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 2015

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 2015. 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		
	2015	2014	
	(RMB'000)	(RMB'000)	Change %
Revenue	**511,539**	643,470	-20.5%
Gross profit	**171,414**	425,191	-59.7%
Loss for the year	**(129,621)**	(38,807)	234.0%
Non-IFRSs Measures[(1)]			
– Adjusted net loss for the year	**(52,809)**	(20,750)	154.5%
– Adjusted EBITDA[(2)] for the year	**(38,675)**	(6,004)	544.2%

Notes:

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

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

DIVIDEND

The Board does not recommend the payment of any annual dividend for the year ended 31 December 2015 (2014: Nil).

OVERVIEW AND OUTLOOK

Overview

The year 2015, especially in the second half of the year, has been challenging to Forgame. For the first time in the past five years, the revenue growth of the Chinese gaming market dropped below 30% to 22.9%[(1)], yet the number of mobile gaming developers has drastically increased. Furthermore, we have seen a handful of top game developers increased their mobile game market shares and dominate the top 10 gaming chart by revenue. Despite the headwinds, the management was able to increase the mobile gaming revenue by 106% when compared with the corresponding period in 2014. Forgame has launched a total of 24 games in 2015, which exceeded the target of 20 set in early 2015. Among the 24 games launched, 20 were mobile games, which compared favorably to the 12 that were launched in 2014. The management also worked hard to optimise headcounts and operating expenditures while keeping pace with Forgame's growth in expanding the mobile games operation. Specifically, selling and marketing expenses decreased by more than RMB109 million, representing a decrease of approximately 72.8% when compared to that recorded in 2014. Research and development expenses also decreased by approximately RMB100 million, which is 43.1% less than that recorded in 2014.

Despite the efforts and progress our management has made, Forgame's 2015 results generated from both operations and investments have fallen short of the Company's expectation. On the operational front, a few of our key games, including "Beauty Box (美美小店)", needed more time to fine tune in the increasingly competitive gaming market and therefore could not be launched according to our original schedule. Some of our third party partners were also affected by the challenging market conditions and have postponed our planned gaming collaboration. On the investment side, we have recorded a sizeable write-down and investment loss of RMB79.8 million due to

Note:

(1) DataEye Mobile Game Annual Report

the devaluation of a number of angel investments we had made in early 2014. Our investments were initially made to speed up Forgame's transition from a webgame company to a mobile game company, but after reviewing their performances with reference to the professional opinions of third party consultants, as well as the notable decline in the China stock market in June 2015 which adversely affected the fund-raising market in China for small gaming studios, we decided to take a prudent approach to write-down some of these investments. While these obstacles have prevented Forgame from delivering the type of results we would have hoped for, we remain cautiously optimistic in our strategy and the ability to deliver quality blockbuster mobile games developed in-house going forward.

Outlook

We do not believe the first half of 2016 will be any easier than what we have experienced in the second half of 2015 as we see the market remains competitive and difficult. To avoid head-on competition with the overly crowded hard-core games, we are focusing on casual games, which we expect to become an important growth driver in the near future. Apart from the implementation of our game development strategy, we also intend to bring our games to the wider global market. Our overseas R&D and publishing team, which has experienced success in bringing locally developed games to the U.S. and Europe market prior to joining Forgame, has launched their first game developed in-house at Forgame, namely "Liberators", which is a World War II-themed game, in the first quarter of the year 2016.

Our investment team will continue to take a prudent approach in evaluating our portfolio of investments. Therefore, should the market remain volatile, further investment write-downs could be possible. At the same time, the Company will make judicious investments should the market present sound opportunities that will help increase its top and bottom line. While Forgame has largely executed the transition plan from webgames to mobile games, there are still risks to our transformation, so please refer to the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this announcement for the relevant risks. The management will exercise sound and prudent judgment in navigating the Company through the volatile and competitive market in order to generate greater value to shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2015, the Company generated RMB309.7 million of revenue from mobile games, 106% higher than what was generated in 2014. The increase was primarily due to the increase of mobile games launched from 12 in 2014 to 20 in 2015. In executing our plan to become a leader in casual mobile games, approximately 75% of the mobile games launched during the year fall under the casual game category. In particular, we have launched eight casual mobile games under the "Boonie Bear" series and have achieved satisfactory results.

Webgames in 2015 generated RMB201.8 million of revenue for the Company, representing a decrease of 59.1% compared to those in 2014. This was the direct result of our strategy to produce fewer but more profitable webgames. In 2015, the Company launched four webgames and they were all exclusively designed for platforms such as Tencent and YY.

Forgame's management continues to optimise the Company's operation structure through various cost-cutting measures. The Company has decreased its headcount from 1,186 personnel in 2014 to 596 by the end of 2015. In addition, the costs incurred on selling and marketing and the costs incurred on research and development decreased by 72.8% and 43.1% in 2015 when compared to those in 2014, respectively.

Forgame recorded significant investment loss of approximately RMB79.8 million in 2015, reflected in approximately RMB12.5 million under share of loss of investments accounted for using the equity method, approximately RMB19.4 million under impairment of investment in associates, approximately RMB35.5 million under impairment of available-for-sale financial assets and approximately RMB12.4 million under other losses. This was a write-down due to a number of considerations including but not limited to the volatility of the fund raising market, existing cash availability for the investments, as well as a more prudent assessment of the outlook of the games in the pipelines of these invested game studios.

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

	Year Ended 31 December	
	2015	2014
Game Product:		
Average MPUs[2] (in thousands)[1]	**1,006**	661
Monthly ARPPU[3] (RMB)	**39**	61
Game Platform:		
Registered players (in thousands)	**224,584**	222,690
Average MPUs (in thousands)[1]	**11**	44
Monthly ARPPU (RMB)	**345**	305

Notes:

(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.

(2) MPUs means monthly paying users.

(3) ARPPU means average revenue per paying user.

— **Game product**. The average MPUs for the game product segment increased to approximately 1,006 thousand in 2015 from approximately 661 thousand in 2014. Monthly ARPPU of the game product segment decreased to RMB39 in 2015 from RMB61 in 2014. The increase in average MPUs while decrease in monthly ARPPU was primarily due to the ramp-up in casual mobile games, since casual games generally record higher MPUs and lower ARPPU.

— **Game platform**. Registered players of the webgame platform *91wan* increased to approximately 225 million as at 31 December 2015 from approximately 223 million as at 31 December 2014. The average MPUs of the Group for the game platform segment decreased to approximately 11 thousand in 2015 from approximately 44 thousand in 2014, while the monthly ARPPU of the game platform segment has increased to RMB345 for 2015 from RMB305 for 2014. The decrease in average MPUs but increase in monthly ARPPU was primarily due to the Group's strategy in scaling back webgame player acquisitions to maintain a positive return on investment for our webgame publishing business, and the existing players generally generate a higher ARPPU when compared to new players.

The following table sets forth the Group's income statement for the year ended 31 December 2015 as compared to the year ended 31 December 2014:

	Year Ended 31 December		
	2015	2014	Change
	(RMB'000)	(RMB'000)	%
Revenue	**511,539**	643,470	-20.5%
Cost of revenue	**(340,125)**	(218,279)	55.8%
Gross profit	**171,414**	425,191	-59.7%
Selling and marketing expenses	**(40,684)**	(149,807)	-72.8%
Administrative expenses	**(90,950)**	(93,984)	-3.2%
Research and development expenses	**(131,562)**	(231,417)	-43.1%
Other income	**41,582**	37,362	11.3%
Other losses	**(15,352)**	(23,816)	-35.5%
Finance income-net	**8,562**	10,094	-15.2%
Share of loss of investments accounted for using the equity method	**(12,547)**	(5,605)	123.9%
Impairment of investment in associates	**(19,418)**	—	NM
Impairment of available-for-sale financial assets	**(35,521)**	—	NM
Loss before income tax	**(124,476)**	(31,982)	289.2%
Income tax expense	**(5,145)**	(6,825)	-24.6%
Loss for the year	**(129,621)**	(38,807)	234.0%

Note:

NM – Not meaningful

Revenue. Revenue decreased by 20.5% to RMB511.5 million for the year ended 31 December 2015 from RMB643.5 million for the year ended 31 December 2014. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2015 and 2014:

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Revenue by Segment				
– Game product	**468,086**	**91.5**	483,095	75.1
– Game platform	**43,453**	**8.5**	160,375	24.9
Total Revenue	**511,539**	**100.0**	643,470	100.0

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Revenue by Game Type				
– Mobile games	**309,724**	**60.5**	150,335	23.4
– Webgames	**201,815**	**39.5**	493,135	76.6
Total Revenue	**511,539**	**100.0**	643,470	100.0

— Revenue from the game product segment decreased slightly by approximately 3.1% to RMB468.1 million for the year ended 31 December 2015 from RMB483.1 million for the year ended 31 December 2014. Although we experienced delay in the launch of some of our key titles in order to optimise the performance of the relevant games, we managed to execute the mobile game strategy and launched 24 major games[1] to the market, which exceeded our commitment to deliver 20 games for beta testing in 2015 in our interim report for the six months ended 30 June 2015. Revenue from the game platform segment decreased by approximately 72.9% to RMB43.5 million for the year ended 31 December 2015 from RMB160.4 million for the year ended 31 December 2014. The decline in revenue from the game platform segment was mainly due to the drop in platform MPUs as the Group scaled back in its webgame publishing business.

— Revenue from mobile games increased by approximately 106.0% to RMB309.7 million for the year ended 31 December 2015 from RMB150.3 million for the year ended 31 December 2014. The increase in revenue was mainly contributed by our increase in causal mobile game launches. As part of this strategy, we introduced eight casual mobile games series adapted from "Boonie Bears (熊出沒)" in the year of 2015. Besides, the sequel of our legacy hit game "Soul Guardian (凡人修真)", "Sword Immortal (劍仙緣)" was well received by the market and contributed to the increase of mobile games revenue in 2015 as well.

— Revenue from webgames decreased by approximately 59.1% to RMB201.8 million for the year ended 31 December 2015 from RMB493.1 million for the year ended 31 December 2014. The decrease was in line with our expectation as the Group transforms its business from webgames to mobile games. This transformation resulted in a reduced number of new webgames that the Group has launched and operated in 2015.

Note:

(1) Number of games launched excludes games introduced to the market for early-stage testing purpose.

Cost of revenue. Cost of revenue increased by 55.8% to RMB340.1 million for the year ended 31 December 2015 from RMB218.3 million for the year ended 31 December 2014. As a percentage of revenue, cost of revenue increased to 66.5% for the year ended 31 December 2015 from 33.9% for the year ended 31 December 2014. The following table sets forth the cost of revenue of the Group by segment for the years ended 31 December 2015 and 2014:

	Year Ended 31 December			
	2015		2014	
	(RMB'000)	***(% of Total Cost of Revenue)***	*(RMB'000)*	*(% of Total Cost of Revenue)*
Cost of Revenue by Segment				
– Game products	**327,444**	**96.3**	179,847	82.4
– Game platform	**12,681**	**3.7**	38,432	17.6
Total Cost of Revenue	**340,125**	**100.0**	218,279	100.0

— Cost of revenue for the game products segment increased by 82.1% to RMB327.4 million for the year ended 31 December 2015 from RMB179.8 million for the year ended 31 December 2014. This increase was mainly due to higher content costs and agency fees of self-developed mobile games for the year ended 31 December 2015 compared to the year ended 31 December 2014 as the contribution of these games increased. If the revenue contribution of self-developed mobile games continues to increase, we expect cost of revenue for game product segment will continue to grow.

— Cost of revenue for the game platform segment decreased by 67.0% to RMB12.7 million for the year ended 31 December 2015 from RMB38.4 million for the year ended 31 December 2014. The decrease was primarily due to the intended scaling back of the webgame publishing business and the ongoing effort of the Group to optimise the return on investment and profitability of *91wan*.

Selling and marketing expenses. Selling and marketing expenses decreased by 72.8% to RMB40.7 million for the year ended 31 December 2015 from RMB149.8 million for the year ended 31 December 2014. This was mainly attributable to (i) the decrease in promotion and advertising expenses for *91wan* and (ii) the decrease in share-based compensation expenses in connection with the options granted to the Group's employees in the marketing function pursuant to the pre-IPO share option scheme of the Company as a result of ongoing optimisation of our organisation.

Administrative expenses. Administrative expenses decreased by 3.2% to RMB91.0 million for the year ended 31 December 2015 from RMB94.0 million for the year ended 31 December 2014. Administrative expenses were generally stable since a significant portion comprised of costs such as salary, compensation expenses and professional service expenses.

Research and development expenses. Research and development expenses decreased by 43.1% to RMB131.6 million for the year ended 31 December 2015 from RMB231.4 million for the year ended 31 December 2014. This decrease was primarily due to the ongoing effort of the Group to optimise its research and development capability, as well as our strategic transition of the Group's business focus from webgames to mobile games.

Other income. Other income increased by 11.3% to RMB41.6 million for the year ended 31 December 2015 from RMB37.4 million for the year ended 31 December 2014. This increase was mainly due to the increase in interest income of bank deposits from RMB27.0 million for the year ended 31 December 2014 to RMB31.8 million for the year ended 31 December 2015.

Other losses. Other losses decreased by 35.5% to RMB15.4 million for the year ended 31 December 2015 from RMB23.8 million for the year ended 31 December 2014. The other losses of RMB23.8 million recorded in 2014 primarily consisted of foreign exchange losses. The decrease in other losses in 2015 was primarily due to the Group's effective management of foreign exchange exposure by monitoring its financial resources of the Group denominated in foreign currency. The other losses in 2015 included (i) a charge of RMB6.4 million which is related to fair value loss driven by change in the value of financial assets at fair value through profit and losses, (ii) a charge of RMB6.0 million related to loss on disposal of a subsidiary and (iii) a charge of RMB1.9 million related to loss on disposal of property and equipment.

Finance income-net. Finance income-net for the year ended 31 December 2015 was RMB8.6 million, as compared to finance income-net of RMB10.1 million for the year ended 31 December 2014. Finance income-net primarily consists of the interest income from short-term bank deposits, and the decrease in finance income-net for year 2015 was mainly due to the lower short term deposit interest rate in 2015 when compared to that of 2014. As part of the Group's cash management strategy, the Company monitors the RMB interest rate movements and re-evaluates its cash management strategy from time to time to best utilise the cash available on hand.

Share of loss of investments accounted for using the equity method. Share of loss of investments accounted for using the equity method for the year ended 31 December 2015 was RMB12.5 million, as compared to RMB5.6 million for the year ended 31 December 2014. This loss reflected the operational performance of our investee companies. Given the volatile environment in the gaming market, the operations of these companies are facing challenges, especially as most of our investee studios or game incubators are in their start-up stage.

Impairment of investment in associates and impairment of available-for-sale financial assets. Impairment of investment in associates and impairment of available-for-sale financial assets for the year ended 31 December 2015 was RMB19.4 million and RMB35.5 million respectively, which represented the provision for impairment loss of some of our angel investments after the review of the Group's major investments in the investment portfolio with the help of a third party consultancy. According to the review, the People's Republic of China (the "PRC") fund raising market for small gaming studios continued to be challenging. After considering that the performance of such angel investments may be less predictable and typically depend on their ability to attract more rounds of funding, the Group made a provision for impairment loss as a matter of prudence.

Income tax expense. Income tax expense decreased by 24.6% to RMB5.1 million for the year ended 31 December 2015 from RMB6.8 million for the year ended 31 December 2014. This decrease primarily reflected the decrease in taxable profit before income tax of the PRC Operational Entities.

Loss for the year. As a result of the foregoing, the loss for the year ended 31 December 2015 was RMB129.6 million (including the provision for investment and impairment loss of approximately RMB79.8 million), as compared to the loss of RMB38.8 million for the year ended 31 December 2014. The increase in loss for the year (excluding provision for investment and impairment loss) was primarily due to decrease in revenue. However, the Group had managed to control the operating costs and expenses at a reasonable level. During 2015, the Group made efforts in driving operating efficiency by (i) improving the investment return of the Group's advertising expenses, (ii) optimising the Group's research and development capability and (iii) managing the Group's administrative costs.

Non-IFRSs Measures-Adjusted Net Loss and Adjusted EBITDA

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

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the years ended 31 December 2015 and 2014, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2015	2014
	(RMB'000)	*(RMB'000)*
Loss for the year	**(129,621)**	(38,807)
Add:		
Share-based compensation	**9,592**	18,057
Changes in the value of financial assets at fair value through profit or loss	**6,323**	—
Loss on disposal of a subsidiary	**5,958**	—
Impairment of investment in associates	**19,418**	—
Impairment of available-for-sale financial assets	**35,521**	—
Adjusted net loss (unaudited)	**(52,809)**	(20,750)
Add:		
Depreciation and amortisation	**49,339**	49,205
Net interest income	**(40,350)**	(41,284)
Income tax expense	**5,145**	6,825
Adjusted EBITDA (unaudited)	**(38,675)**	(6,004)

Financial Position

As at 31 December 2015, the total equity of the Group amounted to RMB1,444.7 million, as compared to RMB1,401.0 million as at 31 December 2014. The increase was mainly due to the increase in share premium which was partially offset by the loss for year ended 31 December 2015. The increase in share premium was a result of the issuance of 19,041,900 ordinary shares relating to the placing of new shares completed in June 2015 (the "Placing"), which was partially offset by the bought-back and cancellation of shares during the year ended 2015. Please also refer to the section headed "Use of Proceeds from Placing" in this announcement for further details regarding the Placing.

The Group's net current assets amounted to RMB1,165.2 million as at 31 December 2015, as compared to RMB1,056.1 million as at 31 December 2014. This increase was primarily due to the net proceeds received upon completion of the Placing.

Liquidity and Financial Resources

	Year Ended 31 December	
	2015	2014
	(RMB'000)	*(RMB'000)*
Cash at bank and on hand	**916,095**	851,051
Cash at other financial institutions	**11,034**	896
Short-term deposits	**200,000**	200,000
Net cash	**1,127,129**	1,051,947

The total cash, cash equivalent and short-term deposits of the Group amounted to RMB1,127.1 million as at 31 December 2015, compared to RMB1,051.9 million as at 31 December 2014. The increase was primarily due to the net proceeds received upon completion of the Placing.

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

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

Foreign Exchange Risk

As at 31 December 2015, RMB25.0 million of the financial resources of the Group (as at 31 December 2014: RMB22.8 million) were held in deposits denominated in non-RMB currencies. The Group currently conducts most of its transaction in RMB and therefore did not enter into any arrangement to hedge transactions undertaken in foreign currencies. In view of potential acquisitions that could be based overseas, the Group has elected to keep a portion of its cash in USD to preserve the Group's purchasing power in light of the recent RMB exchange rate fluctuations. The Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

Capital Expenditures

	Year Ended 31 December	
	2015	2014
	(RMB'000)	*(RMB'000)*
Capital expenditures		
– Purchase of property and equipment	**2,561**	7,636
– Purchase of intangible assets	**22,392**	66,503
Total	**24,953**	74,139

Capital expenditures comprise the purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers. The total capital expenditures were RMB25.0 million and RMB74.1 million for the years ended 31 December 2015 and 2014, respectively. The decrease of RMB49.1 million in total capital expenditures reflects a lower purchase level of property and equipment, leasehold improvement for PRC Operational Entities' offices and intangible assets. The Group has less property and equipment purchase requirements for the year ended 31 December 2015 because the property and equipment purchases made prior to 2015 sufficiently supported its business growth. The purchase of intangible assets decreased in 2015 because the licensing rights for several third party mobile games as well as the adaptation rights of several popular Intellectual properties (IPs), such as the cartoon TV series "Boonie Bears" and internet novels acquired in 2014 successively supported the game publishing and game development of the Group in 2015.

Pledge of Asset

As at 31 December 2015, the Group had a pledge of assets of RMB0.7 million as restricted cash for corporate credit card deposits.

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

Human Resources

As at 31 December 2015, the Group had 596 full-time employees, the vast majority of whom were based in Guangzhou. As the Group continued to transition 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 Group had a net decrease of 590 employees in 2015. The following table sets forth the number of employees by function as at 31 December 2015:

	Number of Employees	% of Total
Game Development	340	57%
Publishing	83	14%
Sales and Marketing	17	3%
General and Administration	156	26%
Total	**596**	100%

Further details in relation to the Group's remuneration policies and training schemes and details of share option schemes and restricted share unit scheme will be set out in the annual report of the Company for the year ended 31 December 2015 ("2015 Annual Report").

Post Balance Sheet Event

At the Company's annual general meeting held on 28 May 2015, the shareholders of the Company ("Shareholders") has approved a share buy-back mandate to grant to the Directors a general mandate to buy back shares of the Company (the "Shares"). From 1 January 2016 and up till the date of this announcement, the Company had bought back an aggregate of 2,395,200 Shares at a weighted average price of approximately HK$12.86 for an aggregate consideration of approximately HK$30,812,000 (equivalent to approximately RMB26,022,000) under this share buy-back mandate.

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.

Since 2014, we have made investments in a number of mobile game studios and incubators in China with a remaining value of approximately RMB181.8 million post investment impairment and losses in 2015, out of which approximately RMB43.9 million were classified as "investments in associates", including but not limited to Zhengyou and Tianjin Laiwan. These investments are mostly angel investments and during the development phase do not generate meaningful revenue and profit. Similar to most angel investments, it is difficult to determine the success of these investments in the early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

Based on what the management has observed thus far in 2016, the Group believes its operating performance (excluding investment related impairment and losses) in the first half of 2016 will be comparable with that of the second half of 2015.

Future Plans

The Group is evaluating investment opportunities across various parts of the mobile game value chain using the net proceeds from our initial public offering ("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 also look beyond the mobile gaming space and diversify into the broader internet and pan-entertainment investment opportunities that can drive higher growth and profitability to the Group.

Consolidated Statement of Comprehensive Loss

		Year Ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	2	**511,539**	643,470
Cost of revenue	3	**(340,125)**	(218,279)
Gross profit		**171,414**	425,191
Selling and marketing expenses	3	**(40,684)**	(149,807)
Administrative expenses	3	**(90,950)**	(93,984)
Research and development expenses	3	**(131,562)**	(231,417)
Other income		**41,582**	37,362
Other losses		**(15,352)**	(23,816)
Finance income-net		**8,562**	10,094
Share of loss of investments accounted for using the equity method		**(12,547)**	(5,605)
Impairment of investment in associates		**(19,418)**	—
Impairment of available-for-sale financial assets		**(35,521)**	—
Loss before income tax		**(124,476)**	(31,982)
Income tax expense	4	**(5,145)**	(6,825)
Loss for the year		**(129,621)**	(38,807)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in value of available-for-sale financial assets		**1,046**	4,580
Items that will not be reclassified to profit or loss:			
– Currency translation differences		**3,535**	19,090
Total other comprehensive income, before tax		**4,581**	23,670
Income tax relating to components of other comprehensive income		**(157)**	(687)
Other comprehensive income for the year, net of tax		**4,424**	22,983
Total comprehensive loss for the year		**(125,197)**	(15,824)

		Year Ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Loss attributable to:			
– Owners of the Company		**(129,144)**	(38,531)
– Non-controlling interests		**(477)**	(276)
		(129,621)	(38,807)
Total comprehensive loss attributable to:			
– Owners of the Company		**(124,720)**	(15,548)
– Non-controlling interests		**(477)**	(276)
		(125,197)	(15,824)
Loss per share (expressed in RMB per share)			
– Basic	5	**(0.95)**	(0.30)
– Diluted	5	**(0.95)**	(0.30)

Consolidated Balance Sheet

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**26,197**	43,365
Intangible assets		**58,650**	79,284
Investments accounted for using the equity method		**43,857**	45,126
Financial assets at fair value through profit or loss		**15,651**	21,054
Available-for-sale financial assets		**122,255**	138,140
Prepayments and other receivables		**2,410**	7,181
Deferred income tax assets		**12,686**	18,310
		281,706	352,460
Current assets			
Trade receivables	7	**71,927**	90,212
Prepayments and other receivables		**43,675**	64,601
Restricted cash		**674**	—
Short-term deposits		**200,000**	200,000
Cash and cash equivalents		**927,129**	851,947
		1,243,405	1,206,760
Total assets		**1,525,111**	1,559,220
EQUITY			
Equity attributable to owners of the Company			
Share capital		**88**	80
Share premium		**2,099,777**	1,934,534
Reserves		**(100,750)**	(117,075)
Accumulated losses		**(554,361)**	(425,217)
		1,444,754	1,392,322
Non-controlling interests		**(28)**	8,724
Total equity		**1,444,726**	1,401,046

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**844**	687
Deferred revenue		**1,358**	6,866
		2,202	7,553
Current liabilities			
Trade payables	8	**24,091**	25,927
Other payables and accruals		**40,063**	95,533
Income tax liabilities		**—**	403
Deferred revenue		**14,029**	28,758
		78,183	150,621
Total liabilities		**80,385**	158,174
Total equity and liabilities		**1,525,111**	1,559,220

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 Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in developing, publishing webgames and mobile games (the “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”).

(b) Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable 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 amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendments from annual improvements to IFRSs– 2010 – 2012 Cycle, on IFRS 8 ‘Operating segments’ and IAS 24, ‘Related party disclosures’.
- Amendments from annual improvements to IFRSs– 2011 – 2013 Cycle, on IFRS 3, ‘Business combinations’ and IFRS 13, ‘Fair value measurement’.

The adoption of above amendments is not material to the Group.

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

– Amendments to IAS 19

– Annual improvements to IAS 16 and IAS 38

– Annual improvements to IAS 40

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 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'

– IFRS 16, 'Leases'

Management is in the process to assess the impact of above standards.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on 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

– Game Platform

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

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

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

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2015 and 2014 is as follows:

	Year Ended 31 December 2015		
	Game Product	**Game Platform**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**468,086**	**43,453**	**511,539**
Segment costs	**(327,444)**	**(12,681)**	**(340,125)**
Gross profit	**140,642**	**30,772**	**171,414**
Depreciation and amortisation included in segment costs	**29,812**	**1,931**	**31,743**

	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 costs	(179,847)	(38,432)	(218,279)
Gross profit	303,248	121,943	425,191
Depreciation and amortisation included in segment costs	32,189	2,955	35,144

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 2015 and 2014 is as follows:

	Year Ended 31 December 2015		
	PRC (Excluding Hong Kong)	**Other Regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**457,369**	**54,170**	**511,539**

	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

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

The Group offers its products and services in different forms: mobile games and webgames. A breakdown of revenue derived from different forms for years ended 31 December 2015 and 2014 is as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Mobile games	**309,724**	150,335
Webgames	**201,815**	493,135
	511,539	643,470

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 2015 and 2014.

Turnover consists of revenues generated by the Group, which accounted for RMB511,539,000 and RMB643,470,000 for the years ended 31 December 2015 and 2014, respectively.

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

3 Expenses by Nature

	Year Ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Content cost, agency fees and other outsourcing expenses	**282,232**	119,201
Employee benefit expenses	**156,232**	277,717
Amortisation of intangible assets	**33,247**	27,268
Promotion and advertising expenses	**30,594**	131,714
Bandwidth and server custody fees	**22,664**	39,173
Depreciation of property and equipment	**16,092**	21,937
Operating lease rentals in respect of office buildings	**14,783**	26,661
Travelling and entertainment expenses	**10,253**	9,393
Auditors' remuneration		
– Audit services	**5,665**	6,133
– Non-audit services	**577**	415
Impairment loss on intangible assets	**5,774**	—
Impairment loss on prepayments and other receivables	**4,843**	—
Impairment loss on trade receivables	**3,591**	2,562
Utilities and office expenses	**3,513**	5,445
Others	**13,261**	25,868
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**603,321**	693,487

4 Income Tax Expense

The income tax expense of the Group for the years ended 31 December 2015 and 2014 are analysed as follows:

	Year Ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**(479)**	11,901
Deferred income tax		
– Reversal/(origination) of temporary differences	**5,624**	(5,076)
Income tax expense	**5,145**	6,825

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

	Year Ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Loss before income tax	**(124,476)**	(31,982)
Tax calculated at statutory income tax rates applicable to losses of the consolidated entities in their respective jurisdictions	**(35,603)**	(5,512)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**12,418**	267
Tax losses and temporary differences for which no deferred income tax asset was recognised	**21,326**	4,967
Super deduction of research and development expenses	**(2,161)**	(3,194)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**1,354**	2,579
– Others	**7,811**	6,590
Re-measurement of deferred income tax - change in enacted income tax rate	**—**	1,128
Income tax expense	**5,145**	6,825

(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 2015 and 2014.

(c) Taiwan business income tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the year ended 31 December 2015 and 2014.

(d) PRC enterprise income tax ("EIT")

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the years ended 31 December 2015 and 2014, based on the existing legislation, interpretations and practices in respect thereof.

Weidong and Feiyin were qualified as "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2013. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. The applicable tax rate was 15% for the year ended 31 December 2015 (2014: 15%).

Feidong and Jieyou were accredited as a "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 2015 (2014: 12.5%).

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2015 and 2014.

(e) PRC withholding tax ("WHT")

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

As at 31 December 2015, 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 2015.

(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 2015 and 2014 is as follows:

	2015			2014		
(RMB'000)	**Before tax**	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
Fair value gains on available-for-sale financial assets	**1,046**	**(157)**	**889**	4,580	(687)	3,893
Currency translation differences	**3,535**	**—**	**3,535**	19,090	—	19,090
Other comprehensive income	**4,581**	**(157)**	**4,424**	23,670	(687)	22,983
Current tax		**—**			—	
Deferred tax		**(157)**			(687)	
		(157)			(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	
	2015	2014
Loss attributable to owners of the Company (RMB'000)	**(129,144)**	(38,531)
Weighted average number of ordinary shares in issue	**136,195,587**	126,938,644
Basic loss per share (in RMB/share)	**(0.95)**	(0.30)

(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 2015, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. As the Group incurred loss for the year ended 31 December 2015, the options are anti-dilutive.

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 options are anti-dilutive.

No adjustment has been made to basic loss per share to derive the diluted loss per share for the years ended 31 December 2015 and 2014.

6 Dividends

The Board does not recommend payment of a final dividend for the years ended 31 December 2015 and 2014.

7 Trade Receivables

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Third parties	**76,372**	94,409
Related parties	**3,343**	—
	79,715	94,409
Less: provision for impairment	**(7,788)**	(4,197)
	71,927	90,212

As at 31 December 2015 and 2014, 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	
	2015	2014
	RMB'000	*RMB'000*
0-30 days	**20,673**	37,556
31-60 days	**17,299**	18,492
61-90 days	**7,144**	10,016
91-180 days	**13,705**	16,849
181-365 days	**9,732**	2,258
Over 1 year	**11,162**	9,238
	79,715	94,409

(b) The sales of the Group are mainly made based on credit terms determined on an individual basis with normal credit periods ranging from 60 to 180 days from the respective invoice dates. As at 31 December 2015 and 2014, trade receivables that were past due but not impaired were RMB17,319,000 and RMB11,052,000, respectively. These receivables were due from a number of third party 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	
	2015	2014
	RMB'000	*RMB'000*
0-30 days	**6,790**	7,714
31-60 days	**2,731**	4,368
61-90 days	**3,423**	2,369
91-180 days	**2,400**	8,022
181-365 days	**5,647**	3,299
1-2 years	**3,100**	155
	24,091	25,927

OTHER INFORMATION

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

At the annual general meeting of the Company held on 28 May 2015, the Shareholders granted a share buy-back mandate to the Board to buy-back Shares (which should not exceed 10% of the issued share capital of the Company as at 28 May 2015) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the memorandum and articles of association of the Company to be held or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting. Pursuant to such mandate, as at 31 December 2015, the Company bought back a total of 7,346,700 Shares at a consideration of HK$101,017,336 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), out of which 7,346,400 of the bought-back Shares were cancelled as at 31 December 2015 and the remaining 300 bought-back Shares were subsequently cancelled in January 2016. Details of the buy-backs are as follows:

Month of buy-backs	Total number of shares bought back	Price per Share Highest	Price per Share Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
March 2015	220,000	14.98	14.68	3,252,096
July 2015	1,316,900	15.90	10.80	18,167,534
September 2015	4,900,300	14.56	12.46	67,575,594
November 2015	211,900	13.28	13.00	2,798,428
December 2015	697,600	14.18	12.50	9,223,684
	7,346,700			101,017,336

Save as disclosed above, during the year ended 31 December 2015, neither the Company, its subsidiaries nor any of the PRC Operational Entities has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 13 May 2016 to Tuesday, 24 May 2016, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 24 May 2016. 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 Thursday, 12 May 2016.

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 2015, the Group had utilised approximately RMB427.5 million of the net proceeds, out of which approximately RMB282.0 million was used in the purchase of webgame and mobile game licenses, acquiring IP rights authorisation and equity investments, and approximately RMB68.3 million was used in funding the expansion of our international operation and approximately RMB77.2 million was used in other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future plans and use of proceeds" in the Prospectus. The unutilised portion of the net proceeds (ie. approximately HK$410.5 million) is currently held in cash and cash equivalents and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

Use of Proceeds from Placing

The Group successfully raised over HK$314 million through the Placing of 19,041,900 ordinary shares (the "Placing Shares") to not less than six professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 in order to strengthen its capital base and working capital position. The aggregate nominal value of the Placing Shares was US$1,904.2. The placing price of HK$16.50 per Placing Share represents (i) a discount of approximately 13.16% to the closing price of HK$19.00 per Share as quoted on the Stock Exchange on 22 May 2015, being the date of the placing agreement entered into between the Company and BOCOM International Securities as placing agent in relation to the Placing (the "Placing Agreement"), (ii) a discount of approximately 13.25% to the average closing price of approximately HK$19.02 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the date of the Placing Agreement and (iii) a discount of approximately 6.94% to the average closing price of approximately HK$17.73 per Share as quoted on the Stock Exchange for the twenty trading days immediately preceding the date of the Placing Agreement.

Upon the completion of the Placing, the Company received a gross proceeds of HK$314,191,350 and a net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$310,160,000, representing a net issue price of approximately HK$16.29 per Placing Share. As at 31 December 2015, the Group had not utilised any of the net proceeds from such Placing. The unutilised 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 intended use of proceeds as disclosed in the Company's announcement dated 23 May 2015.

Audit and Compliance Committee

The audit and compliance committee of the Company 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 2015.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 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 2015.

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 as and when appropriate.

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 2015.

Publication of the Audited Consolidated Annual Results and 2015 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 2015 Annual Report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2016.

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, 23 March 2016

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