually.

If the Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items of a specific game, the Group recognizes revenue derived from both durable and consumable virtual items of that game ratably by taking reference to the Player Relationship Period of the respective games, and other similar types of games.

For revenues relating to games developed by the Group which are published on third party Platforms, the Group has evaluated the roles and responsibilities in the delivery of game experience to the Paying Players and concluded the Group takes the primary responsibilities in the rendering of service. The Group is determined to be the primary obligor and reports gross revenue. Due to the fact that the Platforms may offer various marketing discounts from time to time to Paying Players, hence the actual prices paid by any individual paying player may be lower than the standard prices of virtual items purchased, with the balance being subsidized by the Platforms, accordingly, the Group has to attempt to make a reasonable estimation for the gross revenue amount through tracking Platforms' marketing activities.

Because the Group's mobile games are published through a limited number of mobile Platforms and the marketing discounts offered by these platforms have not been significant, thus the Group is able to track the marketing discounts reliably to make a reasonable estimation for the related gross revenues. The revenue shared with the mobile Platforms is recognised as cost of revenue accordingly. However, the Group's webgames are published through a large number of web-based Platforms, while the marketing discounts vary from platform to platform. As such, the Group is not able to make a reasonable estimation for the gross revenue derived from webgames and the Group reports revenue for webgames to the extent of the amounts received and receivable from third party Platforms under the Revenue Sharing Arrangements.

The Group also derives revenue from licensing and technical support service on a game-by-game basis. Licensing revenue is primarily from oversea Platforms and recognized on a straight-line basis over the licensing period. Technical support revenue is recognized when technical support services are rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue Recognition (Continued)

(b) Game Platform Revenue

The Group provides Game Platform service through cooperation with game developers to Paying Players. The Group publishes its self-developed and third party developers' games on its own Platforms. Similar to the Group's games published in other Platforms (details described in section (a) above), the games published on *91wan* are free-to-play and players can pay for virtual items for better in-game experience.

The Group's Game Platform revenue mainly derives from Revenue Sharing Arrangements (details described in section (a) above) from game developers. The games published on *91wan* are hosted, maintained and updated by the game developers, and the Group mainly provides access to *91wan* and limited after-sale basic technical support to the Paying Players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the Paying Players as a Platform. Accordingly, the Group records its revenue, net of the portion of sharing of revenues with the game developers.

The Group believes that its implied obligation to the game developers corresponds to the game developers' implied obligation to provide the service which enables the virtual items to be displayed and used in the games. Given that games are hosted, managed and administered by the game developers, the Group does not have access to the data on the consumption details and the types of virtual items purchased by the Paying Players. However, the Group maintains individual Paying Player's purchase history of game credits which are used for exchange for virtual items. As such, the Group has adopted a policy to recognize revenues for both consumable and durable items exchanged by game credits over the Player Relationship Period on a game-by-game basis.

The Group determines Player Relationship Period on a game-by-game basis by tracking the player data, such as log-in data and purchase record. When the Group publishes a new game, it estimates the Player Relationship Period based on other similar types of games of the Group or third party developers, taking into account the games profile, target audience and its appeal to Paying Players of different demographic groups, until the new game establishes its own history, which is normally up to 12 months after launch. The Group re-assesses such periods semi-annually.

The Group allows Paying Players on *91wan* to make payments through cooperation with various third-party online or mobile payment channels. These payment channels charge the Group payment handling costs with pre-agreed charge rates over the total payments received and the Group recorded the charge in "cost of revenue".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Interest Income

Interest income mainly represents interest income from bank deposits and is recognized using effective interest method.

2.25 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.27 Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the year in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities exposed it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group approved by the Board of Directors.

(a) Market Risk

(i) Foreign Exchange Risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Company's foreign exchange risk primarily arose from the cash and cash equivalents denominated in RMB held by the Company. If RMB had strengthened/weakened by 5% against US$ with all other variables held constant, the post-tax loss for the year ended 31 December 2014 would have been approximately RMB34,894,000 lower/higher (2013: RMB35,972,000 lower/higher).

The Group's subsidiaries mainly operate in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. Therefore, foreign exchange risk primarily arose from recognized assets and liabilities in the Group's PRC subsidiaries when receiving or to receive foreign currencies from oversea cooperated counterparties. As at 31 December 2014 and 2013, the Group's PRC subsidiaries did not have significant exchange risk from the operation as the oversea receivables are not substantial.

The Group does not hedge against any fluctuation in foreign currency.

(ii) Interest Rate Risk

Other than interest-bearing cash and cash equivalents and short-term deposits, the Group has no other significant interest-bearing assets. The Company does not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group has interest-bearing liabilities of borrowings and the borrowings issued at variable rates expose the Group to cash flow interest rate risk. As at 31 December 2014, the Group did not have any borrowings. The Company does not anticipate there is any significant impact resulted from the changes in interest rates.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(a) Market Risk (Continued)

(iii) Price Risk

The Group is exposed to price risk because of investments held by the Group are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

The Group's available-for-sale financial assets are held for capital appreciation and business strategic purposes. The Group does not actively trade these investments. The sensitivity analysis is determined based on the exposure to equity price risks of available-for-sale financial assets at the end of the reporting period. If equity prices of the respective instruments held by the Group had been 5% (2013: 5%) higher/lower as at 31 December 2014, the other comprehensive income would have been approximately RMB5,871,000 (2013: RMB1,360,000) higher/lower.

The Group's fair value through profit or loss financial assets are held for trading. Host debt instruments with conversion features are designated in this category. The sensitivity analysis is determined based on the exposure to price risk of financial assets at fair value through profit or loss at the end of the reporting period. If the fair values of the respective instruments held by the Group had been 5% higher/lower, the post-tax loss for the year ended 31 December 2014 would have been approximately RMB895,000 higher/lower (2013: RMB764,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term deposits, restricted cash, trade and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents, short-term deposits and restricted cash, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institution outside of the PRC. There has been no recent history of default in relation to these financial institutions.

For trade receivables, a significant portion of trade receivables at the end of the year was due from those Platforms in cooperation with the Group. If the strategic relationship with the Platforms is terminated or scaled-back; or if the Platforms alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's Game Product receivables might be adversely affected in terms of recoverability. To manage this risk, the Group assesses the credit quality of the Platforms, taking into account their financial position, past experience and other factors. In view of the history of cooperation with the Platforms and the collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from Platforms is not significant.

For other receivables, management make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

The Company's exposure to credit risk is in relation to its cash and cash equivalent and other receivables. The related exposure is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk

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.

The table below analyzes the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	**Less than 3 Months RMB'000**	**Between 3 Months and 1 year RMB'000**
As at 31 December 2014		
Trade payables	**22,327**	**3,600**
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**42,733**	**—**
As at 31 December 2013		
Borrowings	—	15,242
Trade payables	34,990	—
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	34,197	—

Company	**Less than 3 Months RMB'000**	**Between 3 Months and 1 year RMB'000**
As at 31 December 2014		
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**24,787**	**—**
As at 31 December 2013		
Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	22,422	—

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and premium, capital reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

3.3 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised 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 assets that are measured at fair value as at 31 December 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	5,084	15,970	21,054
Available-for-sale financial assets	—	—	138,140	138,140
	—	5,084	154,110	159,194

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	—	—	18,291	18,291
Available-for-sale financial assets	—	—	32,000	32,000
	—	—	50,291	50,291

The fair value of financial instruments traded in active markets is determined based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

The changes in level 2 and 3 instruments for the years ended 31 December 2014 and 2013 are presented in Notes 19, 20, and 32.

The Group determines the fair value of the Group's financial instrument carried at fair value in level 2 and level 3 at each of the reporting dates.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates of Player Relationship Period in the Group's Game Product and Game Platform Services

As described in Note 2.23, the Group recognizes revenue from durable virtual items in Game Product and from both durable and consumable items in Game Platform ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

(b) Income Tax

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Critical Accounting Estimates and Assumptions (Continued)

(c) *Recognition of Deferred Tax Assets*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary difference is related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Significant items on which the Group has exercised accounting judgment include recognition of deferred tax assets in respect of tax losses reported by Weidong and Jieyou. Recognition of the deferred tax assets involves judgment regarding the future financial performance of Weidong and Jieyou and the intra-group transactions to be enacted within the Group.

Were the actual final outcome (on the judgment areas) were different from the management's estimates, such difference will impact the recognition of deferred tax assets and income tax expenses in the period in which such estimate is changed.

(d) *Recognition of Share-based Compensation Expenses*

As mentioned in Note 26, the Group has granted share options to its directors and employees. The Company has used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Company in applying the Binomial option-pricing model.

(e) *Fair Value of Available-for-sale Financial Assets*

The fair value of available-for-sale financial assets is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various equity investments that are not traded in active markets.

(f) *Estimated Impairment of Goodwill in Associates*

The Group tests annually whether goodwill in associates have suffered impairment, in accordance with the accounting policy states in Note 2.3. The recoverable amounts of the associates have been determined using the discounted cash flow analysis. Significant estimates on assumptions, such as the forecast of the associate's future performance and the discount rate used in the analysis, are required to be made by the Company in the analysis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.2 Critical Judgments in Applying the Group's Accounting Policies

(a) *Revenue Presentation and Recognition*

Net Revenue Presentation for Webgames

For revenues relating to webgames developed by the Group which are published on third party Platforms, as described in Note 2.23, the Group is unable to make a reasonable estimate of the gross revenue because the third parties Platforms have discretion in determining the actual price of the virtual items purchased by the Paying Players and in offering discounts. Accordingly, such revenue is recognized based on the net amount received from the third party Platforms.

Gross Revenue Presentation for Mobile Games

For revenues relating to mobile games developed by the Group which are published on third party Platforms, the Group is able to make a reasonable estimate of the gross revenue because the Group's mobile games are published through a number of Platforms and the Group can obtain the data from these mobile Platforms in determining the actual price of the virtual items purchased by the Paying Players. Accordingly, such revenue is recognized on a gross basis.

(b) *Critical Judgment in Recognition of Associates*

The Company has assessed the level of influence that the Group has on new equity investments undertaken during the year ended 31 December 2014 and concluded that the Group has significant influence in Guangzhou Zhengyou Information Technology Co., Ltd. ("Zhengyou"), Beijing Share Times Technology Co., Ltd. ("Share Times") and Tianjin Feihua Information Technology Co., Ltd. ("Feihua") through the participation in the investees' operational and financial policy-making processes and Board of Directors representation. Consequently, these investments have been classified as associates.

(c) *Impairment Assessment of Available-for-sale Equity Investments*

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 SEGMENT INFORMATION

The Group's Game Business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the 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 (previously presented as "Game Development")

– Game Platform (previously presented as "Game Publishing")

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

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

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

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2014 and 2013 is as follows:

	Year Ended 31 December 2014		
	Game Product RMB'000	Game Platform RMB'000	Total RMB'000
Segment revenue	483,095	160,375	643,470
Segment cost	(179,847)	(38,432)	(218,279)
Gross profit	303,248	121,943	425,191
Depreciation and amortization included in segment cost	32,189	2,955	35,144

5 SEGMENT INFORMATION (Continued)

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the years ended 31 December 2014 and 2013 is as follows:

	Year Ended 31 December 2014		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**589,611**	**53,859**	**643,470**

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

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

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the years ended 31 December 2014 and 2013.

Turnover consists of revenues generated by the Group, which accounted for RMB643,470,000 and RMB1,183,128,000, for the years ended 31 December 2014 and 2013, respectively.

As at 31 December 2014 and 2013, majority of the non-current assets of the Group were located in the PRC.

6 EXPENSES BY NATURE

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Employee benefit expenses (Notes 9)	**277,717**	341,174
Promotion and advertising expenses	**131,714**	288,719
Content cost and agency fees	**115,582**	87,698
Bandwidth and server custody fees	**39,173**	47,693
Operating lease rentals in respect of office buildings	**26,661**	27,880
Depreciation of property and equipment (Note 15)	**21,937**	16,875
Amortization of intangible assets(Note 17)	**27,268**	11,137
Travelling and entertainment expenses	**9,393**	8,115
Auditors' remuneration	**6,548**	5,402
Utilities and office expenses	**5,445**	7,499
Others	**32,049**	24,363
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**693,487**	866,555

7 OTHER INCOME

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest income (Note a)	**27,034**	7,493
Government grants (Note b)	**10,328**	2,840
	37,362	10,333

Notes:

(a) Interest income mainly represents interest income from cash at bank.

(b) Government grants in 2014 comprised tax refund, government award for the Company's IPO and other cash subsidies from local government.

8 OTHER (LOSSES)/GAINS

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Exchange (losses)/gains, net (Note a)	**(19,840)**	2,798
Loss on disposal of property and equipment, net	**(3,976)**	(489)
	(23,816)	2,309

Note:

(a) The Group had converted its IPO proceeds from Hong Kong dollars to RMB and a significant amount was placed as RMB deposits as of 31 December 2014. Exchange losses were recognized because of depreciation of RMB against USD, the functional currency of the Company, during the year ended 31 December 2014.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS)

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**221,454**	236,031
Pension costs – defined contribution plans	**11,078**	13,799
Other social security costs, housing benefits and other employee benefits	**27,128**	32,086
Share-based compensation expenses under Pre-IPO Share Option Scheme	**18,057**	59,258
	277,717	341,174

(a) Pension Costs – Defined Contribution Plans

Employees of the Group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group contributes funds which are calculated on fixed percentage (2014 and 2013: 12%-20%) of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

The Group contributes to the Mandatory Provident Fund at a fixed percentage of 5% of the employee's relevant income up to a maximum of HK$1,500 (prior to 1 June 2014: HK$ 1,250) per employee per month organized by the Hong Kong government authorities for the employees of the Group in Hong Kong.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments

The remuneration of each director and chief executive for the year ended 31 December 2014 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Housing Benefits	Share-based compensation expenses under share option scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Wang Dongfeng (i)	—	228	—	12	21	—	261
Huang Weibing (ii)	—	207	—	7	14	—	228
Liao Dong (ii)	—	114	—	6	11	—	131
Zhuang Jieguang	—	376	—	6	11	—	393
Non-executive Directors							
Tan Hainan (iii)	—	—	—	—	—	—	—
Tung Hans (iii)	—	—	—	—	—	—	—
Independent Non-executive Directors							
Levin Eric Joshua	296	—	—	—	—	115	411
Poon Philana Wai Yin (v)	246	—	—	—	—	783	1,029
Zhao Cong Richard (v)	246	—	—	—	—	783	1,029
	788	925	—	31	57	1,681	3,482

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments (Continued)

The remuneration of each director and chief executive for the year ended 31 December 2013 is set out below:

Name	Fees	Salaries	Discretionary Bonus	Pension Costs - Defined Contribution Plans	Other Social Security Costs, Housing Benefits	Share-based compensation expenses under share option scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors							
Wang Dongfeng (i)	—	228	—	12	22	—	262
Huang Weibing (ii)	—	408	—	10	33	—	451
Liao Dong (ii)	—	228	—	12	22	—	262
Zhuang Jieguang (ii)	—	408	—	6	13	—	427
Non-executive Directors							
Sippel Edward Francis (iii)	—	—	—	—	—	—	—
Tan Hainan (iii)	—	—	—	—	—	—	—
Tung Hans (iii)	—	—	—	—	—	—	—
Independent Non-executive Directors							
Iosilevich Alexander Gennady (iv)	144	—	—	—	—	562	706
Levin Eric Joshua	297	—	—	—	—	1,202	1,499
Poon Philana Wai Yin (v)	82	—	—	—	—	646	728
Zhao Cong Richard (v)	82	—	—	—	—	646	728
	605	1,272	—	40	90	3,056	5,063

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS) (Continued)

(b) Directors' and Chief Executives' Emoluments (Continued)

Notes:

(i) Mr. Wang Dongfeng is the executive director and the chief executive officer ("CEO") of the Company.

(ii) Mr. Huang Weibing and Mr. Liao Dong ceased to be executive directors with effective from 27 May 2014.

(iii) Mr. Tan Hainan resigned as a non-executive director of the Company with effect from 6 October 2014.

Mr. Sippel Edward Francis resigned as a non-executive director of the Company with effect from 18 April 2013.

Mr. Tan Hainan, Tung Hans and Sippel Edward Francis had not received and were not entitled to receive any emoluments during the years ended 31 December 2014 and 2013.

(iv) Mr. Iosilevich Alexander Gennady resigned as an independent non-executive director of the Company with effect from 31 July 2013.

(v) On 1 September 2013, Ms. Poon Philana Wai Yin and Mr. Zhao Cong Richard were appointed as independent non-executive directors of the Company.

(vi) During the years ended 31 December 2014 and 2013, no directors waived or agreed to waive any emoluments.

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS) (Continued)

(c) Key Managements' Emoluments

Key management includes directors, CEO and other senior executives. The aggregate compensation paid/payable to key management for employee services is as follows:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Fees, Wages, salaries and bonuses	**6,986**	6,462
Pension costs – defined contribution plans	**47**	53
Other social security costs and housing benefits	**135**	207
Share-based compensation expenses under Pre-IPO Share Option Scheme	**9,017**	18,929
	16,185	25,651

The emoluments of the key management fell within the following bands:

	Year Ended 31 December	
	2014	2013
Emolument bands		
HK$1 – HK$5,000,000	**8**	8
HK$5,000,001 - HK$10,000,000	**2**	1
HK$10,000,001 - HK$15,000,000	**—**	—
HK$15,000,001 - HK$20,000,000	**—**	1
	10	10

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' AND KEY MANAGEMENTS' EMOLUMENTS) (Continued)

(d) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group include no directors/chief executives during the year ended 31 December 2014 (2013: None). The emoluments paid and payable to the five (2013: five) highest paid individuals during the year ended 31 December 2014 are as follows:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and bonuses	**10,347**	7,641
Pension costs – defined contribution plans	**34**	25
Other social security costs, housing benefits and other employee benefits	**152**	144
Share-based compensation expenses under Pre-IPO Share Option Scheme	**16,448**	38,100
	26,981	45,910

The emoluments of these individuals fell within the following bands:

	Year Ended 31 December	
	2014	2013
Emolument bands		
HK$4,500,001 - HK$5,500,000	**1**	1
HK$5,500,001 - HK$6,500,000	**1**	—
HK$6,500,001 - HK$7,000,000	**1**	1
HK$7,000,001 - HK$8,000,000	**1**	—
HK$8,000,001 - HK$9,000,000	**1**	1
HK$18,500,001 - HK$19,000,000	**—**	2
	5	5

(e) During the year, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

10 FINANCE INCOME - NET

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Finance costs:		
– Interest expense and bank facilities arrangement fee	**(6,369)**	(126)
Finance income:		
– Interest income on short-term investment	**—**	3,140
– Interest income on restricted cash	**5,112**	—
– Interest income on short-term deposits	**11,351**	4,006
	16,463	7,146
Finance income-net	**10,094**	7,020

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Associates (Note a)	**35,126**	—
Joint ventures (Note b)	**10,000**	—
	45,126	—

The amounts recognised in the consolidated statement of comprehensive loss are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Associates (Note a)	**(5,605)**	—

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Notes:

(a) Investment in associates

Set out below is an associate of the Group as at 31 December 2014, which, in the opinion of the Company, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Nature of investment in associate as at 31 December 2014 (31 December 2013: None)

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship
Guangzhou Zhengyou Information and Technology Co., Ltd. (廣州正游信息科技有限公司) ("Zhengyou")	PRC	19%	(i)

(i) Zhengyou provides exclusive or non-exclusive game license right of their products to the Group.

Summarised financial information for the material associate

Set out below are the summarised financial information for Zhengyou which is accounted for using the equity method.

Summarised balance sheet as at 31 December 2014

	Zhengyou RMB'000
Current assets	15,703
Non-current assets	461
Current liabilities	2,394
Net assets	**13,770**

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Notes: (Continued)

(a) Investment in associates (Continued)

Summarised statement of comprehensive loss

	Zhengyou 2014 RMB'000
Revenue	**—**
Loss from continuing operations	**(25,424)**
Income tax expense	**—**
Post-tax loss from continuing operations	**(25,424)**
Other comprehensive income	**—**
Total comprehensive loss	**(25,424)**

In 2014, Zhengyou was mainly engaged in mobile games' research and development and didn't generate any revenue. The information above reflects the amounts presented in the financial statement of Zhengyou (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and Zhengyou.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Zhengyou:

	Zhengyou RMB'000
Net assets on establishment	30,081
Loss for the period	(25,424)
Charges in share – based payment scheme directly charged to equity (Note ii)	9,113
Closing net assets	13,770
Interest in associate (19%)	2,616
Goodwill	24,285
Carrying value	26,901

(ii) Zhengyou incurred RMB9,113,000 share-based expenses and they are non-cash charges.

The Group's share of the results of other immaterial associates is shown in aggregate as follows:

	2014 RMB'000
Loss from continuing operations.	**(774)**
Other comprehensive income	**—**
Total comprehensive loss	**(774)**

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Notes: (Continued)

(a) Investment in associates (Continued)

All associates are private companies and there are no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's interest in the associates as at 31 December 2014.

(b) Investment in joint venture

The amounts recognised in the consolidated balance sheet are as follows:

	2014
	RMB'000
At 1 January 2014	**—**
Additions	**10,000**
Share of profit or loss	—
Other comprehensive income	—
At 31 December 2014	**10,000**

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

Nature of investment in the joint venture as at 31 December 2014 (31 December 2013: None):

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**	**Nature of the relationship**
Shanghai Xiniu Communication and Information Technology Co. Ltd. ("Shanghai Xiniu")	PRC	50%	(i)

(i) Shanghai Xiniu will provide exclusive or non-exclusive game licenses to the Group.

Shanghai Xiniu is a private company and there is no quoted market price available for its shares. Shanghai Xiniu was established on 25 December 2014 and was still in pre-operating stage up to 31 December 2014.

12 INCOME TAX EXPENSE

The income tax expense of the Group for the years ended 31 December 2014 and 2013 are analyzed as follows:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current income tax:		
– PRC corporate income tax	**11,901**	59,212
Deferred income tax (Note 33)		
– Origination and reversal of temporary differences	**(5,076)**	11,079
Income tax expense	**6,825**	70,291

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

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	**(31,982)**	(405,113)
Add back: Loss of the Company (Note i)	**4,520**	755,428
	(27,462)	350,315
Tax calculated at statutory income tax rates applicable to (losses)/profits of the consolidated entities in their respective jurisdictions	**(5,512)**	90,454
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**267**	(33,017)
Tax losses for which no deferred income tax asset was recognized	**4,967**	1,944
Super deduction of research and development expenses	**(3,194)**	(7,105)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**2,579**	6,151
– Others	**6,590**	9,865
Re-measurement of deferred income tax - change in enacted income tax rate	**1,128**	1,999
Income tax expense	**6,825**	70,291

Note:

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

12 INCOME TAX EXPENSE (Continued)

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2014 and 2013.

(c) Taiwan Business income tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the year ended 31 December 2014 and 2013.

(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 years ended 31 December 2014 and 2013, 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 year ended 31 December 2014 (2013: 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 year ended 31 December 2014 (for the year ended 31 December 2013, Feidong: 0%, Jieyou: 25%).

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 years ended 31 December 2014 and 2013.

12 INCOME TAX EXPENSE (Continued)

(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 31 December 2014, 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 31 December 2014.

(f) Tax Charge Relating to Components of Other Comprehensive Income

The tax charge relating to components of other comprehensive income for the year ended 31 December 2014 (2013: None) is as follows:

	2014		
	Before tax RMB'000	**Tax Charge RMB'000**	**After tax RMB'000**
Fair value gains on available-for-sale financial assets	**4,580**	**(687)**	**3,893**
Currency translation differences	**19,090**	**—**	**19,090**
Other comprehensive income	**23,670**	**(687)**	**22,983**
Current tax		**—**	
Deferred tax		**(687)**	
		(687)	

13 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 year.

	Year Ended 31 December	
	2014	2013
Loss attributable to owners of the Company (RMB'000)	**(38,531)**	(475,404)
Weighted average number of ordinary shares in issue (Note i)	**126,938,644**	47,075,903
Basic loss per share (in RMB/share)	**(0.30)**	(10.10)

Note:

(i) As detailed in Note 24(a), in connection with the issuance of Series A Preferred Shares on 15 June 2012, the Founders' ordinary shares were put on escrow with the Company as Restricted Shares (as defined in Note 24(a)). As these Restricted Shares were contingently returnable and had not been treated as outstanding and were excluded from the calculation of basic earnings per share until upon the completion of the IPO on 3 October 2013. Should these shares had not been put on escrow with the Company as Restricted Shares, the respective weighted average number of ordinary shares in issue for the year ended 31 December 2013 for purpose of computing the basic loss per share would be 88,303,300, and the unaudited basic loss per share would be RMB(5.38)/share.

(b) Diluted

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

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

For the year ended 31 December 2014, the Company had only one category of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme. As the Group incurred loss for the year ended 31 December 2014, the share options are anti-dilutive and are 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 years ended 31 December 2014 and 2013.

14 DIVIDENDS

The Board does not recommend payment of a final dividend for the years ended 31 December 2014 and 2013.

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

15 PROPERTY AND EQUIPMENT

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
At 1 January 2013					
Cost	9,424	51,617	1,838	2,238	65,117
Accumulated depreciation	(1,642)	(15,354)	(154)	(1,267)	(18,417)
Net book amount	7,782	36,263	1,684	971	46,700
Year ended 31 December 2013					
Opening net book amount	7,782	36,263	1,684	971	46,700
Additions	3,434	13,250	584	17,736	35,004
Disposals	(470)	(150)	—	—	(620)
Depreciation charge	(2,199)	(10,837)	(419)	(3,420)	(16,875)
Closing net book amount	8,547	38,526	1,849	15,287	64,209
At 31 December 2013					
Cost	11,975	64,635	2,422	19,974	99,006
Accumulated depreciation	(3,428)	(26,109)	(573)	(4,687)	(34,797)
Net book amount	8,547	38,526	1,849	15,287	64,209

15 PROPERTY AND EQUIPMENT (Continued)

	Furniture and Office Equipment RMB'000	Server and Other Equipment RMB'000	Motor Vehicles RMB'000	Leasehold Improvement RMB'000	Total RMB'000
Year ended 31 December 2014					
Opening net book amount	8,547	38,526	1,849	15,287	64,209
Additions	2,959	2,546	—	2,131	7,636
Disposals	(3,573)	(2,977)	—	—	(6,550)
Depreciation charge	(2,452)	(11,536)	(475)	(7,474)	(21,937)
Exchange difference	—	4	—	3	7
Closing net book amount	5,481	26,563	1,374	9,947	43,365
At 31 December 2014					
Cost	8,527	55,401	2,422	21,180	87,530
Accumulated depreciation	(3,046)	(28,842)	(1,048)	(11,236)	(44,172)
Exchange difference	—	4	—	3	7
Net book amount	5,481	26,563	1,374	9,947	43,365

Depreciation charges were included in the following categories in the profit or loss:

	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Cost of revenue	12,138	11,329
Administrative expenses	1,810	1,562
Research and development expenses	7,687	3,890
Selling and marketing expenses	302	94
	21,937	16,875

16 INTERESTS IN SUBSIDIARIES - COMPANY

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Investments in subsidiaries (including structured entities):		
– Investments in equity interests	**1**	—
– Deemed investments arising from share-based compensation (Note a)	**160,380**	140,793
Amount due from subsidiaries (Note b)	**91,972**	48,776
	252,353	189,569

(a) The amount represents share-based compensation expenses arising from the grant of awarded shares of the Company to Pre-Series A Investors (as defined in Note 24) in 2009, two Founders in 2011 and share options granted to eligible employees of certain subsidiaries on 1 January 2013, 1 July 2013 and 1 September 2013 (Note 26) in exchange for their services provided to certain subsidiaries now comprising the Group, which were deemed to be investments made by the Company into these subsidiaries.

(b) The balance is unsecured, interest-free and its repayment is neither planned nor likely to occur in the foreseeable future.

16 INTERESTS IN SUBSIDIARIES - COMPANY (Continued)

The following is a list of the principal subsidiaries (including structured entities) as at 31 December 2014:

Company Name	Kind of legal entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Directly held by the Company					
Foga Tech Limited (“Foga Tech”)	Limited liability company	Hong Kong/ 9 August 2011	HK$1	100%	Investment holding, operation of webgames and mobile games, Hong Kong
Forgame US Corporation (“Forgame US”)	Limited liability company	United States of America (“US”)/ 25 February 2014	US$100	100%	Development and operation of mobile games, the US
Madgame Investment Limited (“Madgame”)	Limited liability company	British Virgin Islands/ 13 March 2014	US$100	100%	Investment holding BVI
Foga Investment Co., Limted (“Investment”)	Limited liability company	British Virgin Islands/ 27 January 2014	US$1	100%	Investment holding BVI
Indirectly held by the Company					
Hongkong Ledong Tech Limited (“Ledong”)	Limited liability company	Hong Kong/ 22 March 2012	HK$10,000	100%	Investment holding and operation of webgames, Hong Kong
Forgame International Co., Ltd. (雲遊股份有限公司) (“Yunyou”)	Limited liability company	Taiwan/ 11 October 2013	New Taiwan dollars (“NT$”) 15,000,000	100%	Development of webgames and webgames, technology services, Taiwan
Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司) (“Feidong”)	Limited liability company	PRC/ 13 June 2012	US$10,000,000	100%	Software development and provision of information technology services, the PRC

16 INTERESTS IN SUBSIDIARIES - COMPANY (Continued)

Company Name	Kind of legal entity	Country and Date of Incorporation/ Establishment	Issued and Fully Paid Share Capital/Registered Capital	Equity Interest Held	Principal Activities and Place of Operation
Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司) ("Feiyin")*	Limited liability company	PRC/ 12 April 2004	RMB10,000,000	100%	Development of webgames and mobile games, the PRC
Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司) ("Weidong")*	Limited liability company	PRC/ 22 January 2007	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC
Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司) ("Jieyou")*	Limited liability company	PRC/ 7 June 2012	RMB10,000,000	100%	Development and operation of webgames and mobile games, the PRC
Tianjin Laiwan Internet Technology Co., Ltd. (天津萊玩網絡科技有限公司) ("Laiwan")	Limited liability company	PRC/ 1 August 2014	RMB10,000,000	70%	Operation of mobile games, the PRC

* These companies are the Group's consolidated structured entities.

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Computer Software Licenses RMB'000	Game Intellectual Properties and Licenses RMB'000	Total RMB'000
At 1 January 2013				
Cost	1,586	1,688	33,009	36,283
Accumulated amortization	—	(201)	(4,733)	(4,934)
Net book amount	1,586	1,487	28,276	31,349
Year ended 31 December 2013				
Opening net book amount	1,586	1,487	28,276	31,349
Additions	—	6,388	14,630	21,018
Disposals	—	—	(1,100)	(1,100)
Amortization charge	—	(868)	(10,269)	(11,137)
Closing net book amount	1,586	7,007	31,537	40,130
At 31 December 2013				
Cost	1,586	8,076	46,139	55,801
Accumulated amortization	—	(1,069)	(14,602)	(15,671)
Net book amount	1,586	7,007	31,537	40,130
Year ended 31 December 2014				
Opening net book amount	**1,586**	**7,007**	**31,537**	**40,130**
Additions	**—**	**4,816**	**61,687**	**66,503**
Amortization charge	**—**	**(1,547)**	**(25,721)**	**(27,268)**
Exchange difference	**—**	**—**	**(81)**	**(81)**
Closing net book amount	**1,586**	**10,276**	**67,422**	**79,284**
At 31 December 2014				
Cost	**1,586**	**12,892**	**107,826**	**122,304**
Accumulated amortization	**—**	**(2,616)**	**(40,323)**	**(42,939)**
Exchange difference	**—**	**—**	**(81)**	**(81)**
Net book amount	**1,586**	**10,276**	**67,422**	**79,284**

17 INTANGIBLE ASSETS (Continued)

Amortization charges were included in the following categories in the profit or loss:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cost of revenue	**23,006**	10,316
Selling and marketing expenses	**47**	—
Administrative expenses	**920**	491
Research and development expenses	**3,295**	330
	27,268	11,137

18 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

	As at 31 December	
Group	**2014**	2013
	RMB'000	RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Trade receivables	**90,212**	92,194
– Other receivables (excluding prepayments)	**33,851**	17,897
– Restricted cash	**—**	15,670
– Short-term deposits	**200,000**	325,540
– Cash and cash equivalents	**851,947**	946,759
Financial assets at fair value through profit or loss	**21,054**	18,291
Available-for-sale financial assets	**138,140**	32,000
	1,335,204	1,448,351
Liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Borrowings	**—**	15,242
– Trade payables	**25,927**	34,990
– Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**42,733**	34,197
	68,660	84,429

18 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

Company	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Assets as per balance sheet		
Loans and receivables:		
– Cash and cash equivalents	**700,008**	781,329
– Amounts due from subsidiaries (Note a)	**45,117**	—
– Other receivables (excluding prepayments)	**14,049**	664
	759,174	781,993
Liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Other payables and accruals (excluding advance, accrued payroll and other tax liabilities)	**24,787**	22,422

(a) The amount due from subsidiaries as at 31 December 2014 represented current account balances maintained by the Company with certain subsidiaries. All balances are unsecured and interest-free and the balances are repayable on demand. As at 31 December 2014, the amounts due from subsidiaries were neither past due nor impaired.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January	**18,291**	—
Additions	**2,458**	18,725
Exchange differences	**305**	(434)
At 31 December, all non-current	**21,054**	18,291
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**—**	—

The Group made investments in some redeemable convertible preferred shares and convertible bonds of certain private companies, which are host debt instruments issued by investees with conversion feature. After considering the Group's investment objectives and intention, the Group does not bifurcate the conversion feature from the host instruments and designates the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in other (losses)/gains in the consolidated statement of comprehensive loss. The Company determines the respective fair values as at balance sheet date based on the expected revenue and market multiple of comparable companies.

In December 2014, one of the investees span off part of its business to a new company for a listing on a stock exchange. The Group was allotted the new company's common shares and performance shares with conversion feature as a compensation of the deemed dilution loss of its initial investement in the investee. The common shares of the new company have become listed in January 2015. As at the balance sheet date, the Company determined the fair value for the common shares of the new company with reference to the available market price and the fair value for the performance shares using valuation techniques.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
At 1 January 2014	**32,000**	—
Additions (Notes a and b)	**101,560**	32,000
Fair value gains	**4,580**	—
At 31 December 2014	**138,140**	32,000

(a) In December 2013, the Group set up an equity fund (the "Fund") with two independent third party partners for a cash consideration of RMB32,000,000. During the year ended 31 December 2014, the Group acquired additional equity interests in the Fund for a cash consideration of RMB32,000,000. As a result, the Group holds 64% equity interest in the Fund in aggregate. This Fund is engaged in investment in a portfolio of mobile games and application companies, and derives its return through capital appreciation investment income. The Group is a limited partner in the Fund and does not have control nor significant influence in the Fund's operational and financing decisions. The Company classified the investment as an available-for-sale financial asset.

(b) During the year ended 31 December 2014, the Group acquired equity interests in a number of entities incorporated in the PRC at an aggregate cash consideration of RMB69,560,000. They are principally engaged in the provision of game development and other internet-related businesses. The Group does not have control nor significant influence in these entities. The Company classified these investments as available-for-sale financial assets.

(c) 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 (2014: 32.5%). The fair values are within level 3 of the fair value hierarchy. Gains or losses arising from the changes in fair value of available-for-sale financial assets are recognized as other comprehensive income.

21 TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Third parties	**94,409**	93,929
Less: provision for impairment	**(4,197)**	(1,735)
	90,212	92,194

As at 31 December 2014 and 2013, the fair values of trade receivables were approximately similar to their carrying amounts.

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0-30 days	**37,556**	57,303
31-60 days	**18,492**	18,995
61-90 days	**10,016**	5,534
91-180 days	**16,849**	7,249
181-365 days	**2,258**	3,113
Over 1 year	**9,238**	1,735
	94,409	93,929

(b) The sales of the Group are mainly made based on credit terms determined on an individual basis with normal credit periods ranging from 30 to 90 days from the respective invoice dates. As at 31 December 2014 and 2013, trade receivables that were past due but not impaired were RMB11,052,000 and RMB7,647,000, 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. The maximum age of this category of trade receivables is less than two years.

21 TRADE RECEIVABLES (Continued)

(c) Movements on the Group's provision for impairment of trade receivables are as follows:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of year	**1,735**	2,620
Provision for impairment	**2,754**	1,271
Receivables written off during the year as uncollectible	**(100)**	(1,683)
Reversal	**(192)**	(473)
At end of year	**4,197**	1,735

The provision and reversal of provision for impaired receivables have been included in "administrative expenses" in the consolidated statement of comprehensive loss. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

(d) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
RMB	**80,490**	71,007
US$	**8,551**	17,582
NT$	**5,368**	5,340
	94,409	93,929

(e) The maximum exposure to credit risk at each of the reporting dates is the carrying value of the net receivable balance. The Group does not hold any collateral as security.

(f) As at 31 December 2014 and 2013, 26% and 22% of trade receivables are due from 2 and 2 large customers in cooperation with the Group for its game development business, respectively.

22 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
Group	**2014**	2013
	RMB'000	RMB'000
Included in non-current assets		
Rental and other deposits	**3,021**	2,512
Prepayment for Investment	**3,640**	—
Others	**520**	—
	7,181	2,512
Included in current assets		
Interest receivable	**15,704**	2,732
Prepaid advertising costs (Note a)	**15,575**	17,965
Prepayments to game developers	**9,650**	—
Rental and other deposits	**9,581**	10,701
Due from a non-controlling interest shareholder of a subsidiary for its unpaid capital injection	**3,000**	—
Prepayments for outsourcing of game development charges	**2,662**	1,947
Prepaid income tax	**2,040**	—
Staff advance	**1,029**	1,116
Others	**5,360**	6,476
	64,601	40,937
Less: provision for impairment of other receivables	**—**	—
	64,601	40,937

Note:

(a) The Group engages various online advertising suppliers and makes prepayments in exchange for better advertising opportunities and resources in some arrangements. Such amounts are recognized in the "selling and marketing expenses" when the respective advertising services are rendered.

As at 31 December 2014 and 2013, the carrying amounts of prepayments and other receivables were primarily denominated in RMB and approximate their fair values due to their short maturity at each of the reporting dates. As at 31 December 2014 and 2013, there were no significant balances that were past due.

The maximum exposure to credit risk as at the reporting date is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

Provision is written off, when there is no expectation of recovering additional cash. For the year ended 31 December 2014, there were no receivables written off as uncollectible.

As at 31 December 2014, prepayments and other receivables included in the Company's separate balance sheet primarily consist of interest receivable from bank deposit.

23 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSITS/RESTRICTED CASH – GROUP AND COMPANY

(a) Cash and Cash Equivalents

	As at 31 December	
Group	**2014**	2013
	RMB'000	RMB'000
Cash at bank and on hand	**851,051**	943,905
Cash at other financial institutions	**896**	2,854
Cash and cash equivalents	**851,947**	946,759
Maximum exposure to credit risk	**851,890**	946,759

	As at 31 December	
Company	**2014**	2013
	RMB'000	RMB'000
Cash at bank and on hand	**700,008**	781,329
Maximum exposure to credit risk	**700,008**	781,329

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
Group	**2014**	2013
	RMB'000	RMB'000
RMB	**829,128**	913,453
US$	**17,334**	22,793
HK$	**1,147**	7,744
NT$	**4,338**	2,769
	851,947	946,759

23 CASH AND CASH EQUIVALENTS/SHORT-TERM DEPOSITS/RESTRICTED CASH – GROUP AND COMPANY (Continued)

(a) Cash and Cash Equivalents (Continued)

	As at 31 December	
Company	**2014**	2013
	RMB'000	RMB'000
RMB	**697,913**	755,388
US$	**1,459**	18,727
HK$	**636**	7,214
	700,008	781,329

(b) Short-term Deposits

As at 31 December 2014, the short-term deposits amounted to RMB200,000,000 (2013: RMB325,540,000) are bank deposits with original maturities of three months and redeemable on maturity. The short-term deposits are denominated in RMB and the weighted average effective interest rate was 4.61% for the year ended 31 December 2014 (2013: 4.23%).

(c) Restricted Cash

As at 31 December 2014, there was no restricted cash. As at 31 December 2013, RMB15,670,000 were restricted deposits held at bank as security for a revolving loan facility provided by a bank to the Group (Note 29).

24 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$	Number of Preferred Shares	Nominal Value of Preferred Shares US$
Authorized:					
As at 1 January 2013		470,940,560	47,094	29,059,440	2,906
Cancellation and re-authorization	e	29,059,440	2,906	(29,059,440)	(2,906)
As at 31 December 2014 and 2013		**500,000,000**	**50,000**	**—**	**—**

	Note	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Total RMB'000
Issued:						
As at 1 January 2013	a	76,000,000	8	49	—	49
Initial public offering	b	20,390,500	2	13	761,520	761,533
Conversion of preferred shares to ordinary shares	c	29,059,440	3	18	1,173,014	1,173,032
Employee share option scheme:						
– number of shares issued	d	490,364	—	—	—	—
As at 31 December 2013		125,940,304	13	80	1,934,534	1,934,614
Employee share option scheme:						
– number of shares issued	d	1,113,925	—	—	—	—
As at 31 December 2014		**127,054,229**	**13**	**80**	**1,934,534**	**1,934,614**

24 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (Continued)

Notes:

(a) The Company was incorporated on 26 July 2011 with an authorized share capital of US$50,000, divided into 50,000 ordinary shares of US$1 each. On the same date, 10,000 ordinary shares of US$1 each were issued, totalling US$10,000 (equivalent to approximately RMB64,000), to companies wholly-owned by the Founders. On 15 September 2011, the Founders entered into a cooperation agreement with Ms. Wang Baoshan and Mr. Wang Po Tsan (collectively, the "Pre-Series A Investors"), in which one of the Founders agreed to transfer 1,600 and 800 Ordinary Shares from his wholly owned company to two offshore entities 100% owned by the Pre-Series A Investors, for a nominal cash consideration of US$1.00 each.

On 15 June 2012, the directors of the Company approved a share split of the Company's share capital at a ratio of 1 to 1,000 (the "First Share Split"). Immediately after this split, the Company re-classified and re-designated authorized share capital into 47,094,056 ordinary shares of par value of US$0.001 each and 2,905,944 preferred shares of par value of US$0.001 each.

On 15 June 2012, the Company, the Pre-Series A Investors and certain institutional investors entered into a Series A Preferred Share Purchase Agreement under which the Company issued 2,905,944 Series A Preferred Shares of US$0.001 each to these institutional investors for an aggregate cash consideration of US$68,800,000 (equivalent to approximately RMB435,153,000) and repurchased 2,400,000 ordinary shares of US$0.001 each from the Pre-Series A Investors for a total cash consideration of US$58,800,000 (equivalent to approximately RMB371,904,000). The repurchased ordinary shares were cancelled immediately and the share capital of the Company was reduced by US$2,000 (equivalent to approximately RMB15,000).

As a closing condition to the Series A Preferred Share Purchase Agreement, on 15 June 2012, the Founders, the Series A Preferred Shareholders and the Company, entered into a share restriction agreement ("Share Restriction Agreement"). Pursuant to the Share Restriction Agreement, the ordinary shares ("Restricted Shares") of the Company held by the Founders on 15 June 2012 were subject to vesting conditions and repurchase right of the Company until the Restricted Shares became vested. Twenty percent of the Restricted Shares vested upon the closing of the Series A Preferred Share Purchase Agreement, and twenty percent of the Restricted Shares would vest on each of the first, second, third and fourth anniversaries of the closing of the Series A Preferred Share Purchase Agreement so long as the Founders remain employees of a member of the Group. Vesting of all Restricted Shares was accelerated upon the completion of an IPO or change of control events as defined in the Share Restriction Agreement. The restrictions and vesting of these shares do not give rise to any additional value and benefits to the Founders and therefore the arrangement has not been accounted for as share-based payments. All Restricted Shares were vested upon the completion of the IPO of the Company on 3 October 2013.

On 21 August 2012, the Board of Directors of the Company approved another share split of the Company's share capital at a ratio of 1 to 10 (the "Second Share Split"). As a result, the authorized share capital became US$50,000 divided into 470,940,560 ordinary shares of par value of US$0.0001 each and 29,059,440 preferred shares of par value of US$0.0001 each, while the issued share capital became 76,000,000 ordinary shares of US$0.0001 each and 29,059,440 Series A Preferred Shares of US$0.0001 each.

(b) On 3 October 2013, the Company completed its IPO on the Main Board of The Stock Exchange of Hong Kong Limited. In the IPO, the Company issued and sold a total of 20,390,500 ordinary shares to the public at a price of HK$51 per share. The net proceeds to the Company, after deducting underwriting commissions and other issuance costs paid and payable, were approximately RMB761,533,000.

(c) Upon the completion of the IPO, all of the Company's 29,059,440 outstanding Series A Preferred Shares were converted into ordinary shares on a one-to-one basis immediately at a price of HK$51 per share.

24 SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (Continued)

Notes: (Continued)

(d) During the years ended 31 December 2014 and 2013, 1,113,925 and 490,364 Pre-IPO Share Options with exercise prices US$0.0001 were exercised, respectively.

(e) Upon the completion of IPO on 3 October 2013, 29,059,440 authorized Series A Preferred Shares of par value of US$0.0001 each have been cancelled and 29,059,440 ordinary share of par value of US$0.0001 each have been authorized.

(f) On 30 December 2014, two of the Company's Founders agreed to sell an aggregate of 28,832,653 shares of the Company to other founders and institutional investors. The transaction is expected to complete on or before 31 March 2015.

25 RESERVES

Group	Capital Reserve RMB'000 (Note a)	Statutory Reserves RMB'000 (Note b)	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
At 1 January 2013	30,000	7,907	102,977	2,654	(371,889)	(228,351)
Value of employee service						
– Pre-IPO Share Option Scheme	—	—	59,258	—	—	59,258
Appropriation to statutory reserves	—	2,921	—	—	—	2,921
Currency translation differences	—	—	—	6,326	—	6,326
At 31 December 2013	30,000	10,828	162,235	8,980	(371,889)	(159,846)
At 1 January 2014	**30,000**	**10,828**	**162,235**	**8,980**	**(371,889)**	**(159,846)**
Value of employee service						
– Pre-IPO Share Option Scheme	**—**	**—**	**18,057**	**—**	**—**	**18,057**
Currency translation differences	**—**	**—**	**—**	**19,090**	**—**	**19,090**
Change in value of available-for-sale financial assets	**—**	**—**	**—**	**—**	**3,893**	**3,893**
Share of other net asset changes in associates' equity	**—**	**—**	**—**	**—**	**1,731**	**1,731**
At 31 December 2014	**30,000**	**10,828**	**180,292**	**28,070**	**(366,265)**	**(117,075)**

25 RESERVES (Continued)

Company	Capital Reserve RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserve RMB'000	Total RMB'000
At 1 January 2013	—	102,977	2,380	(371,889)	(266,532)
Value of employee service					
– Pre-IPO Share Option Scheme	—	59,258	—	—	59,258
Currency translation differences	—	—	1,116	—	1,116
At 31 December 2013	—	162,235	3,496	(371,889)	(206,158)
At 1 January 2014	**—**	**162,235**	**3,496**	**(371,889)**	**(206,158)**
Value of employee service					
– Pre-IPO Share Option Scheme	**—**	**18,057**	**—**	**—**	**18,057**
Currency translation differences	**—**	**—**	**24,216**	**—**	**24,216**
At 31 December 2014	**—**	**180,292**	**27,712**	**(371,889)**	**(163,885)**

Notes:

(a) Capital reserve of the Group arises from capital contribution by the Founders pursuant to the Group reorganization

(b) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of the annual net profits, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the companies incorporated in the PRC, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by these companies to their respective reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not be made.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY

On 31 October 2012, the Board of Directors of the Company approved the establishment of the Pre-IPO Share Option Scheme with an objective to recognize 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 conditional on 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 recognized stock exchange ("performance condition") and the grantees remained 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, 898,900 and 156,500 share options were granted under the scheme respectively.

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

		Pre-IPO Share Option Scheme Number of Share Options Year ended 31 December	
	Average Exercise Price	**2014**	2013
At 1 January		**5,770,564**	—
Granted	US$0.0001	**—**	6,440,911
Exercised	US$0.0001	**(1,113,925)**	(490,364)
Forfeited	US$0.0001	**(1,256,363)**	(179,983)
At 31 December		**3,400,276**	5,770,564

As a result of the options exercised during the year ended 31 December 2014, 1,113,925 ordinary shares were issued by the Company (Note 24). The weighted average price of the shares immediately before the dates on which the option were exercised was HK$50.41 (equivalent to approximately RMB40.03) per share.

As at 31 December 2014, all share options granted will expire in 2022 with exercise price of US$0.0001 per share option.

26 SHARE-BASED PAYMENTS – GROUP AND COMPANY (Continued)

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

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. The weighted average fair value of Pre-IPO Options granted on 1 January, 1 July and 1 September 2013 was US$3.03 (approximately equivalent to RMB19.02), US$4.88 (approximately equivalent to RMB30.26) and US$5.12 (approximately 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 a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

The total expense recognized in the consolidated statement of comprehensive loss for share options granted to directors and employees has been disclosed in Note 9.

The Group had conditionally approved and adopted the Post-IPO Share Option Scheme and Restricted Share Unit ("RSU") Scheme on 1 September 2013. As at 31 December 2014, no Post-IPO Share Option or RSU had been granted by the Group.

27 ACCUMULATED LOSSES – COMPANY

	RMB'000
Balance at 1 January 2013	(23,677)
Loss for the year	(755,428)
Balance at 31 December 2013	(779,105)
Loss for the year	(4,520)
Balance at 31 December 2014	**(783,625)**

28 DEFERRED REVENUE

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Included in non-current liabilities (Note b)	**6,866**	8,465
Included in current liabilities	**28,758**	48,348
	35,624	56,813

Notes:

(a) Deferred revenue primarily consists of the unamortized virtual items in Game Product service and unamortized game credits in Game Platform service, where the Group continued to have obligations described in Note 2.23 as at 31 December 2014 and 2013. Deferred revenue will be recognized as revenue when all of the revenue recognition criteria are met.

(b) As at 31 December 2014, deferred revenue included in non-current liabilities was expected to be realized in one to two years commencing from the end of the reporting year.

29 BORROWINGS

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Bank borrowings	**—**	15,242

Movements in borrowings for the year ended 31 December 2014 and 2013 are analyzed as follows:

	RMB'000
At 1 January 2013	**—**
Proceeds of new borrowings (Note a)	**15,242**
At 31 December 2013	**15,242**
Proceeds of new borrowings (Note b)	**555,246**
Repayments	**(570,488)**
Closing amount as at 31 December 2014	**—**

Notes:

(a) The Group had a term bank loan facility up to lower of US$2,500,000 or 95% of RMB16,187,000 and the Group's borrowings were US$2,500,000 as at 31 December 2013. The bank borrowings were repayable within 1 year and the interest rate was levied at the London Inter-Bank Offered Rate ("LIBOR") plus 1.333%. The bank borrowings were secured by restricted cash of the Group amounted to RMB15,670,000 together with the related interest. The bank borrowings had been fully repaid during the year ended 31 December 2014.

(b) In connection with proposed acquisition of 21% equity interests of Magic Feature Inc., which, through its subsidiaries, develops and publishes the mobile game "Tower of Saviors" (神魔之塔) in Hong Kong, Taiwan and other regions, with a cash consideration of US$70 million and a further contingent consideration of US$24.2 million in the first half of 2014, the Group had arranged bank borrowing facilities of US$90,000,000, which were secured by the Group's restricted cash amounting to RMB592,702,000. The annualized interest rate was levied at LIBOR plus 1.5%. The Group made the draw-down of the borrowings at US$90,000,000 during 2014 for financing of the proposed transaction. As a result of the cancellation of the deal, the Group made full repayment prior to its maturity and the bank borrowing facilities were also cancelled.

(c) The carrying amount of the borrowings is all denominated in US$ and approximates its fair value as at 31 December 2013.

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

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
0-30 days	**7,714**	13,666
31-60 days	**4,368**	15,093
61-90 days	**2,369**	6,038
91-180 days	**8,022**	50
181-365 days	**3,299**	55
1-2 years	**155**	88
	25,927	34,990

Note:

(a) As at 31 December 2014 and 2013, trade payables were denominated in RMB and the fair value of trade payables approximated their carrying amounts at each of the reporting dates.

31 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Staff costs and welfare accruals	**40,918**	36,090
Investment payable	**27,685**	—
Other tax liabilities (Note b)	**7,180**	4,526
Professional service fees payable	**4,399**	15,601
Advertising expenses	**3,419**	10,888
Rental payable	**3,224**	3,980
Others	**8,708**	5,590
	95,533	76,675

31 OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) Other payables and accruals were primarily denominated in RMB as at 31 December 2014 and 2013 and the fair value of these balances approximates to their carrying amounts at each of the reporting dates.

(b) The balances represent liabilities arising from business tax and other related taxes in the PRC.

As at 31 December 2014, other payables and accruals included in the Company's separate balance sheet primarily consists amounts due to subsidiaries. Related subsidiary balances are unsecured, interest-free and repayable on demand.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On 15 June 2012, pursuant to a share purchase agreement, the Company issued 2,905,944 Series A Preferred Shares at a price of US$23.676 per share for a total amount of US$68,800,000 (equivalent to approximately RMB435,153,000), to several institutional investors. The preferred shares' par value is US$0.001 each. The rights, preference and privileges of the Series A Preferred Shares are as follows:

(a) Dividends

The holders of Series A Preferred Shares were entitled to receive in preference to the holders of the ordinary shares a per share amount equal to 5% of the issue price per annum when it was declared by the Board of Directors or at redemption.

The holders of Series A Preferred Shares were entitled to receive participating dividends if declared as if each outstanding Series A Preferred Share had been converted into ordinary shares prior to the record date for dividend or distribution.

(b) Liquidation

In the event of any liquidation, dissolution or winding up of the Company, the licensing of all or substantially all of any Group's intellectual property to a third party or a sale, transfer, lease or other disposition of all or substantially all of the assets of the Group, the holders of Series A Preferred Shares would be entitled to receive in preference to the holders of other classes of shares of the Company, a liquidation preference per share equal to 100% of the issue price of the Series A Preferred Shares, plus all accrued but unpaid dividends on such Series A Preferred Shares.

(c) Redemption

At any time after the earlier of the third anniversary of the issuance date of the Series A Preferred Shares and the date that there was a material breach by the Group or other parties to the transaction documents in relation to the issuance of Series A Preferred Shares, where the majority of Series A Preferred Shares holders vote for a redemption, the Series A Preferred Shares holders would have a right to require the Company to redeem all outstanding Series A Preferred Shares at a price equal to 150% of the issuance price plus any accrued but unpaid dividends.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(d) Conversion

Each Series A Preferred Share was convertible, at the option of the holders, at any time after the date of issuance of such preferred share into such number of fully paid ordinary shares of the Company according to a conversion price. Conversion price was initially be the issue price of Series A Preferred Shares, resulting in an initial conversion ratio of 1:1, and was subject to adjustments for certain events, including but not limited to additional equity securities issuance, share dividends, subdivisions, redemptions, combinations, or consolidation of ordinary shares. The conversion price was also subject to anti-dilution adjustment in the event the Company issues new securities at a price per share that is less than such conversion price. In such case, the conversion price would be reduced to adjust for dilution. Each Series A Preferred Share would be automatically converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of a qualified IPO, or (ii) the date of election by the majority of Series A Preferred Shares holders. The Qualified IPO is defined as a successful underwritten public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that represents no less than twenty percent of Company's share capital calculated on an as-if converted, fully diluted basis post such offering, by an internationally recognized investment banking firm at an offer price (net of underwriting commissions and expenses) that implies a market capitalization of the Company immediately prior to such offering of not less than US$580 million (based on the price per share offered to the public in the offering), and the listing of such ordinary shares (or depositary receipts or depositary shares thereof) of the Company on the New York Stock Exchange, the Nasdaq Global Market System, the Main Board of The Stock Exchange or any other reputable international exchange or quotation system that is approved in writing by the majority of Series A Preferred Shareholders.

In case of any public offering of the ordinary shares (or depositary receipts or depositary shares thereof) of the Company that is not a Qualified IPO, holders of Series A Preferred Shares have the following conversion right ("Conversion right under non-qualified IPO"):

– holder of each Series A Preferred Share could, at its own discretion, receive a cash payment equal to 100% of the Series A Preferred Share issue price, plus all accrued but unpaid dividends and convert its Series A Preferred Share into fully-paid non-assessable ordinary shares of the Company based on the then effective conversion price; or

– the holders who have over 50% of the voting power of the outstanding Series A Preferred Shares might, request the Company to convert their Series A Preferred Shares then held into fully-paid ordinary shares of the Company without any additional consideration, provided that the Company should pay cash to such holders in an amount equal to the difference between (i) the cash amount that such holders would be entitled to receive as if there had been a liquidation event at such date which valued the Company at US$580 million; and (ii) the aggregate value of such Series A Preferred Shares determined on an as-converted basis, implied at the price per share offered to the public in such IPO.

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(d) Conversion (Continued)

On 8 March 2013, the shareholders of the Company approved to remove the requirement of the Qualified IPO. Each Series A Preferred Share will be converted into ordinary shares of the Company at the then effective conversion price upon the earlier of (i) the closing date of an IPO on the Main Board of The Stock Exchange or (ii) the date of election by the majority of Series A Preferred Shares holders. Holders of each Series A Preferred Share are not entitled to receive any additional cash payment upon conversion.

Upon the completion of the IPO on 3 October 2013, each Series A Preferred Share was automatically converted into an ordinary share. As a result, 29,059,440 ordinary shares were issued, and the balance of Preferred Shares was transferred to both ordinary shares and share premium of the Company on that date. All preferred rights entitled to Series A Preferred Shareholders lapsed and such holders thereafter hold rights pari passu to all other ordinary shareholders.

(e) Voting Rights

Each Series A Preferred Share conferred the right to its holder of one vote for each ordinary share upon conversion.

The Group monitored Series A Preferred Shares on a fair value basis which was in accordance with its risk management strategy and does not bifurcate any feature from its debt host instrument and designates the entire hybrid contract as a financial liability at fair value through profit or loss with the changes in the fair value recorded in the consolidated statement of comprehensive loss.

The movement of the Series A Preferred Shares is set out as below:

	RMB'000
At 1 January 2013	451,153
Changes in fair value	741,348
Exchange differences	(19,469)
Conversion of convertible redeemable preferred shares into ordinary shares and share premium	(1,173,032)
At 31 December 2013	—
Change in unrealized losses for the year included in profit or loss for liabilities held at the year end	741,348

32 CONVERTIBLE REDEEMABLE PREFERRED SHARES (Continued)

(e) Voting Rights (Continued)

Prior to the completion of the IPO, the Company had 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 Series A Preferred Shares as at the date of issuance and at the reporting date. Key assumptions are set as below:

Discount rate	23%
Risk-free interest rate	0.39%
Volatility	53.17%

Discount rate was estimated by weighted average cost of capital as at each appraisal date. The Company estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Series A Preferred Shares on appraisal date.

Upon the date of the IPO, the fair value of the Series A Preferred shares was assessed at the market price in the amount HK$51.00 (approximately RMB40.55) per share.

Changes in fair value of Series A Preferred Shares were recorded in "fair value loss of convertible redeemable preferred shares" in the 2013 consolidated statement of comprehensive loss.

33 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**9,072**	778
– to be recovered within 12 months	**9,238**	12,456
	18,310	13,234
Deferred income tax liabilities:		
– to be recovered after more than 12 months	**687**	—
Deferred income tax assets – net	**17,623**	13,234

The movements of deferred income tax assets are as follows:

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**13,234**	24,313
Recognized in the profit or loss	**5,076**	(11,079)
Charge relating to components of other comprehensive income	**(687)**	—
At end of the year	**17,623**	13,234

33 DEFERRED INCOME TAX (Continued)

The movements in deferred income tax assets, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred Revenue	Accruals	Accumulated Loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	17,983	5,807	—	673	24,463
Recognized in the profit or loss	(11,922)	(216)	—	909	(11,229)
At 31 December 2013	6,061	5,591	—	1,582	13,234
Recognized in the profit or loss	(3,397)	307	8,721	(555)	5,076
At 31 December 2014	**2,664**	**5,898**	**8,721**	**1,027**	**18,310**

The movements in deferred income tax liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Intangible Assets	Available-for-sale Financial Assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2013	150	—	150
Recognized in the profit or loss	(150)	—	(150)
At 31 December 2013	—	—	—
Charge relating to components of other comprehensive income	—	687	687
At 31 December 2014	—	**687**	**687**

As at 31 December 2014 and 2013, no deferred income tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB402,872,000 and RMB403,525,000, respectively reported by the PRC subsidiaries (including structured entities) of the Group. Such earnings are expected to be retained by these PRC subsidiaries and not to be remitted to any foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

34 CASH GENERATED FROM OPERATIONS

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loss before income tax	**(31,982)**	(405,113)
Adjustments for:		
– Depreciation of property and equipment (Note 15)	**21,937**	16,875
– Amortization of intangible assets (Note 17)	**27,268**	11,137
– Loss on disposal of property and equipment (see (a) below)	**3,976**	489
– Share-based compensation expenses (Note 9)	**18,057**	59,258
– Share of losses of investment accounted for using the equity method	**5,605**	—
– Finance income – net (Note 10)	**(10,094)**	(7,020)
– Fair value loss of convertible redeemable preferred shares (Note 32)	**—**	741,348
– Exchange difference	**18,244**	(11,484)
Changes in working capital:		
– Trade receivables	**1,982**	(7,901)
– Prepayments and other receivables	**(18,687)**	(18,182)
– Trade payables	**(16,683)**	24,822
– Other payables and accruals	**1,840**	23,084
– Deferred revenue	**(21,189)**	(78,319)
Cash generated from operations	**274**	348,994

(a) In the consolidated statement of cash flows, proceeds from sale of property and equipment and intangible assets comprise:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net book amount (Notes 15 and 17)	**6,550**	1,720
Loss on disposal of property and equipment (Note 8)	**(3,976)**	(489)
Receivable from third party	**(1,032)**	—
Proceeds from disposal of property and equipment and intangible assets	**1,542**	1,231

(b) Upon the completion of the IPO on 3 October 2013, each Preferred Share was automatically converted into ordinary share. As a result, 29,059,440 ordinary shares were issued, and the balance of Preferred Shares was transferred to ordinary shares and share premium on that date.

(c) As disclosed in Note 19, in December 2014, one of the Group's investees span off part of its business to a new company for a listing on a stock exchange. The Group was allotted the new company's common shares and performance shares with conversion feature as a compensation of the deemed dilution loss of its initial investment in the investee. The fair value for the newly allocated common shares and performance shares are approximately RMB6,386,000.

35 COMMITMENTS

(a) Capital Commitments

As at 31 December 2013, the capital expenditure contracted but not provided for amounted to RMB1,233,000, which were related to acquisition of property and equipment.

As at 31 December 2014, the capital expenditure contracted but not provided for amounted to RMB5,960,000, which were related to investment arrangements and acquisition of intangible assets.

There is no authorized but not contracted at the end of each of the reporting dates.

(b) Operating Lease Commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The lease expenditure charged to the profit or loss during the year ended 31 December 2014 and 2013 is disclosed in Note 6.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
No later than 1 year	**10,795**	16,277
Later than 1 year and no later than 5 years	**16,991**	30,963
	27,786	47,240

36 SIGNIFICANT RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties.

(a) Sales of equipment

	Year Ended 31 December	
	2014	2013
	RMB'000	RMB'000
An associate	**463**	—

(b) Key Management Personnel Compensations

The compensations paid or payable to key management personnel for employee services are disclosed in Note 9.

37 CONTINGENCIES

As at 31 December 2014, the Group did not have any significant unrecorded contingent liabilities.

38 SUBSEQUENT EVENTS

On 2 January 2015, the Group has offered to grant a total of 1,908,000 share options to certain employees of the Group to subscribe for a total of 1,908,000 ordinary shares of US$0.0001 each in the share capital of the Company under the Post-IPO Share Option Scheme adopted by the Company on 1 September 2013. The fair value of the services received in exchange for the grant of the share options is accounting to approximately RMB8,500,000.

DEFINITIONS

"Annual General Meeting"	the annual general meeting of the Company to be held on Thursday, 28 May 2015
"ARPPU"	average revenue per paying users
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Company
"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 annual report, excluding Hong Kong, Macau and Taiwan
"CODM"	Chief Operating Decision Maker
"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
"Connected Persons"	has the same meaning ascribed thereto in the Listing Rules
"Contractual Arrangements"	a series of contractual arrangements entered into by Feidong, the PRC Operational Entities and their respective shareholders
"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 Trust"	collectively, Wang Trust, Keith Huang Trust, Hao Dong Trust and ZHUANGJG Trust
"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, incorporated under the laws of the PRC on June 13, 2012

"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 company established under the laws of the PRC on 12 April 2004
"Financial Statements"	audited consolidated financial statements of the Company for the year ended 31 December 2014
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd. (also referred to as Foga Group Limited), 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.
"Foga Tech"	Foga Tech Limited, a limited company incorporated under the laws of Hong Kong on 9 August 2011 and a wholly-owned subsidiary of the Company
"Founders"	founder(s) of the Company, collectively, Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang Tao and Mr. Zhuang
"Group"	the Company and its subsidiaries and the PRC Operational Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements)
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary is Mr. Liao
"Holding Companies"	collectively Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, respectively

DEFINITIONS

"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"ICP License"	internet content provision, a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services
"IFRSs"	the International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
"Independent Non-executive Director(s)"	independent non-executive Director(s) of the Company
"IP"	intellectual property
"IPO"	initial public offering of the Shares on the Stock Exchange
"IT"	information technology
"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 company established under the laws of the PRC on 7 June 2012
"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
"LIBOR"	London Inter-bank Offered Rate
"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 Growth Enterprise Market 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 the Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of the Hao Dong Trust

"Mr. Wang"	Mr. Wang Dongfeng (汪東風), the chairman of the Board, an Executive Director, one of the Founders and the settlor of the Wang Trust
"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders
"Mr. Zhuang"	Mr. Zhuang Jieguang (莊 捷 廣), an Executive Director who resigned on 1 April 2015, one of the Founders and the settlor of the 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 which the pre-IPO option is offered to an eligible participant as defined in the 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 the scheme
"PRC Operational Entities"	collectively, Feiyin, Weidong and Jieyou, the financial results of which have been consolidated and accounted for as a subsidiary of the Company by virtue of the Contractual Arrangements
"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 our 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 the 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
"RPG(s)"	role-playing game(s)
"RSUs"	restricted share units granted pursuant to the RSU Scheme
"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

DEFINITIONS

"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company
"Shares"	shares of USD0.0001 each in the share capital of the Company
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"TA"	TA FG Acquisitions, an exempted company incorporated in the Cayman Islands on 26 April 2012 with limited liability
"TV"	television
"United States"	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited) (廣州維動網絡科技有限公司), a limited company established under the laws of the PRC on 22 January 2007
"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
"*91wan* "	the self-publishing platforms, including 91wan.com, 2918.com, 9vs.com, 915.com and 336.com


Forgame