Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "Board") of directors (the "Directors") of Forgame Holdings Limited (the "Company" or "Forgame" or "We") announces the audited consolidated results of the Company and its subsidiaries and the PRC Operational Entities (as defined in the prospectus of the Company dated 19 September 2013 (the "Prospectus")) (collectively, the "Group") for the year ended 31 December 2014. The annual results have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standards on Auditing.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year Ended 31 December		
	2014	2013	Change %
	(RMB'000)	*(RMB'000)*	
Revenue	**643,470**	1,183,128	-45.6%
Gross profit	**425,191**	1,001,911	-57.6%
Operating (loss)/profit	**(36,471)**	329,215	-111.1%
Loss for the year	**(38,807)**	(475,404)	-91.8%

DIVIDEND

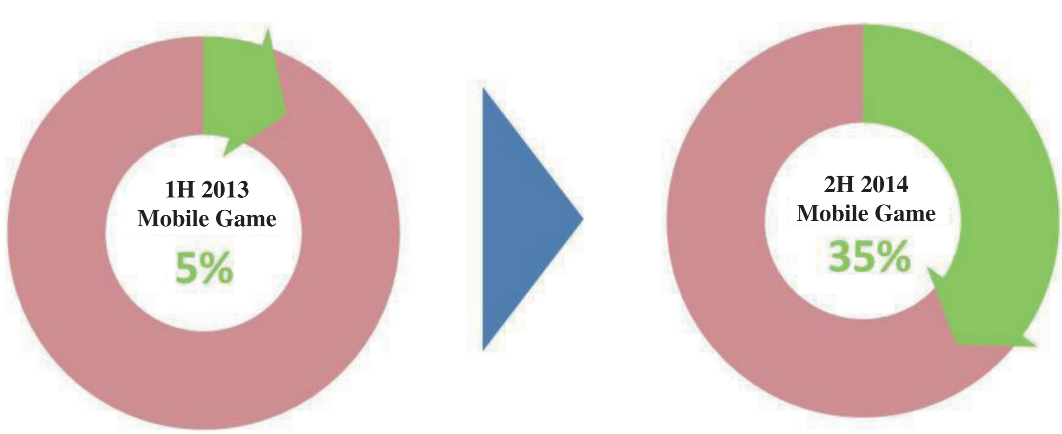
The Board does not recommend payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

OVERVIEW AND OUTLOOK

Overview

The year of 2014 was a transitional year for us as we continued to make progress 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) Intellectual property ("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 "Boonie Bears (熊出沒)" gaming series, adapted from the highly popular "Boonie Bears (熊出沒)" movie and television ("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 announcement 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 role-playing game ("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 monthly paying users ("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. Average revenue per paying user ("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 *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	
	RMB'000	*RMB'000*	*Change %*
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

Revenue. Revenue decreased by 45.6% to RMB643.5 million for the year ended 31 December 2014 from RMB1,183.1 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 the *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 the *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 initial public offering ("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.

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 United States dollars.

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 United States Dollars 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 intellectual property 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 continues 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 its 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%**

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.

Consolidated Statement of Comprehensive Loss

	Note	Year Ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	2	**643,470**	1,183,128
Cost of revenue	3	**(218,279)**	(181,217)
Gross profit		**425,191**	1,001,911
Selling and marketing expenses	3	**(149,807)**	(303,425)
Administrative expenses	3	**(93,984)**	(88,739)
Research and development expenses	3	**(231,417)**	(293,174)
Other income		**37,362**	10,333
Other (losses)/gains		**(23,816)**	2,309
Operating (loss)/profit		**(36,471)**	329,215
Finance income		**16,463**	7,146
Finance costs		**(6,369)**	(126)
Finance income-net		**10,094**	7,020
Share of loss of investments accounted for using the equity method		**(5,605)**	—
Fair value loss of convertible redeemable preferred shares		**—**	(741,348)
Loss before income tax		**(31,982)**	(405,113)
Income tax expense	4	**(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)

	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)			
– Basic	5	**(0.30)**	(10.10)
– Diluted	5	**(0.30)**	(10.10)

		Year Ended 31 December 2014 RMB'000	2013 RMB'000
Dividends	6	**—**	—

Consolidated Balance Sheet

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**43,365**	64,209
Intangible assets		**79,284**	40,130
Investments accounted for using the equity method		**45,126**	—
Financial assets at fair value through profit or loss		**21,054**	18,291
Available-for-sale financial assets		**138,140**	32,000
Prepayments and other receivables		**7,181**	2,512
Deferred income tax assets		**18,310**	13,234
		352,460	170,376
Current assets			
Trade receivables	7	**90,212**	92,194
Prepayments and other receivables		**64,601**	40,937
Restricted cash		**—**	15,670
Short-term deposits		**200,000**	325,540
Cash and cash equivalents		**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		**80**	80
Share premium		**1,934,534**	1,934,534
Reserves		**(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

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**687**	—
Deferred revenue		**6,866**	8,465
		7,553	8,465
Current liabilities			
Borrowings		**—**	15,242
Trade payables	8	**25,927**	34,990
Other payables and accruals		**95,533**	76,675
Income tax liabilities		**403**	19,674
Deferred revenue		**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

Notes to the Consolidated Financial Statements

1 General Information and Basis of Preparation

(a) 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.

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.

(b) 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 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"

– Amendments to IAS 36, "Impairment of assets"

– IFRIC 21, "Levies"

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

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

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"

– IFRS 15, "Revenue from 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 Segment Information

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

– Game Product (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	**Game Platform**	**Total**
	RMB'000	*RMB'000*	*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**

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

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)	**Other Regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**589,611**	**53,859**	**643,470**

	Year Ended 31 December 2013		
	PRC (Excluding Hong Kong)	Other Regions	Total
	RMB'000	*RMB'000*	*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.

3 Expenses by Nature

	Year Ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Employee benefit expenses	**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	**21,937**	16,875
Amortization of intangible assets	**27,268**	11,137
Travelling and entertainment expenses	**9,393**	8,115
Auditor's 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

4 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		
– 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 for 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.

(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 years ended 31 December 2014 and 2013.

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

The income tax provision of the Group in respect of the 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 actual 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 operations after offsetting tax losses generating from prior years. The actual 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.

(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 intend to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 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	**Tax Charge**	**After tax**
	RMB'000	*RMB'000*	*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)	

5 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) 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 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.

6 Dividends

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

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

7 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.

8 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

OTHER INFORMATION

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.

Closure of Register of Members

The register of members of the Company will be closed from Saturday, 16 May 2015 to Thursday, 28 May 2015, 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.

Use of Proceeds from Initial Public Offering

The Company's Shares were listed on The Stock Exchange of Hong Kong Limited (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.

Audit and Compliance Committee

The Audit and Compliance Committee has reviewed together with the Board and the external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Company for the year ended 31 December 2014.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC HK"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

Corporate Governance Code

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 Corporate Governance Code (the "CG Code").

Save as disclosed below, 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.

Code provision A.2.1 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.

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 Director (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.

Model code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Specific 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.

Publication of the Audited Consolidated Annual Results and 2014 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2014 Annual Report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in April 2015.

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.

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 26 March 2015

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