2017 Interim Report

Forgame Holdings Limited

Forgame

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. WANG Dongfeng
(Chairman and Chief Executive Officer)
Ms. LIANG Na *(Chief Financial Officer)*
Mr. ZHANG Yang *(Chief Operations Officer)*

Non-executive Director
Mr. ZHANG Qiang

Independent Non-executive Directors
Mr. HOW Sze Ming
Ms. POON Philana Wai Yin
Mr. ZHAO Cong Richard

AUDIT AND COMPLIANCE COMMITTEE

Mr. HOW Sze Ming *(Chairman)*
Mr. ZHANG Qiang
Ms. POON Philana Wai Yin

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. WANG Dongfeng
Ms. LU Feinan

COMPANY SECRETARY

Ms. LU Feinan

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CORPORATE INFORMATION

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COMPANY'S WEBSITE

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

00484

FINANCIAL HIGHLIGHTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six Months Ended 30 June		
	2017	2016	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**121,234**	193,720	-37.4%
Gross profit	**58,551**	39,043	50.0%
Loss for the period	**(17,727)**	(124,560)	-85.8%
Non-IFRSs Measures(1)			
– Adjusted net profit/(loss) for the period	**1,657**	(62,985)	NM
– Adjusted EBITDA(2) for the period	**1,441**	(49,145)	NM

Notes:

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

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

(3) NM – Not meaningful.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2017	As at 31 December 2016	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Audited)	
Assets			
Non-current assets	**392,430**	393,435	-0.3%
Current assets	**715,001**	768,382	-6.9%
Total assets	**1,107,431**	1,161,817	-4.7%
Equity and liabilities			
Total equity	**1,026,554**	1,058,110	-3.0%
Non-current liabilities	**1,360**	474	186.9%
Current liabilities	**79,517**	103,233	-23.0%
Total liabilities	**80,877**	103,707	-22.0%
Total equity and liabilities	**1,107,431**	1,161,817	-4.7%

CHAIRMAN'S STATEMENT

Dear Forgame Shareholders,

On behalf of the Board, I am pleased to present our financial performance for the six months ended 30 June 2017.

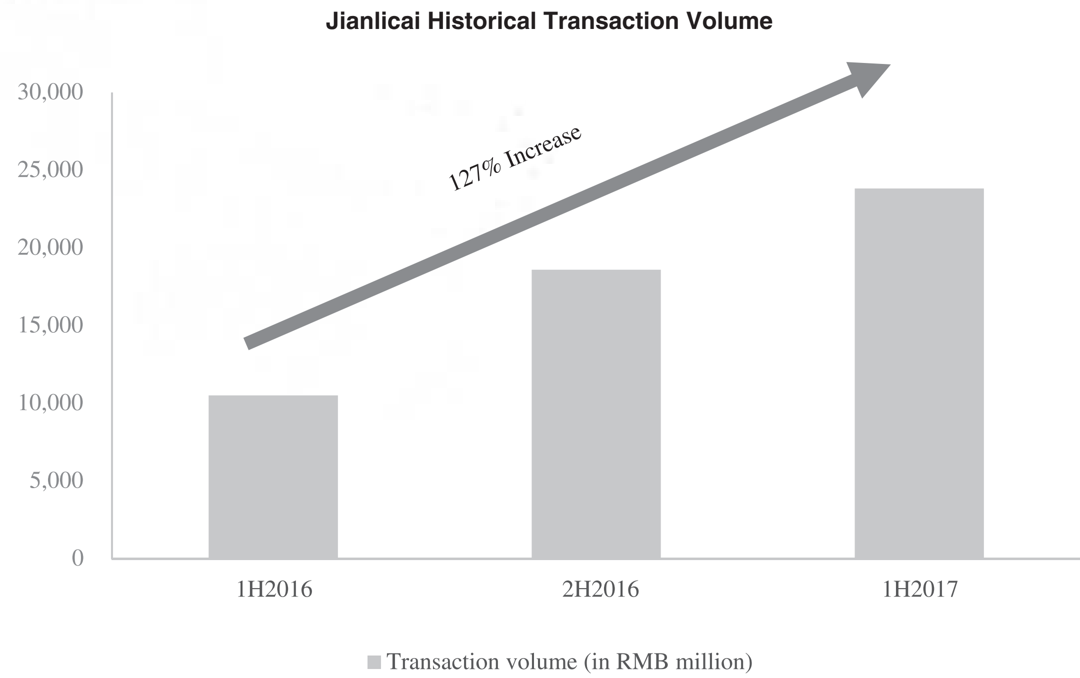
OVERVIEW

The year 2017 is an important milestone in our history as we advance effectively according to the strategy we outlined in our 2016 annual report. We have made further inroads into the internet, media and technology sectors by expanding our business towards fintech territory through organic growth and acquisitions. We have also made Forgame's return to profitability a priority, and we are pleased to share that the Group generated an adjusted net profit of RMB1.7 million during the first half of 2017. This demonstrates the effectiveness of our strategy and our ability to execute.

Our goal in our gaming business is to increase our presence internationally while closely monitoring the return and profitability of our existing games. Our international strategy game, "Liberators", constantly generated profit during the first half of 2017 as it continued to stand out overseas. As a result, our gaming business during the first half of 2017 generated RMB53.1 million gross profit, which represents a remarkable 58.4% increase when compared to that in the second half of 2016. We look forward to replicating the success of "Liberators" with the games in our pipeline.

As part of our expansion into the fintech industry, on 16 August 2017, we officially acquired 55% equity stake in Yinker's premium fintech platform Jianlicai, in consideration of the cancellation of the convertible bonds of RMB300 million (USD45 million) issued by Yinker to the Group. As an innovative wealth management platform, Jianlicai utilises artificial intelligence technology to swiftly match its customers' wealth with safe and qualified assets. Since its inception, Jianlicai has rapidly become a profitable platform with over 7.4 million registered users and cumulative transaction volume of RMB62 billion as at 29 August 2017. We believe the acquisition of Jianlicai will prove to be a visionary strategic move in Forgame's expansion into the fintech industry.

CHAIRMAN'S STATEMENT



Our performance during the first half of 2017 was also boosted by the rapid organic growth of our internet micro-lending business arm, Jiujiang City Yunke Internet Micro-lending Company Limited ("**Yunke**"). Yunke started internet finance business since January 2017 after having obtained an internet finance business licence. In just a few months, Yunke has developed a robust micro-lending model based on multi-dimensional user behaviour to identify high quality and eligible borrowers. As at 30 June 2017, Yunke has generated sustainable profit and realised stable growth in loan balance and revenue.

OUTLOOK

The establishment of Yunke and acquisition of Jianlicai is only the first step of Forgame's expansion into the fintech industry. With the completion of our acquisition of Jianlicai, we are committed to continuing to grow Jianlicai in scale and profitability. The CEO of Jianlicai, Mr. Zhang Yang, has over 10 years of experience with Alibaba, and he will focus on building upon Jianlicai's core advantage in its big data analytics and artificial intelligence technology to establish Jianlicai as a leader in the fintech industry. In the foreseeable future, we will continue to invest in our fintech business to contribute to the Group's profit growth.

With our financial performance improvement and fintech business growth, we believe that the most difficult time in our transition is behind us and we look forward to taking advantage of every opportunity to expand with caution. While there will be short term challenges as we venture into a new business territory, which are highlighted in the section headed "Management Discussion and Analysis – Transformation Plan: Risks and Hurdles" in this interim report, we are confident that our management team who had overcome many difficulties will lead us to deliver further growth in both our gaming and fintech businesses.

APPRECIATION

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

WANG Dongfeng
Chairman

Hong Kong, 29 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, effective cost control measures as well as the expansion of the Group's principal business into internet finance has helped the Group to deliver a positive adjusted net profit of approximately RMB1.7 million.

The Group's gaming business continues to focus on the execution of the overseas market strategy. In the first half of 2017, "Liberators" has generated total gross billings of over RMB47 million. In the first half of 2017, the gross profit of our game business increased to RMB53.1 million from RMB33.5 million in the second half of 2016, representing a 58.4% growth.

In the first quarter of 2017, the Group has started beta testing for "Clothes Forever", a casual mobile game which allows players to mix and match various outfits to redefine the concept of fashion in a virtual world. The game targets mainly European and North American markets and embeds e-Commerce platform in the game. In the pipeline, we are developing an exciting mobile SLG (simulation game) called "Battle Space". This game is developed by the same team as "Liberators" and targets the same international markets as "Liberators" did. This games is planned to be published on Google and iOS appstores. We have also recently launched a game "True King HTML5 version". This mobile game is adapted from our self-owned webgame IP "True King" which is published on the Tencent platform.

As at 30 June 2017, the Group's transformation plan from a webgame company to a mobile game company has been modified as the Group's principal business has expanded to internet finance. Since the Group has announced the plan to commence business operations in the internet finance industry in December 2016 after successfully obtaining the internet micro-lending licence, we have started internet finance business under the brand Yunke since January 2017. Yunke is primarily dedicated to providing individuals and consumers in the PRC with practical and flexible short-term financing solutions. Yunke generates substantially all of its income through interest accrued on the loans extended to our customers. We provide two types of loans, namely, guaranteed loans and collateralised loans to our customers in the PRC. As at 30 June 2017, Yunke had served 118,397 customers.

The Group has announced the acquisition of 55% of equity interest of Jlc Inc., which wholly owns, through its subsidiaries and structured contracts, internet finance business in the PRC through the operations of websites and mobile phone applications under the Jianlicai (簡理財) brand ("**Jianlicai**"), in June 2017. This is another big step in the Group's plan to build an ecosystem around internet finance. Jianlicai had over 7.4 million registered users and had grown its cumulative transaction volume to over RMB62 billion as at 29 August 2017. The Group has announced the completion of the acquisition on 16 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING INFORMATION

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

	Six Months Ended 30 June	
	2017	2016
Game product:		
Average MPUs (in thousands) (1) (2)	**97**	1,272
Monthly ARPPU (RMB)	**177**	24
Game platform:		
Registered players (in thousands)	**246,493**	226,403
Average MPUs (in thousands) (1) (2)	**15**	9
Monthly ARPPU (RMB)	**154**	274

Notes:

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

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

– **Game product.** The average MPUs for the game product segment decreased to approximately 97,000 for the six months ended 30 June 2017 from approximately 1.3 million for the six months ended 30 June 2016, meanwhile, the monthly ARPPU for the game product segment increased to approximately RMB177 for the six months ended 30 June 2017 from RMB24 for the six months ended 30 June 2016. This increase was primarily due to the increase in the contribution from "Liberators", which has a higher ARPPU level but lower MPUs, and the decrease in the contribution from "Boonie Bears" series, which have a lower ARPPU level but high MPUs.

– **Game platform.** Registered players of the Group's game publishing platform *91wan* increased to approximately 246 million as at 30 June 2017 from approximately 226 million as at 30 June 2016. The average MPUs for the game platform business increased to approximately 15,000 for the six months ended 30 June 2017 from approximately 9,000 for the six months ended 30 June 2016, and the monthly ARPPU for the game platform business has decreased to RMB154 for the six months ended 30 June 2017 from RMB274 for the six months ended 30 June 2016. The increase in average MPUs but decrease in monthly ARPPU was primarily due to the increase in the contribution from "Liberators" published on our own platform "Mutantbox" which however has a relatively lower ARPPU level than that of the existing games on *91wan* platform.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the average balance of outstanding performing loans relating to the internet finance business, the average size of our loans for the period indicated and the number of customers we served as at the date indicated:

	Six Months Ended 30 June 2017
Average balance of outstanding performing loans (RMB in million) [1]	**105**
Average size of our loans (in RMB)	**1,923**

	As at 30 June 2017
Number of customers	**118,397**

Notes:

(1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period.

We provide two types of loans, guaranteed loans and collateralised loans to our customers in the PRC. We consider a number of factors in determining the interest rate that we charge on a loan, including the customer's background and credit history, whether the loan is secured or guaranteed, the value of the collaterals, if any, and the use and term of the loan. The annualised interest rate of our loans is usually 10-16% according to contract terms.

FIRST HALF OF 2017 COMPARED TO FIRST HALF OF 2016

The following table sets forth the income statement for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016:

	Six Months Ended 30 June		
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	Change %
Revenue	**121,234**	193,720	-37.4%
Cost of revenue	**(62,683)**	(154,677)	-59.5%
Gross profit	**58,551**	39,043	50.0%
Selling and marketing expenses	**(18,583)**	(12,997)	43.0%
Administrative expenses	**(43,984)**	(37,035)	18.8%
Research and development expenses	**(17,322)**	(47,128)	-63.2%
Other income	**4,188**	7,606	-44.9%
Other losses	**(7,344)**	(6,088)	20.6%
Finance income-net	**4,158**	4,823	-13.8%
Share of income/(loss) of investments accounted for using the equity method	**7,121**	(4,020)	NM
Gain on dilution of investments accounted for using the equity method	**—**	2,581	NM
Impairment of investment in associates	**—**	(6,674)	NM
Impairment of available-for-sale financial assets	**(4,285)**	(47,999)	-91.1%
Impairment loss on intangible assets	**—**	(12,831)	NM
Loss before income tax	**(17,500)**	(120,719)	-85.5%
Income tax expense	**(227)**	(3,841)	-94.1%
Loss for the period	**(17,727)**	(124,560)	-85.8%

Revenue. Revenue decreased by approximately 37.4% to RMB121.2 million for the six months ended 30 June 2017 from RMB193.7 million for the six months ended 30 June 2016. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June			
	2017		2016	
	(RMB' 000) (Unaudited)	**(% of Total Revenue)**	(RMB' 000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game product	**102,315**	**84.4**	179,734	92.8
– Game platform and others	**18,919**	**15.6**	13,986	7.2
Total Revenue	**121,234**	**100.0**	193,720	100.0
Revenue by Type				
– Mobile games	**47,216**	**39.0**	122,409	63.2
– Webgames	**68,551**	**56.5**	71,311	36.8
– Internet finance	**5,467**	**4.5**	—	—
Total Revenue	**121,234**	**100.0**	193,720	100.0

– The Group's revenue generated from the game product segment decreased by approximately 43.1% to RMB102.3 million for the six months ended 30 June 2017 from RMB179.7 million for the six months ended 30 June 2016. This decrease was primarily due to the fact that some of the Group's key games entered into the mature stage of their life cycles and generated less revenue than last year and the Group's strategy to take a balanced approach to optimise the return on investment ("**ROI**") of the gaming business.

– The Group's revenue generated from the game platform and others segment increased by 35.3% to RMB18.9 million for the six months ended 30 June 2017 from RMB 14.0 million for the six months ended 30 June 2016. The increase was primarily due to the fact that the Group expanded its principal business into the internet finance industry and started to carry out internet micro-lending business since January 2017. Under the brand Yunke, the Group offers two types of loans, namely guaranteed loans and collateralised loans, to the customers in the PRC.

– The Group's revenue generated from mobile games decreased by approximately 61.4% to RMB47.2 million for the six months ended 30 June 2017 from RMB122.4 million for the six months ended 30 June 2016. This decrease was primarily due to the fact that some of the Group's existing key mobile games, such as "Soul Guardian (凡人修真)" series and "Boonie Bears (熊出沒)" series, have entered into the mature phase of their life cycles and generated less revenue this period.

– The Group's revenue generated from webgames decreased by approximately 3.9% to RMB68.6 million for the six months ended 30 June 2017 from RMB71.3 million for the six months ended 30 June 2016. This decrease was primarily due to the decrease in revenue of several existing self-developed and licensed webgames of the Group, which have entered into the mature phase of their life cycles. This decrease was partially offset by the increase in revenue from webgame "Liberators".

Cost of revenue. Cost of revenue decreased by approximately 59.5% to RMB62.7 million for the six months ended 30 June 2017 from RMB154.7 million for the six months ended 30 June 2016. As a percentage of revenue, cost of revenue decreased to approximately 51.7% for the six months ended 30 June 2017 from approximately 79.8% for the six months ended 30 June 2016. The following table sets forth the Group's cost of revenue by segment for the six months ended 30 June 2017 and 2016:

	Six Months Ended 30 June			
	2017		2016	
	(RMB' 000) (Unaudited)	**(% of Total Cost of Revenue)**	(RMB' 000) (Unaudited)	(% of Total Cost of Revenue)
Cost of Revenue by Segment				
– Game product	**61,293**	**97.8**	151,732	98.1
– Game platform and others	**1,390**	**2.2**	2,945	1.9
Total Cost of Revenue	**62,683**	**100.0**	154,677	100.0

– Cost of revenue for game product segment decreased by approximately 59.6% to RMB61.3 million for the six months ended 30 June 2017 from RMB151.7 million for the six months ended 30 June 2016. This decrease was mainly due to lower revenue sharing costs incurred for self-developed mobile games. The decrease in such costs was in line with the decrease in revenue of self-developed mobile games.

– Cost of revenue for game platform and others segment decreased by approximately 52.8% to RMB1.4 million for the six months ended 30 June 2017 from RMB2.9 million for the six months ended 30 June 2016. This decrease was primarily due to the continuous effort of the Group to optimise the profitability and organisation structure of *91wan*.

Selling and marketing expenses. Selling and marketing expenses increased by approximately 43.0% to RMB18.6 million for the six months ended 30 June 2017 from RMB13.0 million for the six months ended 30 June 2016. This increase was mainly attributable to the promotion and advertising expenses incurred by the Group on "Liberators".

Administrative expenses. Administrative expenses increased by approximately 18.8% to RMB44.0 million for the six months ended 30 June 2017 from RMB37.0 million for the six months ended 30 June 2016. The increase in administrative expenses was mainly attributable to the increase in share-based compensation and professional service expenses.

Research and development expenses. Research and development expenses decreased by approximately 63.2% to RMB17.3 million for the six months ended 30 June 2017 from RMB47.1 million for the six months ended 30 June 2016. This decrease was primarily due to the continuous effort of the Group to optimise its research and development capability, which is in line with the strategic positioning of the Group's business focus on internet finance.

Other income. Other income decreased to RMB4.2 million for the six months ended 30 June 2017 from RMB7.6 million for the six months ended 30 June 2016. Such decrease was mainly resulted from lower interest income of cash and cash equivalents which was in line with the decrease in average balance of cash and cash equivalents.

Other losses. Other losses increased to RMB7.3 million for the six months ended 30 June 2017 from RMB6.1 million for the six months ended 30 June 2016. The higher other losses for the six months ended 30 June 2017 was primarily due to the fair value loss of the Group's investment in Appionics, the owner and operator of the Animoca studio, which is a developer and publisher of cross-platform mobile apps for smartphones and tablets.

Finance income-net. Finance income-net for the six months ended 30 June 2017 was RMB4.2 million, as compared to finance income-net of RMB4.8 million for the six months ended 30 June 2016. The finance income-net represents the interest income from short-term deposits and restricted cash. The finance income-net amount varies with the changes in short-term deposits balance during the period under review.

Share of income/(loss) of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB7.1 million for the six months ended 30 June 2017 (30 June 2016: loss of RMB4.0 million). This was mainly because certain investee companies recorded net profit during this period.

Impairment of investment in associates and impairment of available-for-sale financial assets. There was no impairment of investment in associates and RMB4.3 million of impairment of available-for-sale financial assets for the six months ended 30 June 2017 (30 June 2016: RMB6.7 million and RMB48.0 million, respectively). These impairments in 2016 and 2017 represented the provisions made by the Group for the impairment losses of some of the Group's angel investments after the review of the Group's major investments' performance in its investment portfolio.

Income tax expense. Income tax expense decreased by approximately 94.1% to RMB0.2 million for the six months ended 30 June 2017 from RMB3.8 million for the six months ended 30 June 2016. The income tax expense for the six months ended 30 June 2016 was mainly attributable to the write-offs of certain deferred tax assets previously recognised which the Board considered unlikely to be utilised in the future.

Loss for the period. Loss for the period narrowed to RMB17.7 million for the six months ended 30 June 2017 from RMB124.6 million for the six months ended 30 June 2016. This decrease was the result of the combined impact of (i) improved ROI on "Liberators", (ii) there being significantly lower impairment provision in the first half of 2017, and (iii) the Group's effort in optimising its research and development capability.

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2017 and 2016, and the loss for the six months ended 30 June 2017 and 2016 prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(17,727)**	(124,560)
Add:		
Share-based compensation	**10,387**	3,737
Changes in the value of financial assets at fair value through profit or loss	**4,712**	3,165
Impairment of investment in associates	**—**	6,674
Impairment of available-for-sale financial assets	**4,285**	47,999
Adjusted net profit/(loss) (unaudited)	**1,657**	(62,985)
Add:		
Depreciation and amortisation	**5,167**	20,253
Net interest income	**(5,610)**	(10,254)
Income tax expense	**227**	3,841
Adjusted EBITDA (unaudited)	**1,441**	(49,145)

FINANCIAL POSITION

As at 30 June 2017, the total equity of the Group amounted to RMB1,026.6 million, as compared to RMB1,058.1 million as at 31 December 2016. This decrease was mainly due to the increase in accumulated loss for the six months ended 30 June 2017.

The Group's net current assets amounted to RMB635.5 million as at 30 June 2017, as compared to RMB665.1 million as at 31 December 2016. This decrease was primarily due to the decrease in the balance of the Group's short-term deposits which was partially offset by the increase in the balance of loan receivables.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2017 (RMB' 000) (Unaudited)	As at 31 December 2016 (RMB' 000) (Audited)
Cash at bank and on hand	**238,589**	264,123
Cash at other financial institutions	**53,187**	3,863
Short-term deposits	**100,584**	448,997
Total	**392,360**	716,983

The Group's total cash, cash equivalent and short-term deposits amounted to RMB392.4 million as at 30 June 2017, as compared to RMB717.0 million as at 31 December 2016. The decrease was primarily due to the fact that the Group granted loans to customers in the first half of 2017.

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 USD.

As at 30 June 2017, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was 0% (as at 31 December 2016: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2017. The borrowing requirements of the Group are not subject to seasonality.

FOREIGN EXCHANGE RISK

As at 30 June 2017, RMB53.9 million of the Group's financial resources (as at 31 December 2016: RMB345.7 million) were held in deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the conversion of a significant amount of the Group's bank deposits from USD into RMB to support the Group's internet finance operations. The Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

TRANSFORMATION PLAN: RISKS AND HURDLES

As Forgame continues to expand its principal business into internet finance industry, especially to operate under a competitive and dynamic internet finance market in the PRC, there are risks that could adversely affect the Company's business operations and financial results. The major risks include that (i) we may be required to make significant changes to our operations from time to time in order to comply with changes in the continually evolving laws, regulations and policies regulating the internet finance industry, (ii) we may be unable to collect the loan principal and interest from defaulting customers/business partners, (iii) we may have difficulty in sustaining our growth if our access to funding is reduced, and (iv) changes in interest rates will have an impact on our revenue and results of operations, all of which could negatively affect the Group's revenue. Also, the Group is exposed to risks such as fluctuations in foreign exchange, fair value change of the Group's investments in the internet, media and technology space, impairment charge due to invested companies' underperformance or becoming insolvent, and other unexpected one-off restructuring costs, all of which could negatively impact the Group's net profit.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2017	2016
	(RMB' 000)	(RMB' 000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**355**	468
– Purchase of intangible assets	**188**	154
Total	**543**	622

Capital expenditures comprised purchase of property and equipment, such as computers and leasehold improvement, and purchase of intangible assets, such as IP adaptation rights and computer softwares. The total capital expenditures were RMB0.5 million and RMB0.6 million for the six months ended 30 June 2017 and 2016, respectively. The Group's property and equipment purchase is of about the same level in amount for the six months ended 30 June 2017 and 2016 as property and equipment purchased and intangible assets purchase requirement is quite stable in the corresponding periods.

PLEDGE OF ASSET

As at 30 June 2017, the Group had a pledge of assets of RMB0.8 million as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2017, the Group had 303 full-time employees (as at 30 June 2016: 547), the vast majority of whom are based in Guangzhou. The following table sets forth the number of the Group's employees by function as at 30 June 2017:

	Number of Employees	% of Total
Game development	138	46%
Publishing	34	11%
Sales and Marketing	19	6%
General and Administration	112	37%
Total	303	100%

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

PROGRESS OF OVERSEAS EXPANSION PLANS

The Group established an R&D and publishing team in 2015 focusing on developing and distributing their self-developed games in the overseas markets. The overseas R&D and publishing team of the Group, having successful experience in bringing locally developed games to the American and European markets prior to joining Forgame, launched their first self-developed game at Forgame, namely “Liberators”, which is a World War II themed strategy game, in the first quarter of 2016. Up to 30 June 2017, this game served the players from more than 100 countries or regions around the world covering Europe, America, Asia and Africa. The initial results of this game have been satisfactory.

In the first quarter of 2017, the Group has started beta testing for “Clothes Forever”, a casual mobile game which allows players to mix and match various outfits to redefine the concept of fashion in a virtual world. The game targets mainly European and North American markets and embeds e-Commerce platform in the game.

In the pipeline, we have a mobile SLG, “Battle Space”, under development. This game is developed by the same team as “Liberators” and targets the same markets as “Liberators” did, i.e. European and American markets. It is scheduled to be published on Google and iOS appstores, and expanded to web version after the mobile version is launched.

POST BALANCE SHEET EVENT

On 25 June 2017, the Group announced the acquisition of 55% equity interest in Jlc Inc., a subsidiary of Yinker. Jlc Inc. is principally engaged in the internet finance business in the PRC through the operations of websites and mobile phone applications under the “Jianlicai” brands. The purchase consideration is settled through the cancellation of the convertible bonds issued by Yinker to the Group in the principal amount of RMB300,000,000 (USD45,194,000). Following the completion of the transaction on 16 August 2017, Jlc Inc. became a subsidiary of the Company.

The Group is in the process of finalising the related valuation of the acquisition for accounting purpose, accordingly, certain disclosures in relation to the business combination as at the date of completion such as the purchase price allocation and pro forma sales and earnings have not been presented.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2017.

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

Mr. WANG Dongfeng serves as the chairman of the Board and chief executive officer of the Company. In view of the everchanging 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 of the Company must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a separation of the role of the chairman and chief executive officer is premature and may create unnecessary costs for the daily operations of the Group. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

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

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

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

As at 30 June 2017, the interests and short positions of the Directors and chief executives at the relevant time in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Relevant Company (Including Associated Corporation)	Relevant Class of Shares/ Underlying Shares held	Approximate Percentage of Shareholding
WANG Dongfeng (汪東風)	Founder of the Discretionary Trust Interest of Controlled Corporation(1)	The Company	21,673,338 Ordinary Shares (long position)	15.69%
	Beneficial Owner(2)	The Company	844,000 Ordinary Shares (long position)	0.61%
POON Philana Wai Yin (潘慧妍) (3)	Beneficial Owner	The Company	184,400 Ordinary Shares (long position)	0.13%
ZHAO Cong Richard (趙聰) (4)	Beneficial Owner	The Company	159,400 Ordinary Shares (long position)	0.12%
HOW Sze Ming (侯思明) (5)	Beneficial Owner	The Company	100,000 Ordinary Shares (long position)	0.07%
ZHANG Qiang (張強) (6)	Beneficial Owner	The Company	100,000 Ordinary Shares (long position)	0.07%
LIANG Na (梁娜) (7)	Beneficial Owner	The Company	1,361,089 Ordinary Shares (long position)	0.99%

Notes:

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

(2) Mr. WANG Dongfeng was granted 500,000 RSUs under the Restricted Share Unit Scheme, of which 125,000 vested on 1 December 2016 and 125,000 vested on 1 June 2017. Mr. WANG Dongfeng bought 60,000 Shares, 78,000 Shares, 65,000 Shares, 70,000 Shares and 71,000 Shares on 26 June, 27 June, 28 June, 29 June and 30 June 2017 respectively. Mr. WANG Dongfeng bought 72,000 Shares, 75,000 Shares, 75,000 Shares, 72,000 Shares, 71,400 Shares, 70,000 Shares and 71,400 Shares on 3 July, 4 July, 5 July, 6 July, 7 July, 11 July and 13 July 2017 respectively.

(3) Ms. POON Philana Wai Yin was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares, and the Post-IPO Share Option Scheme to subscribe for 35,000 Shares as at 30 June 2017. 17,500 Post-IPO Share Options in which she was interested lapsed on 31 August 2017. She was also granted 100,000 RSUs under the Restricted Share Unit Scheme, of which 25,000 vested on 1 December 2016 and 25,000 vested on 1 June 2017.

(4) Mr. ZHAO Cong Richard was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 49,400 Shares, and the Post-IPO Share Option Scheme to subscribe for 35,000 Shares as at 30 June 2017. 17,500 Post-IPO Share Options in which he was interested lapsed on 31 August 2017. He was also granted 100,000 RSUs under the Restricted Share Unit Scheme, of which 25,000 vested on 1 December 2016 and 25,000 vested on 1 June 2017. Mr. ZHAO Cong Richard sold 25,000 Shares on 29 June 2017.

(5) Mr. HOW Sze Ming was granted 100,000 RSUs under the Restricted Share Unit Scheme, of which 25,000 vested on 1 December 2016 and 25,000 vested on 1 June 2017.

(6) Mr. ZHANG Qiang was granted 100,000 RSUs under the Restricted Share Unit Scheme, of which 25,000 vested on 1 December 2016 and 25,000 vested on 1 June 2017.

(7) Ms. LIANG Na was interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 37,089 Shares, and the Post-IPO Share Option Scheme to subscribe for 504,000 Shares as at 30 June 2017. 87,500 Post-IPO Share Options in which she was interested lapsed on 31 August 2017. Ms. LIANG Na was also granted 820,000 RSUs under the Restricted Share Unit Scheme, of which 205,000 vested on 1 December 2016 and 205,000 vested on 1 June 2017. Ms. LIANG Na sold 142,000 shares from 18 July to 20 July 2017.

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the six months ended 30 June 2017 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 30 June 2017, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited(1) (2)	Trustee	29,437,335 Ordinary Shares (long position)	21.31%
Foga Group(1)	Registered Owner	21,673,338 Ordinary Shares (long position)	15.69%
GU Wei	Registered Owner	16,073,000 Ordinary Shares (long position)	11.63%
LIAO Dong(2)	Founder of Discretionary Trust Interest of Controlled Corporation	7,763,997 Ordinary Shares (long position)	5.62%
Foga Holdings(2)	Registered Owner	7,763,997 Ordinary Shares (long position)	5.62%
KongZhong Corporation	Registered Owner	12,306,100 Ordinary Shares (long position)	8.91%
Foga Internet Development(3)	Registered Owner	7,785,700 Ordinary Shares (long position)	5.64%
YANG Tao	Interest of Controlled Corporation(3)	7,785,700 Ordinary Shares (long position)	5.64%
	Beneficial Owner(4)	1,340,000 Ordinary Shares (long position)	0.97%

OTHER INFORMATION

Notes:

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

(2) Foga Holdings is wholly owned by Managecorp Limited as the trustee of Hao Dong Trust. Hao Dong Trust is a discretionary trust set up by Mr. LIAO Dong, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary object of Hao Dong Trust is Mr. LIAO Dong himself. Mr. LIAO Dong and Managecorp Limited are taken to be interested in 7,763,997 Shares held by Foga Holdings.

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

(4) Mr. YANG Tao was granted 1,340,000 RSUs under the Restricted Share Unit Scheme, of which 335,000 vested on 1 December 2016 and 335,000 vested on 1 June 2017.

Save as disclosed above, as at 30 June 2017, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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

At the Company's annual general meeting held on 23 May 2017, 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 23 May 2017) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held, or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting.

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

PRE-IPO SHARE OPTION SCHEME

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

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

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

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option period	Outstanding as at 1 January 2017	Exercise Price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2017
Directors										
LIANG Na	157,589 Ordinary Shares	1 January 2013	3 October 2013 to 1 May 2016	10 years from the date of grant	82,089 Ordinary Shares	Par value of the ordinary shares	45,000 Ordinary Shares	—	—	37,089 Ordinary Shares
POON Philana Wai Yin	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	—	—	—	49,400 Ordinary Shares
ZHAO Cong Richard	49,400 Ordinary Shares	1 September 2013	3 October 2013 to 1 September 2015	10 years from the date of grant	49,400 Ordinary Shares	Par value of the ordinary shares	—	—	—	49,400 Ordinary Shares
Sub-Total	**256,389 Ordinary Shares**	**—**	**—**	**—**	**180,889 Ordinary Shares**	**—**	**45,000 Ordinary Shares**	**—**	**—**	**135,889 Ordinary Shares**
One former Director and 361 employees	6,184,522 Ordinary Shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	1,012,834 Ordinary Shares	Par value of the ordinary shares	560,734 Ordinary Shares (Note)	—	—	452,100 Ordinary Shares
Total	**6,440,911 Ordinary Shares**	**—**	**—**	**—**	**1,193,723 Ordinary Shares**	**—**	**605,734 Ordinary Shares**	**—**	**—**	**587,989 Ordinary Shares**

Note: The weighted average closing price of the shares immediately before the dates on which the options were exercised during the period was HK$9.49 (equivalent to RMB8.39).

As a result of the exercise of the options granted under the Pre-IPO Share Option Scheme during the six months ended 30 June 2017, the Company has issued 605,734 Shares to the grantees for an aggregate consideration of USD60.5734. Such Shares are of the same class and are identical in all respect with other Shares in issue.

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

POST-IPO SHARE OPTION SCHEME

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

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

OTHER INFORMATION

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

Name of grantee	Number and Class of Shares under the options granted	Date of grant	Vesting period	Option period	Outstanding as at 1 January 2017	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2017
LIANG Na	329,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	329,000 Ordinary Shares	HK$14.61	—	—	—	329,000 Ordinary Shares
14 employees	1,579,000 Ordinary Shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	1,094,000 Ordinary Shares	HK$14.61	—	—	—	1,094,000 Ordinary Shares
LIANG Na(1)	350,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	262,500 Ordinary Shares	HK$24.29	—	—	87,500 Ordinary Shares	175,000 Ordinary Shares
POON Philana Wai Yin(2)	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	52,500 Ordinary Shares	HK$24.29	—	—	17,500 Ordinary Shares	35,000 Ordinary Shares
ZHAO Cong Richard(3)	70,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	52,500 Ordinary Shares	HK$24.29	—	—	17,500 Ordinary Shares	35,000 Ordinary Shares
Two former Directors and 20 employees	3,355,000 Ordinary Shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	487,500 Ordinary Shares	HK$24.29	—	—	267,500 Ordinary Shares	220,000 Ordinary Shares
Total	**5,753,000 Ordinary Shares**	**—**	**—**	**—**	**2,278,000 Ordinary Shares**	**—**	**—**	**—**	**390,000 Ordinary Shares**	**1,888,000 Ordinary Shares**

Notes:

(1) 87,500 Post-IPO Share Options in which Ms. LIANG Na was interested lapsed on 31 August 2017.

(2) 17,500 Post-IPO Share Options in which Ms. POON Philana Wai Yin was interested lapsed on 31 August 2017.

(3) 17,500 Post-IPO Share Options in which Mr. ZHAO Cong Richard was interested lapsed on 31 August 2017.

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

During the six months ended 30 June 2017, no options granted under the Post-IPO Share Option Scheme was exercised or cancelled.

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

SUMMARY OF THE SHARE OPTION SCHEMES

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1.	Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) Any Director of any member of the Group from time to time, (ii) any employee or officer of any member of the Group and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company, (ii) the full-time employees of any of the subsidiaries and/or PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3.	Maximum number of Shares	As at 30 June 2017 and the Latest of Shares Practicable Date, options to subscribe for an aggregate of 587,989 Shares and 577,989 Shares were outstanding respectively, representing approximately 0.43% and 0.42% of the issued share capital of the Company as at 30 June 2017 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 30 June 2017 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted or have been granted but have not been exercised under the Post-IPO Share Option Scheme was 15,582,591 Shares and 15,335,091 Shares respectively, representing approximately 11.28% and 11.10% of the issued share capital of the Company as at 30 June 2017 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

OTHER INFORMATION

	Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4.	Maximum entitlement of each participant	The total number of Shares subject to the Pre-IPO Share Option Scheme shall not exceed 6% of the aggregate of the Shares in issue on 31 October 2012, the date of adoption of the Pre-IPO Share Option Scheme	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant
5.	Option year	Except as provided otherwise and subject to the terms and conditions upon which such option was granted, any option granted will vest over a total vesting year of four years commencing from the date of offer in equal proportions of 25% each on the expiry of the first, second, third and fourth anniversary of the Offer Date, respectively; provided that the year within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option year is determined by the Board provided that it is no later than the tenth anniversary of the date of grant. There is no minimum year for which an option must be held before it can be exercised The Board may in its absolute discretion specify such conditions as to performance criteria to be satisfied by the participant and/or the Company and/or the Group which must be satisfied before an option can be exercised
6.	Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK$1.0 per grant	Options granted must be accepted within the date as stated in the notice of grant, upon payment of HK$1.0 per grant
7.	Exercise price	Exercise price shall be the par value of the Shares as amended as a result of any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time. As at the date of the grant, the par value of the Shares was USD0.0001	Exercise price shall be not less than the highest of (i) the nominal value of an ordinary share on the date of grant, (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8.	Remaining life of the scheme	It shall be valid and effective for ten years commencing on 31 October 2012	It shall be valid and effective for ten years commencing on 3 October 2013

THE RESTRICTED SHARE UNIT SCHEME

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

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

The Company has offered to grant RSUs to subscribe for 4,260,000 Shares to Directors and employees of the Group on 13 September 2016.

Set out below are details of the outstanding RSUs granted to the Directors and employees of the Group under the RSU Scheme as at 30 June 2017:

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2017	Vested during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2017
WANG Dongfeng	500,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	375,000 Ordinary Shares	125,000 Ordinary Shares	–	–	250,000 Ordinary Shares
LIANG Na	820,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	615,000 Ordinary Shares	205,000 Ordinary Shares	–	–	410,000 Ordinary Shares
ZHANG Qiang	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	75,000 Ordinary Shares	25,000 Ordinary Shares	–	–	50,000 Ordinary Shares
POON Philana Wai Yin	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	75,000 Ordinary Shares	25,000 Ordinary Shares	–	–	50,000 Ordinary Shares
ZHAO Cong Richard	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	75,000 Ordinary Shares	25,000 Ordinary Shares	–	–	50,000 Ordinary Shares
HOW Sze Ming	100,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	75,000 Ordinary Shares	25,000 Ordinary Shares	–	–	50,000 Ordinary Shares
Sub-Total	**1,720,000 Ordinary Shares**	**–**	**–**	1,290,000 Ordinary Shares	**430,000 Ordinary Shares**	**–**	**–**	**860,000 Ordinary Shares**
17 employees	2,540,000 Ordinary Shares	13 September 2016	1 December 2016 to 1 June 2018	1,905,000 Ordinary Shares	580,000 Ordinary Shares	180,000 Ordinary Shares	–	1,145,00 Ordinary Shares
Total	**4,260,000 Ordinary Shares**	**–**	**–**	3,195,000 Ordinary Shares	**1,010,000 Ordinary Shares**	**180,000 Ordinary Shares**	**–**	**2,005,000 Ordinary Shares**

SUMMARY OF THE RSU SCHEME

1.	Purpose	To reward the participants of the RSU Scheme for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2.	Participants	(i) full-time employees or officers (including Executive, Non-executive and Independent Non-executive Directors), (ii) full-time employees of any of the subsidiaries and the PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities, and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities
3.	Maximum number of Shares	As at 30 June 2017 and the Latest Practicable Date, the maximum number of Shares underlying the RSUs available for grant was 7,180,494 Shares and 7,180,494 Shares respectively, representing approximately 5.20% and 5.20% of the issued share capital of the Company as at 30 June 2017 and the Latest Practicable Date, respectively The maximum number of Shares underlying the RSUs which may be granted must not in aggregate exceed 11,290,494 Shares, representing 9% of the number of Shares in issue on the Listing Date (the "**RSU Scheme Limit**"). The RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders' approval, but must not exceed 9% of the number of Shares in issue as at the new approval date
4.	Acceptance of Award	A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Company by the grantee in accordance with the instructions from the Company pursuant to the RSU management agreement, being an agreement entered into between the Company and the relevant service provider or any other service agreement to facilitate the acceptance and vesting of RSUs to the grantees from time to time
5.	Vesting	Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion
6.	Trustee	The Board has appointed Computershare Hong Kong Trustee Limited on 2 July 2014 as professional trustee to assist with the administration and vesting of RSUs pursuant to the RSU Scheme
7.	Remaining life of the scheme	It shall be valid and effective till 31 August 2023

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

AUDIT AND COMPLIANCE COMMITTEE

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

The Audit and Compliance Committee, together with the Auditor, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2017 and the interim report.

CHANGES OF DIRECTORS DURING THE SIX MONTHS ENDED 30 JUNE 2017

Pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules, the change of information on the directors since the publication of the annual report for the year ended 31 December 2016 by the Company and up to the Latest Practicable Date is as follows:

Mr. HOW Sze Ming resigned as an independent non-executive director of Odella Leather Holdings Limited (now named Million Stars Holdings Limited), a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 08093), on 17 March 2017 and was appointed as an independent non-executive director of Shanghai Zendai Property Limited, a company whose shares are listed on the Main Board (Stock Code: 00755), on 25 May 2017.

Mr. ZHANG Yang was appointed as an Executive Director and the chief operations officer of the Company on 31 August 2017. The biographical information of Mr. ZHANG Yang has been disclosed in the announcement of the Company dated 31 August 2017.

USE OF PROCEEDS FROM IPO

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. It was disclosed in the Company's announcement dated 3 August 2016 (the "**August Announcement**") that the Board had resolved to change the use of approximately HK$289,840,000 out of the remaining unutilised IPO proceeds as at the date of the August Announcement for investments in the internet, media and technology industry, and such investments may include equity, bonds, hybrid products such as convertible bonds in the primary or secondary market. The balance of the IPO proceeds of approximately HK$115,200,000 as at the date of the August Announcement would be used for working capital and other general corporate purposes. For further details, please refer to the August Announcement.

OTHER INFORMATION

As at 30 June 2017, the Group had utilised approximately HK$973.9 million of the net proceeds from the IPO, of which (i) approximately HK$386.3 million was used in the purchase of webgame and mobile game licences, the acquisition of IP rights authorisation and equity investments, (ii) approximately HK$92.5 million was used in funding the expansion of the Group's international operation, (iii) approximately HK$289.8 million was used in investments in the internet, media and technology industry, and (iv) approximately HK$205.3 million was used for working capital and other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the section headed "Future plans and use of proceeds" in the Prospectus and as subsequently amended and disclosed in the August Announcement. The unutilised portion of the net proceeds from the IPO (i.e. approximately HK$8.9 million) is currently held in cash and cash equivalents, and is intended to be applied in the manner consistent with the disclosed allocations.

USE OF PROCEEDS FROM PLACING

Reference is made to the Company's announcements dated 23 May 2015 and 5 June 2015. The Group successfully raised over HK$314 million through the placing of 19,041,900 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. Upon the completion of the Placing, the Company received gross proceeds of HK$314,191,350 and 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 disclosed in the August Announcement, the Board had resolved to change the use of approximately HK$310,160,000 out of the unutilised net proceeds from the Placing as at the date of the August Announcement for investments in the internet, media, and technology industry, and such investments may include equity, bonds, hybrid products such as convertible bonds in the primary or secondary market. It was further disclosed in the Company's announcement dated 28 December 2016 (the "**December Announcement**") that the Board had resolved to expand the use of approximately HK$248,579,000, being the remaining unutilised net proceeds from the Placing as at the date of the December Announcement, for operations and investments in the internet, media and technology industry, and for working capital and other general corporate purposes. For further details in respect of the changes in the use of proceeds from the Placing, please refer to the August Announcement and the December Announcement.

As at 30 June 2017, the Group had utilised all of the net proceeds from the Placing in operations and investments in the internet, media and technology industry.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 34 to 72, which comprises the interim condensed consolidated balance sheet of Forgame Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2017

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	6	**121,234**	193,720
Cost of revenue	6	**(62,683)**	(154,677)
Gross profit		**58,551**	39,043
Selling and marketing expenses		**(18,583)**	(12,997)
Administrative expenses		**(43,984)**	(37,035)
Research and development expenses		**(17,322)**	(47,128)
Other income		**4,188**	7,606
Other losses		**(7,344)**	(6,088)
Finance income - net		**4,158**	4,823
Share of income/(loss) of investments accounted for using the equity method	8	**7,121**	(4,020)
Gain on dilution of investments accounted for using the equity method	8	**—**	2,581
Impairment of investment in associates	8	**—**	(6,674)
Impairment of available-for-sale financial assets	14	**(4,285)**	(47,999)
Impairment loss on intangible assets		**—**	(12,831)
Loss before income tax	7	**(17,500)**	(120,719)
Income tax expense	9	**(227)**	(3,841)
Loss for the period		**(17,727)**	(124,560)
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets		**—**	(5,202)
Items that will not be classified subsequently to profit or loss:			
– Currency translation differences		**(14,056)**	10,077
Total other comprehensive (loss)/income, before tax		**(14,056)**	4,875
Income tax relating to components of other comprehensive (loss)/income		**—**	780
Other comprehensive (loss)/income for the period, net of tax		**(14,056)**	5,655
Total comprehensive loss for the period		**(31,783)**	(118,905)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Loss attributable to:			
– Owners of the Company		**(17,701)**	(124,175)
– Non-controlling interests		**(26)**	(385)
		(17,727)	(124,560)
Total comprehensive loss attributable to:			
– Owners of the Company		**(31,757)**	(118,520)
– Non-controlling interests		**(26)**	(385)
		(31,783)	(118,905)
Loss per share (expressed in RMB per share)	10		
– Basic		**(0.13)**	(0.91)
– Diluted		**(0.13)**	(0.91)

The notes on pages 41 to 72 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	12	**4,690**	8,217
Intangible assets	12	**14,626**	17,381
Investments accounted for using the equity method	8	**30,703**	23,582
Financial assets at fair value through profit or loss	13	**307,584**	319,922
Available-for-sale financial assets	14	**28,865**	23,150
Prepayments and other receivables		**5,962**	1,183
		392,430	393,435
Current assets			
Trade receivables	15	**28,374**	40,480
Prepayments and other receivables		**11,903**	10,112
Loan receivables	16	**281,581**	—
Restricted cash		**783**	807
Short-term deposits		**100,584**	448,997
Cash and cash equivalents		**291,776**	267,986
		715,001	768,382
Total assets		**1,107,431**	1,161,817
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**87**	87
Shares held for Restricted Share Units Scheme	17	**(63)**	—
Share premium	17	**2,073,900**	2,073,900
Reserves	18	**(76,684)**	(65,296)
Accumulated losses		**(969,614)**	(949,535)
		1,027,626	1,059,156
Non-controlling interests		**(1,072)**	(1,046)
Total equity		**1,026,554**	1,058,110

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**64**	64
Deferred revenue		**1,296**	410
		1,360	474
Current liabilities			
Trade payables	20	**19,185**	26,652
Other payables and accruals		**50,489**	64,107
Income tax liabilities		**1,620**	1,620
Deferred revenue		**8,223**	10,854
		79,517	103,233
Total liabilities		**80,877**	103,707
Total equity and liabilities		**1,107,431**	1,161,817

The notes on pages 41 to 72 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited							
		Attributable to Owners of the Company							
	Note	Share Capital RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2017		87	—	2,073,900	(65,296)	(949,535)	1,059,156	(1,046)	1,058,110
Comprehensive loss									
Loss for the period		—	—	—	—	(17,701)	(17,701)	(26)	(17,727)
Other comprehensive loss:									
Currency translation differences	18	—	—	—	(14,056)	—	(14,056)	—	(14,056)
Total comprehensive loss		—	—	—	(14,056)	(17,701)	(31,757)	(26)	(31,783)
Transactions with owners in their capacity as owners									
Employee share-based compensation scheme:									
– Shares purchased for Restricted Share Units Scheme	17	—	(10,160)	—	—	—	(10,160)	—	(10,160)
– Shares transferred to grantees upon vesting of the Restricted Share Units	17	—	10,097	—	(7,719)	(2,378)	—	—	—
– Value of employee services	19	—	—	—	10,387	—	10,387	—	10,387
Total transactions with owners in their capacity as owners		—	(63)	—	2,668	(2,378)	227	—	227
Balance at 30 June 2017		87	(63)	2,073,900	(76,684)	(969,614)	1,027,626	(1,072)	1,026,554

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited						
		Attributable to Owners of the Company						
	Note	Share Capital RMB'000	Share Premium RMB'000	Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2016		88	2,099,777	(100,750)	(554,361)	1,444,754	(28)	1,444,726
Comprehensive loss								
Loss for the period		—	—	—	(124,175)	(124,175)	(385)	(124,560)
Other comprehensive income:								
Revaluation of available-for-sale financial assets	14	—	—	(4,422)	—	(4,422)	—	(4,422)
Currency translation differences	18	—	—	10,077	—	10,077	—	10,077
Total comprehensive loss		—	—	5,655	(124,175)	(118,520)	(385)	(118,905)
Transactions with owners in their capacity as owners								
Repurchase and cancellation of shares	17	(2)	(26,180)	—	—	(26,182)	—	(26,182)
Employee share-based compensation scheme:								
– Value of employee services	19	—	—	3,737	—	3,737	—	3,737
Total transactions with owners in their capacity as owners		(2)	(26,180)	3,737	—	(22,445)	—	(22,445)
Transfer out of share of other net asset changes in associates' equity	8	—	—	(4,040)	—	(4,040)	—	(4,040)
Balance at 30 June 2016		86	2,073,597	(95,398)	(678,536)	1,299,749	(413)	1,299,336

The notes on pages 41 to 72 are integral parts of the interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash (used in)/generated from operations	**(299,533)**	6,029
Income tax (paid)/refund	**(227)**	4,298
Net cash (used in)/generated from operating activities	**(299,760)**	10,327
Cash flows from investing activities		
Purchases of property and equipment	**(392)**	(506)
Proceeds from disposals of property and equipment	**848**	496
Purchases of intangible assets	**(164)**	(2,587)
Prepayment for other non-current assets	**(4,916)**	—
Payments for investments in associates	**—**	(6,130)
Prepayments for investments	**—**	(6,900)
Purchases of available-for-sale financial assets	**(10,000)**	—
Placement of short-term deposits	**(336,277)**	(938,946)
Proceeds received upon maturity of short-term deposits	**680,537**	460,546
Interests received from short-term deposits	**4,189**	3,619
Refund of restricted cash	**—**	499
Payment for restricted cash	**—**	(596)
Interest received from restricted cash	**—**	3
Net cash generated from/(used in) investing activities	**333,825**	(490,502)
Cash flows from financing activities		
Purchases of shares for Restricted Share Units Scheme	**(10,160)**	—
Payment for repurchase of shares	**—**	(26,182)
Net cash used in financing activities	**(10,160)**	(26,182)
Net increase/(decrease) in cash and cash equivalents	**23,905**	(506,357)
Cash and cash equivalents at beginning of period	**267,986**	927,129
Exchange (losses)/gains on cash and cash equivalents	**(115)**	2,582
Cash and cash equivalents at end of period	**291,776**	423,354

The notes on pages 41 to 72 are integral parts of the interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively the "Group") are principally engaged in developing, publishing webgames and mobile games (the "Game Business") as well as the operation of internet finance business ("Internet Finance Business") including internet micro-lending in the People's Republic of China (the "PRC").

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

In December 2016, the Group obtained a license to carry out internet micro-lending business from the government and subsequently commenced the operation of the Group's Internet Finance Business in the PRC.

The interim condensed consolidated balance sheet as at 30 June 2017, and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved for issue by the Board on 29 August 2017.

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

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements except for accounting policies of revenue recognition related to interest income from the Group's Internet Finance Business, and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

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

(a) Revenue recognition

The accounting policies of revenue recognition for all revenue streams relating to the Game Business disclosed in the consolidated financial statements as at 31 December 2016 and for the year ended 31 December 2016 remained unchanged.

For the six months ended 30 June 2017, revenue derived from the Internet Finance Business is interest income. Interest income on loan receivables is recognised using the effective interest method. When a loan receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan receivables is recognised using the original effective interest rate.

(b) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

3 **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

(c) **Impact of standards issued but not yet applied by the Group**

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

– Equity instruments that are currently classified as available-for-sale financial assets ("AFS") appear to satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets

– The investments currently measured at fair value through profit or loss which would likely continue to be measured on the same basis under IFRS 9.

Accordingly, while the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss while the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, management expects it might result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Impact of standards issued but not yet applied by the Group (Continued)

(ii) IFRS 15 Revenue from contracts with customers

IFRS 15, "Revenue from contracts with customers" replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. Revenue is recognised when a customer obtains control of a goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard is not expected to apply until the financial year of 2018.

Management is currently assessing the effects of applying the new standard on the Group's financial statements. The Company has set up an implementation team that is currently in the process of analyzing each of revenue streams in accordance with the new revenue standard to determine the impact on the Group's consolidated financial statements. The Company plans to continue the evaluation, analysis, and documentation of its adoption of IFRS 15 throughout 2017 as the Company works towards the implementation and finalizes its determination of the impact that the adoption will have on the Group's consolidated financial statements.

(iii) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB6,325,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 JUDGMENT AND ESTIMATE

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial Risk Factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since year end except for credit risk associated with the Internet Finance Business commenced since 2017.

5.2 Credit risk

Compared to year end, there was no material change in the credit risk management for cash and cash equivalents, short-term deposits, restricted cash, trade receivables, other receivables and investment in convertible bonds classified as financial assets at fair value through profit or loss.

With respect to credit risk arising from loan receivables, the Group employs a range of policies and practices to mitigate credit risk. The Group has delegated a team responsible for determination of credit limits, credit approvals and post-disbursement monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Group obtains corporate guarantee and receives cash deposit as collateral for personal loans provided. For loans secured by real estates, the Group focuses on identifying legal ownership and monitoring the value of the real estate collaterals.

The Group adopts a credit risk classification approach to measure and manage the credit quality. Loans are classified as non-impaired and impaired based on the different risk level. When one or more event demonstrates there is objective evidence of impairment and losses, corresponding loans classified as impaired. The impairment loss is assessed collectively or individually as appropriate. The Group reviews the recoverability of loan receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

5.3 Liquidity risk

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

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.4 Fair Value Estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

The following table presents the Group's financial assets that are measured at fair value as at 30 June 2017.

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	**885**	**—**	**306,699**	**307,584**
Available-for-sale financial assets	**—**	**—**	**28,865**	**28,865**
	885	**—**	**335,564**	**336,449**

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2016.

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Recurring Fair Value Measurements:				
Assets:				
Financial assets at fair value through profit or loss	1,470	—	318,452	319,922
Available-for-sale financial assets	—	—	23,150	23,150
	1,470	—	341,602	343,072

There were no changes in valuation techniques during the six months ended 30 June 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Group Valuation Process

The Group has a team that performs fair value assessment on financial assets required for financial reporting purposes, including level 3 fair values (the "Valuation Team"). The Valuation Team reports directly to management.

Description	Fair value at 30 June 2017 (Unaudited)	Valuation technique(s)	Unobservable input	Range (weighted average)
Debt security:				
Financial assets at fair value through profit or loss – An investment in convertible bonds	306,418	Discounted cash flow	weighted average cost of capital	21%
			long-term revenue growth rate	3%
			long-term pre-tax operating margin	57%
		Equity allocation model	Expected volatility of shares under liquidation and redemption scenario	46.12%
		Binomial option pricing model	Estimated bond yield	19.6%
Other equity securities:				
Available-for-sale financial assets	28,865	Discounted cash flow	weighted average cost of capital	32.2%–35.0% (32.5%)
			long-term revenue growth rate	3% (3%)
			long-term pre-tax operating margin	4%-8% (7%)
Other financial assets at fair value through profit or loss	281	Market comparable companies	revenue multiple	2.5 (2.5)

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

6 SEGMENT INFORMATION

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

During the six months ended 30 June 2017, the CODM assessed the performance of Group by reviewing the results of two reportable segments: Webgames and mobile games development service ("Game Product"), as well as Publishing services and Internet Finance ("Game Platform and Others").

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 income/(loss) of investments accounted for using the equity method, gain on dilution of investments accounted for using the equity method, impairment of investment in associates, impairment of available-for-sale financial assets, impairment loss on intangible 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 content cost, distribution cost and other outsourcing expenses, employee benefit expenses, promotion and advertising expenses, bandwidth and server custody 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.

6 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

	Unaudited Six Months Ended 30 June 2017		
	Game Product RMB'000	**Game Platform and Others RMB'000**	**Total RMB'000**
Segment revenue	**102,315**	**18,919**	**121,234**
Segment cost	**(61,293)**	**(1,390)**	**(62,683)**
Gross profit	**41,022**	**17,529**	**58,551**
Depreciation and amortisation included in segment cost	**1,444**	**151**	**1,595**

	Unaudited Six Months Ended 30 June 2016		
	Game Product RMB'000	Game Platform and Others RMB'000	Total RMB'000
Segment revenue	179,734	13,986	193,720
Segment cost	(151,732)	(2,945)	(154,677)
Gross profit	28,002	11,041	39,043
Depreciation and amortisation included in segment cost	11,254	587	11,841

6 SEGMENT INFORMATION (Continued)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2017 and 2016 is as follows:

	Unaudited Six Months Ended 30 June 2017		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**74,512**	**46,722**	**121,234**

	Unaudited Six Months Ended 30 June 2016		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	177,096	16,624	193,720

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

A breakdown of revenue derived from different streams during the periods ended 30 June 2017 and 2016 is as follows:

	Six Months Ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Mobile games	**47,216**	122,409
Webgames	**68,551**	71,311
Internet finance	**5,467**	—
	121,234	193,720

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the six months ended 30 June 2017 and 2016.

As at 30 June 2017 and 31 December 2016, the majority of the non-current assets of the Group were located in the PRC.

7 LOSS BEFORE INCOME TAX

An analysis of the amounts presented as charges/(credits) in the Interim Financial Information is given below:

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Content cost, distribution cost and other outsourcing expenses	**51,961**	130,744
Employee benefit expenses	**47,351**	61,615
Promotion and advertising expenses	**13,703**	8,941
Bandwidth and server custody fees	**5,268**	7,403
Impairment allowances on loan receivables	**4,273**	—
Impairment allowances on trade receivables	**163**	3,273
Amortisation of intangible assets	**2,943**	13,748
Depreciation of property and equipment	**2,224**	6,505
Legal claim	**—**	500
Interest income arising from cash and cash equivalents	**(1,452)**	(5,431)
Changes in the value of financial assets at fair value through profit or loss (Note 13)	**4,712**	3,165
Exchange loss, net	**1,431**	1,806
Loss on disposal of property and equipment, net	**1,201**	1,117
Share of (income)/loss of investments accounted for using the equity method (Note 8)	**(7,121)**	4,020
Impairment of available-for-sale financial assets (Note 14)	**4,285**	47,999
Impairment of investment in associates	**—**	6,674
Impairment loss on intangible assets (Note 12)	**—**	12,831

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates

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

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**23,582**	43,857
Additions	**—**	30
Share of income/(loss) of associates	**7,121**	(4,020)
Converted from investment in a joint venture	**—**	2,429
Gain on dilution of interest in associates	**—**	152
Impairment charges	**—**	(10,714)
At end of period	**30,703**	31,734

The investees are principally engaged in mobile online services and internet related-business. The Group has significant influence over the investees with equity interests ranging from 12.25% to 40% and the Company classified the investments as associates.

Set out below is an associate of the Group as at 30 June 2017, which, in the opinion of the Company, is material to the Group. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation/registration is also its principal place of business.

Name of entity	Place of business/ country of incorporation	% of ownership interest	Principal activities	Nature of the relationship
Beijing Hongruan Xiechuang Communication and Technology Co., Ltd. (北京虹軟協創通訊技術有限公司) ("Hongruan")	The PRC	20%	Offering tele-communication channel service to internet related companies	(i)

(i) Hongruan is strategic partnership for the Group.

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The Group's share of the results in Hongruan and its aggregated assets and liabilities are shown below:

	Six Months Ended 30 June 2017 RMB'000 (Unaudited)
Assets	**135,641**
Liabilities	**60,880**
Revenues	**89,172**
Share of profit	**4,659**
Percentage held	**20%**

On 24 May 2017, the Group entered into the equity transfer agreement with Hunan Tianrun Digital Entertainment Culture Media Company Limited (湖南天潤數字娛樂文化傳媒股份有限公司) ("Hunan Tianrun"), an A share listed company. Pursuant to the agreement, the Group has agreed to dispose of all its equity interest in Hongruan, at a consideration of RMB87,500,000. Up to the date of this report, the transaction was not yet completed.

9 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2017 and 2016 are analysed as follows:

	Six Months Ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current income tax:		
– PRC and oversea enterprise income tax	**227**	528
Deferred income tax	**—**	3,313
Income tax expense	**227**	3,841

(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.

9 INCOME TAX EXPENSE (Continued)

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended 30 June 2017 and 2016.

(c) 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 period ended 30 June 2017 (30 June 2016: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong") and Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin") 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. Weidong and Feiyin have renewed their qualification of HNTEs in 2016, thus the applicable tax was 15% for the period ended 30 June 2017 (30 June 2016: 15%).

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") and Guangzhou Jieyou Software Co., Ltd. (廣州捷游軟件有限公司, "Jieyou") were also qualified as HNTEs under the EIT Law in 2014 and their qualifications were expired in 2016. Feidong and Jieyou are in the process of renewing their qualification of HNTEs during the period ended 30 June 2017.

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 had made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the periods ended 30 June 2017 and 2016.

(d) PRC Withholding Tax ("WHT")

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

As at 30 June 2017, no retained earnings of subsidiaries within the Group had ever been remitted to the Company. The Group does not have any plan to conduct this remittance in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued at the end of each reporting period.

10 LOSS PER SHARE

(a) Basic

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

	Six Months Ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(17,701)**	(124,175)
Weighted average number of ordinary shares in issue	**137,419,458**	137,128,015
Basic loss per share (in RMB/share)	**(0.13)**	(0.91)

(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 six months ended 30 June 2017, the Company had three categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme, and restricted share units granted to employees under Restricted Share Units Scheme.

As the Group incurred losses for the six months ended 30 June 2017, the potential ordinary shares were not included in the calculation of diluted loss per share, which would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2017 was the same as basic loss per share for the period (30 June 2016: diluted loss per share was the same as basic loss per share for the period).

11 DIVIDENDS

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

12 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Property and Equipment RMB'000 (Unaudited)	Intangible Assets RMB'000 (Unaudited)
Six months ended 30 June 2017		
Opening net book amount	**8,217**	**17,381**
Additions	**355**	**188**
Disposals	**(1,658)**	**—**
Depreciation/amortisation charge	**(2,224)**	**(2,943)**
Closing net book amount	**4,690**	**14,626**
Six months ended 30 June 2016		
Opening net book amount	26,197	58,650
Additions	468	154
Disposals	(1,613)	(946)
Depreciation/amortisation charge	(6,505)	(13,748)
Impairment charge	—	(12,831)
Currency translation differences	24	43
Closing net book amount	18,571	31,322

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**319,922**	15,651
Changes in fair value	**(4,712)**	(3,165)
Currency translation differences	**(7,626)**	10
At end of period, all non-current	**307,584**	12,496
Total losses for the period included in profit or loss for assets held at the end of the reporting period, under "Other losses"	**(4,712)**	(3,165)
Change in unrealised losses for the period included in profit or loss for assets held at the end of the reporting period	**(4,712)**	(3,165)

On 27 September 2016, the Company made an investment in convertible bonds issued by Yinker Inc. ("Yinker"), a company engaged in the provision of internet finance business in the PRC, at a total consideration of USD45,194,000. The investment is a hybrid instrument with embedded derivatives not closely related to the host contract. The Group had designated the entire hybrid instrument contract as a financial asset at fair value through profit or loss, instead of bifurcating the embedded derivatives from the host contract. Fair value change is recorded in other gains/losses in the consolidated statement of comprehensive loss. As at 30 June 2017, the fair value of the investment was assessed to be RMB306,418,000. On 16 August 2017, the Group completed the acquisition of 55% equity interest in Jlc Inc., a subsidiary of Yinker, which is principally engaged in the internet finance business in the PRC under the "Jianlicai" brand. The purchase consideration is settled through the cancellation of the convertible bonds issued by Yinker as discussed above. Please refer to Note 24 for subsequent event disclosure.

The remaining financial instruments are listed shares measured at market quoted price; and unlisted shares measured with valuation techniques, such as market multiple of comparable companies.

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of period	**23,150**	122,255
Additions	**10,000**	—
Impairment loss (Note (a))	**(4,285)**	(53,201)
At end of period, all non-current	**28,865**	69,054

(a) Taking into account of the challenging and competitive market conditions and rapid changes in the game industry in the PRC, management of the Group had performed an assessment on the fair values of its investments in available-for-sale financial assets according to relevant valuation techniques and made an impairment provision of RMB4,285,000 against the carrying amounts of these investments during the six months ended 30 June 2017 (30 June 2016: RMB53,201,000). All the provision was recognised as impairment loss in the Group's profit or loss.

15 TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Third parties	**49,712**	62,217
Related parties	**2,594**	1,919
Less: provision for impairment	**(23,932)**	(23,656)
	28,374	40,480

15 TRADE RECEIVABLES (Continued)

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0-30 days	**7,940**	11,055
31-60 days	**4,666**	7,052
61-90 days	**4,208**	5,623
91-180 days	**4,616**	12,030
181-365 days	**8,086**	11,262
Over 1 year	**22,790**	17,114
	52,306	64,136

Credit sales are mainly derived from the Game Product business in which the Group contracts with various third party platforms to publish games and it is entitled to the proceeds collected from sales of in-game virtual items on its behalf by these platforms. The normal credit term granted by the Group was from 60 to 180 days from respective transaction dates. As at 30 June 2017, trade receivables which had been past due but not impaired amounted to RMB9,247,000 (31 December 2016: RMB11,318,000). These receivables were due from a number of game platforms which were assessed by the Company to have no significant financial difficulties and they could be recovered based on past trading and repayment history.

16 LOAN RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)
Personal loans	
– Guaranteed loans	270,171
– Collateralised loans	15,683
Gross loan receivables	285,854
Less: Allowances for impairment losses	
– Collectively assessed	(4,273)
Total allowances for impairment losses	(4,273)
Net loan receivables	281,581

As mentioned in Note1, the Group commenced its Internet Finance Business in the PRC. As at 30 June 2017, all loan receivables were guaranteed by third parties or secured by real estates.

(a) Movement of allowance for impairment losses

	As at 30 June 2017 RMB'000 (Unaudited)
At beginning of the period	—
Charge for the period	
– Collectively assessed	4,273
At end of the period	4,273

16 LOAN RECEIVABLES (Continued)

(b) Analysis of loan receivables by overdue and impaired states

	As at 30 June 2017 RMB'000 (Unaudited)
Gross balance of loan receivables	
Neither past due nor impaired	265,509
Overdue but not impaired	20,345
Impaired	—
	285,854
Less: Allowances for impairment losses	
Neither past due nor impaired	(3,968)
Overdue but not impaired	(305)
Impaired	—
	(4,273)
Net balance	
Neither past due nor impaired	261,541
Overdue but not impaired	20,040
Impaired	—
	281,581

Loan receivables less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary.

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

	Number of Ordinary Shares	Nominal Value of Ordinary Shares US$
Authorised:		
As at 30 June and 1 January 2017, 30 June and 1 January 2016	500,000,000	50,000

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

	Note	Unaudited					
		Number of Ordinary Shares	Nominal Value of Ordinary Shares US$'000	Share Capital RMB'000	Share Premium RMB'000	Shares held for Restricted Share Units Scheme RMB'000	Total RMB'000
Issued:							
As at 1 January 2017		**137,556,209**	**14**	**87**	**2,073,900**	**—**	**2,073,987**
Employee share-based compensation scheme:							
– Shares issued upon exercise of employee share options	a	**605,734**	**—**	**—**	**—**	**—**	**—**
– Shares purchased for Restricted Share Units Scheme	b	**(1,015,000)**	**—**	**—**	**—**	**(10,160)**	**(10,160)**
– Shares transferred to grantees upon vesting of the Restricted Share Units	b	**1,010,000**	**—**	**—**	**—**	**10,097**	**10,097**
As at 30 June 2017		**138,156,943**	**14**	**87**	**2,073,900**	**(63)**	**2,073,924**
As at 1 January 2016		139,269,763	14	88	2,099,777	—	2,099,865
Employee share-based compensation scheme:							
– Shares issued upon exercise of employee share options	a	91,246	—	—	—	—	—
Repurchase and cancellation of shares	c	(2,395,500)	—	(2)	(26,180)	—	(26,182)
As at 30 June 2016		136,965,509	14	86	2,073,597	—	2,073,683

(a) During the six months ended 30 June 2017, employee share options granted under the Pre-IPO Share Option Scheme were exercised to subscribe for 605,734 shares (30 June 2016: 91,246 shares) with exercise price of US$0.0001.

(b) During the six months ended 30 June 2017, the Restricted Share Units Scheme Trust acquired 1,015,000 then existing issued ordinary shares (30 June 2016: Nil) from the open market. The total consideration was HK$11,584,000 (equivalent to RMB10,160,000) (30 June 2016: Nil).

During the six months ended 30 June 2017, a total of 1,010,000 restricted share units (30 June 2016: Nil) were vested. The total cost of these vested shares was RMB10,097,000 (30 June 2016: Nil). RMB2,378,000 was debited to accumulated losses in respect of vesting of certain shares whose fair values were lower than the costs.

(c) For the six months ended 30 June 2016, the Company repurchased and then cancelled an aggregate of 2,395,500 ordinary shares at an average price of HK$12.86 per share for an aggregate consideration of HK$30,812,000, equivalent to RMB26,182,000, under the share buy-back mandates approved in the 2014 and 2015 annual general meeting.

18 RESERVES

	Unaudited					
	Capital Reserve RMB'000	Statutory Reserves RMB'000	Share-based Compensation Reserve RMB'000	Translation Differences RMB'000	Other Reserves RMB'000	Total RMB'000
As at 1 January 2017	**30,000**	**10,828**	**198,017**	**67,388**	**(371,529)**	**(65,296)**
Value of employee service						
– Pre-IPO Share Option Scheme	**—**	**—**	**286**	**—**	**—**	**286**
– Restricted Share Units Scheme	**—**	**—**	**10,101**	**—**	**—**	**10,101**
Currency translation differences	**—**	**—**	**—**	**(14,056)**	**—**	**(14,056)**
Shares transferred to grantees upon vesting of the Restricted Share Units	**—**	**—**	**(7,719)**	**—**	**—**	**(7,719)**
As at 30 June 2017	**30,000**	**10,828**	**200,685**	**53,332**	**(371,529)**	**(76,684)**
As at 1 January 2016	30,000	10,828	189,884	31,605	(363,067)	(100,750)
Value of employee service						
– Pre-IPO Share Option Scheme	—	—	2,896	—	—	2,896
– Post-IPO Share Option Scheme	—	—	841	—	—	841
Currency translation differences	—	—	—	10,077	—	10,077
Change in value of available-for-sale financial assets - Gross	—	—	—	—	(5,202)	(5,202)
Change in value of available-for-sale financial assets - Tax	—	—	—	—	780	780
Transfer out of share of other net asset changes in associates' equity	—	—	—	—	(4,040)	(4,040)
As at 30 June 2016	30,000	10,828	193,621	41,682	(371,529)	(95,398)

19 SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

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

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

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

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

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

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

		Pre-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June	
	Exercise Price	**2017**	2016
At beginning of period		**1,193,723**	2,091,934
Exercised	US$0.0001	**(605,734)**	(91,246)
Forfeited	US$0.0001	**—**	(69,415)
At end of period		**587,989**	1,931,273

As a result of the options exercised during the six months ended 30 June 2017, 605,734 ordinary shares were issued by the Company (Note 17). The weighted average price of the shares immediately before the dates on which the options were exercised was HK$9.49(equivalent to RMB8.39) per share.

As at 30 June 2017, all share options granted will expire in 2022 with an average exercise price of US$0.0001 per share option.

19 SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

For the six months ended 30 June 2017, the Company recorded share based compensation of RMB 286,000 (30 June 2016: RMB2,896,000) related to Pre-IPO Share Option Scheme.

19 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme

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

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

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

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

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

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

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

	Post-IPO Share Option Scheme Six Months Ended 30 June			
	2017		2016	
	Average Exercise Price	**Number of Share Options**	Average Exercise Price	Number of Share Options
At beginning of period		**2,278,000**		5,383,000
Forfeited	**HK$24.29**	**(390,000)**	HK$24.06	(2,090,000)
At end of period		**1,888,000**		3,293,000

As at 30 June 2017, all share options granted will expire in 2019 with an average exercise price of HK$16.99 per share option.

19 SHARE-BASED PAYMENTS (Continued)

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

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

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

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

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

During the six months ended 30 June 2017, share based compensation related to Post-IPO Share Option Scheme was nil (30 June 2016: RMB841,000).

19 SHARE-BASED PAYMENTS (Continued)

(c) Restricted Share Units Scheme

On 13 September 2013, the Board of Directors of the Company approved to adopt a Restricted Share Units Scheme. During the year ended 31 December 2016, the Company granted 4,260,000 restricted share units to certain directors and employees of the Group (collectively, the "Grantees") pursuant to the Restricted Share Units Scheme at the grant date fair value of HK$8.88 (equivalent to RMB7.64) for each restricted share unit. The fair value of restricted share units granted to employees is measured with reference to the closing price of the ordinary share of the Company at the grant date and recognised as staff costs with a corresponding increase in the share-based compensation reserve within equity.

The vesting schedule of the restricted share units as follows:

Percentage of the restricted share units	Date of vesting of the relevant percentage of the restricted share units
25%	1 December 2016
25%	1 June 2017
25%	1 December 2017
25%	1 June 2018

During the six months ended 30 June 2017, the Company recorded share based compensation of RMB10,101,000 (30 June 2016: Nil) related to Restricted Share Units Scheme.

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

20 TRADE PAYABLES

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

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
0-30 days	**3,367**	7,183
31-60 days	**1,732**	3,238
61-90 days	**1,911**	3,199
91-180 days	**4,761**	9,188
181-365 days	**4,399**	1,712
over 1 years	**3,015**	2,132
	19,185	26,652

21 COMMITMENTS

(a) Capital Commitments

As at 30 June 2017, the capital expenditure contracted but not provided for amounted to RMB5,836,000 (as at 31 December 2016: RMB2,250,000), which were related to investment arrangements and acquisition of other non-current assets.

(b) Operating lease commitments

The Group leases buildings for daily operation under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
No later than 1 year	**4,065**	4,190
Later than 1 year and no later than 5 years	**2,260**	588
	6,325	4,778

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant Transactions with Related Parties

In the opinion of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective parties.

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Revenue derived from the Group's provision of services to related parties		
Associates	**2,159**	—

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(ii) Revenue derived from the Group's sales of online games' copyright to related parties		
Associates	**3,773**	—

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iii) Content cost to related parties who provided publishing services to the Group for game operation		
Associates	**4,506**	2,576

(b) Period End Balances Arising from Sales and Purchase of Services

	As at 30 June 2017	As at 31 December 2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(i) Receivable from related parties		
Associates	**2,594**	1,919
Less: provision for impairment	**(1,665)**	(1,640)
	929	279

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) Period End Balances Arising from Sales and Purchase of Services (Continued)

The receivables due from related parties mainly arose from the revenue sharing generated from games operated and published by related parties.

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
(ii) Other receivables due from related parties		
Associates	**341**	341
Less: provision for impairment	**(237)**	(237)
	104	104

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
(iii) Prepayment to related parties		
Associates	**298**	379

Prepayments to related parties include the revenue sharing and outsourcing expenses paid in advance according to respective cooperation agreements.

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
(iv) Payable to related parties		
Associates	**3,560**	2,296

The payables due to related parties arose from revenue sharing generated from games developed/operated by the related parties, which the Group provides the game platform and related publishing services. The Group is obliged to share the income with the related parties according to provisions stipulated in the respective cooperation agreements.

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

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Key Management Personnel Compensations

Key management includes directors, chief executive officer and other senior executives. Key management compensation amounted to RMB10,628,000 for the six months ended 30 June 2017 (30 June 2016: RMB 3,081,000). See below:

	Six Months Ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees, Wages, salaries and bonuses	**2,557**	2,157
Pension costs – defined contribution plans	**44**	40
Other social security costs and housing benefits	**90**	83
Share-based compensation expenses	**7,937**	801
	10,628	3,081

23 CONTINGENCIES

As at 30 June 2017, the Group did not have any significant unrecorded contingent liabilities.

24 SUBSEQUENT EVENTS

On 25 June 2017, the Group announced the acquisition of 55% equity interest in Jlc Inc., a subsidiary of Yinker. Jlc Inc. is principally engaged in the internet finance business in the PRC through the operations of websites and mobile phone applications under the "Jianlicai" brands. The purchase consideration is settled through the cancellation of the convertible bonds issued by Yinker to the Group in the principal amount of US$45,194,000 (Note 13). Following the completion of the transaction on 16 August 2017, Jlc Inc. became a subsidiary of the Group.

The Group is in the process of finalising the related valuation of the acquisition for accounting purpose, accordingly, certain disclosures in relation to the business combination as at the date of completion such as the purchase price allocation and pro forma sales and earnings have not been presented.

DEFINITIONS

"ARPPU"	average revenue per paying users
"Articles"	the articles of association of the Company, as amended from time to time
"Audit and Compliance Committee"	the audit and compliance committee of the Board
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"Cayman Islands"	the Cayman Islands
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
"Company" or "Forgame" or "we" or "us"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose shares became listed on the Main Board of the Stock Exchange on the Listing Date
"Contractual Arrangements"	a series of contractual arrangements entered into by Feidong, the PRC Operational Entities and their respective shareholders
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Executive Director(s)"	executive director(s) of the Company
"Family Trust"	Wang Trust, Keith Huang Trust, Hao Dong Trust and Zhuangjg Trust, collectively
"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited*) (廣州菲動軟件科技有限公司), an indirect wholly-owned subsidiary of the Company, established under the laws of the PRC on 13 June 2012
"Feiyin"	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited*) (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC on 12 April 2004

DEFINITIONS

"Financial Statements"	Unaudited consolidated financial statements of the Company for the six months ended 30 June 2017
"Foga Development"	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
"Foga Group"	Foga Group Ltd. (also referred to as Foga Group Limited), a company incorporated in the BVI on 25 July 2011
"Foga Holdings"	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of Hao Dong Trust
"Foga Internet Development"	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly owned by Mr. Yang and is one of the Holding Companies
"Foga Networks"	Foga Networks Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Huang and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of Keith Huang Trust
"Founders"	Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, who are the founder(s) of the Company, collectively
"Group"	the Company, its subsidiaries, the PRC Operational Entities (the financial results of which have been consolidated and accounted for as the subsidiaries of the Company by virtue of the Contractual Arrangements) and their subsidiaries, collectively
"Hao Dong Trust"	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary of which is Mr. Liao
"Holding Companies"	Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies of the Company established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang respectively, collectively
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

"IFRSs"	financial reporting standards and interpretations approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
"Independent Non-executive Director(s)"	independent non-executive Director(s) of the Company
"IP"	intellectual property
"IPO"	initial public offering of the Shares on the Stock Exchange
"IT"	information technology
"Jlc Inc."	Jlc Inc., a company incorporated under the laws of the Cayman Islands
"Jieyou"	Guangzhou Jieyou Software Co., Ltd. (also referred to as Guangzhou Jieyou Software Company Limited*) (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC on 7 June 2012
"Keith Huang Trust"	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
"Latest Practicable Date"	15 September 2017, being the latest practicable date prior to the bulk printing and publication of this interim report
"Listing Date"	3 October 2013
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Managecorp Limited"	Managecorp Limited, the trustee of each of the Family Trusts
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MPUs"	monthly paying users

DEFINITIONS

"Mr. Huang"	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of Keith Huang Trust
"Mr. Liao"	Mr. Liao Dong (廖東), one of the Founders and the settlor of Hao Dong Trust
"Mr. Wang"	Mr. Wang Dongfeng (汪東風), the Chairman of the Board, an Executive Director, the Chief Executive Officer of the Company, one of the Founders and the settlor of Wang Trust
"Mr. Yang"	Mr. Yang Tao (楊韜), one of the Founders
"Mr. Zhuang"	Mr. Zhuang Jieguang (莊捷廣), an Executive Director who resigned with effect from 1 April 2015, one of the Founders and the settlor of Zhuangjg Trust
"Nomination Committee"	the nomination committee of the Board
"Non-executive Director(s)"	non-executive director(s) of the Company
"Offer Date"	the date on which the Pre-IPO Share Option(s) are offered to an eligible participant as defined in the Pre-IPO Share Option Scheme
"Placing"	the placing of the Placing Shares to professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 pursuant to the terms of the Placing Agreement
"Placing Agreement"	the placing agreement entered into by the Company with BOCOM International Securities Limited as placing agent on 22 May 2015 in relation to the Placing
"Placing Share(s)"	an aggregate of 19,041,900 Shares placed to professional, institutional and other investors pursuant to the Placing
"Post-IPO Share Options"	options to be granted under the Post-IPO Share Option Scheme
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in the scheme
"PRC Operational Entities"	Feiyin, Weidong and Jieyou whose financial results have been consolidated and accounted for as those of subsidiaries of the Company by virtue of the Contractual Arrangements, collectively

"Pre-IPO Share Options"	options granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in the scheme
"Prospectus"	the prospectus of the Company dated 19 September 2013 in relation to the IPO
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"R&D"	research and development
"RSU(s)"	restricted share unit(s) granted pursuant to the RSU Scheme
"Restricted Share Unit Scheme" or "RSU Scheme"	the scheme conditionally approved and adopted by the Company on 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
"SFO"	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholders"	shareholders of the Company
"Shares"	shares of USD0.0001 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"United States"	the United States of America
"USD"	United States dollars, the lawful currency of the United States
"Wang Trust"	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
"Weidong"	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited*) (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC on 22 January 2007

DEFINITIONS

"Yinker"	Yinker Inc., a company incorporated under the laws of the Cayman Islands
"Yunke"	Jiujiang City Yunke Internet Micro-lending Company Limited* (九江市雲客網絡小額貸款有限公司), a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016
"Zhuangjg Trust"	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members
"*91wan*"	the self-publishing platform, namely 91wan.com

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