Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Forgame Holdings Limited (the "**Company**" or "**Forgame**" or "**We**") announces the audited consolidated results of the Company, the PRC Operational Entities (as defined in the prospectus of the Company dated 19 September 2013 (the "**Prospectus**")) and their subsidiaries (collectively the "**Group**") for the year ended 31 December 2016. The annual results have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and have been audited by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standards on Auditing.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year Ended 31 December		
	2016	2015	
	(RMB'000)	*(RMB'000)*	Change %
Revenue	**361,564**	511,539	-29.3%
Gross profit	**72,549**	171,414	-57.7%
Loss for the year	**(396,492)**	(129,621)	205.9%
Non-IFRSs Measures(1)			
– Adjusted net loss for the year	**(240,147)**	(52,809)	354.7%
– Adjusted EBITDA(2) for the year	**(207,813)**	(38,675)	437.3%

Notes:

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

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

OVERVIEW AND OUTLOOK

Overview

At the beginning of 2016, the management set the goals to transition from a webgames business to a mobile games business and to diversify the Group's geographical revenue sources, and the Group has made progress on both fronts while operating in a highly competitive environment. **Compared to a year ago, Forgame's mobile games revenue contribution increased from 60.5% to 63.8%, while revenue contribution from overseas increased from 10.6% to 13.0%.** Furthermore, our overseas blockbuster, "Liberators", was recognised by Facebook as one of the best webgames of 2016.

Despite these efforts, the Group's operations and gaming related investments have yet to produce a major hit game that will generate the type of revenue increase and healthy margin that both the management and the Shareholders have been hoping for. While the management asks for the Shareholders' patience as a few games in the pipeline have all exhibited the elements to become blockbuster games, we have also begun to seek ways to produce stable, scalable and positive net income sources through our investments. Our internal strategy discussion started with the question: "what are our core strengths?", and based on our historical track record, **it is clear that our strength lies in our ability to understand the fast changing PRC consumer preferences and to identify the next high-growth and high-margin technology industry.** We successfully identified the upcoming wave of webgames back in 2009 and subsequently became one of the leading PRC webgames developers that was able to scale to be listed on the mainboard of the Stock Exchange in a span of four years. We were also correct in identifying that the mobile game industry would become the next high-growth area. As we scour the market for the next trend, not only have we identified that fintech will be one of the next fastest growing and highly profitable markets that will easily eclipse the webgame wave that we had successfully captured, we have also identified an investible target that has all the hallmarks to become a market leader in its field, Yinker Inc., also known as INK ("INK").

INK is one of the top PRC internet finance leaders by transaction volume through providing quality financing services over the internet to the public. **To be successful**

in this field, a thorough understanding and mastery of the technology and finance worlds is a must, and INK's management has sufficiently demonstrated their savviness in both fields. On the technology side, INK was able to grow its transaction volume and revenue to RMB44.7 billion and RMB300 million for the year 2016, respectively. Its popular app Jianlicai (簡理財) ("Jianlicai"), which provides internet financial services, contributed transaction volume of RMB29 billion in 2016, approximately six times of that in 2015. Its success in branding as a professional and safe financing solution platform while deploying effective marketing strategy was critical to INK's success, and that was largely driven by the leadership of INK, particularly the chief executive officer of Jianlicai, Zhang Yang, who had a successful 10-year career with the Alibaba group prior to joining INK. On the finance side, the management of INK has built up an effective network to attract quality borrowers to make real-estate backed collateralised loans. The majority of these loans are made up of first-tier city real-estate backed loans, resulting in a 1.09% delinquency rate as of December 2016, which was comparable to other major market leaders in this field.

The Group is very excited about INK and as the management continues to monitor its performance, the Group is also actively seeking ways to have further exposure in this field. **The Group has successfully obtained the highly valued and sought-after licence that allows Forgame to operate internet finance business in the PRC from the Jiangxi provincial government (the "Internet Finance Business Licence").** This is an important ingredient in PRC's fintech world as it opens up many business and partnership opportunities.

Outlook

The year of 2017 is expected to be another highly competitive year for standalone PRC mobile game developers, yet the management also believes Forgame is one blockbuster away from delivering the results the market expects. **At the same time, we look at our ability to adapt and change as our core competency, and we proceed to actively look for new opportunities within the internet, media and technology space.** Our investments in INK and obtaining the Internet Finance Business Licence are just the beginning of our plan to diversify into what we believe a high-growth and high profitability industry in the near future. While there will be short term challenges during the transformation, which are highlighted in the section headed "Transformation Plan: Risks and Hurdles" in this annual results announcement, the Group strongly believes a brighter future will come soon. On behalf of the management, the chief executive officer of the Company wants to sincerely thank the Shareholders and the Directors for their support and ask them to believe in the management and that the management will be able to deliver higher shareholder value very soon.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As the Company continues its transformation from a webgame company to a mobile game company, the Company's revenue contributed by mobile games continued to increase with the percentage of total revenue increasing from approximately 60.5% in 2015 to approximately 63.8% in 2016. In 2016, we have launched 21 games in total, approximately 90% of which were mobile games. The Company generated a total revenue of RMB361.6 million in 2016, which was 29.3% lower than that in 2015. This decrease was primarily due to the fact that several of the Group's key titles, such as "Sword Immortal (劍仙緣)", "Boonie Bears: Homeland Defense (熊出沒之保衛家園)" and "True King (真王)", have entered into the mature stage of their lifecycle and generated less revenue than prior year, while the increase in revenue generated from new games could not fully offset the decrease in revenue generated from the Group's existing key titles.

Revenue generated from the Group's webgames amounted to RMB131.1 million in 2016, representing a decrease of 35.1% compared to that in 2015. This decrease was the direct result of the Group's strategy on producing fewer but higher quality webgames. In 2016, the Company launched two webgames, one of which, namely "Liberators", was designed for overseas markets. "Liberators" is a world-war II themed strategy game which has been launched on Facebook in multiple overseas markets including the United States and Europe. This game was recognised as one of "Facebook's 2016 Best Web Games" in December 2016.

To promote the Group's new games, the Company has incurred selling and marketing expenses of RMB88.8 million in 2016, doubling those incurred in 2015. This increase was primarily due to our heavy investments in promoting Liberators. Also, the administrative expenses of the Group increased by 43.2% to RMB122.0 million in 2016 mainly due to the write-down of prepayments and receivables after assessing the current and/or projected performance of related games as well as the cost of closing down the Group's Taiwan office and the associated assets write-offs.

Forgame's management continues to optimise the Company's operation structure through various cost-cutting measures. The Company has controlled and lowered its headcount level from 596 personnel in 2015 to 399 by the end of 2016. In addition, the costs incurred on research and development decreased by 26.7% in 2016, compared to those in 2015.

Forgame recorded an investment loss of approximately RMB134.1 million in 2016, out of which, approximately RMB22.2 million related to the impairment of investment in the Group's associates, approximately RMB108.1 million related to the impairment of the Group's available-for-sale financial assets, and approximately RMB9.7 million related to other losses, and which was partially offset by approximately RMB2.0 million related to share of income of investments accounted for using the equity method and approximately RMB3.9 million related to gain on dilution of investments accounted for using the equity method. These investment losses were due to a number of factors including but not limited to the volatility of the fund raising market, existing cash availability for the investments, as well as a more prudent assessment of the outlook of the games in the pipelines of the invested game studios.

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

	Year Ended 31 December	
	2016	2015
Game Product:		
Average MPUs [(1)] (in thousands) [(2)] [(3)]	**789**	1,006
Monthly ARPPU [(4)] (RMB)	**35**	39
Game Platform:		
Registered players (in thousands)	**227,835**	224,584
Average MPUs (in thousands) [(2)] [(3)]	**9**	11
Monthly ARPPU (RMB)	**234**	345

Notes:

(1) MPUs means monthly paying users.

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

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

(4) ARPPU means average revenue per paying user.

— **Game product.** The average MPUs for the game product segment decreased to approximately 789 thousand in 2016 from approximately 1,006 thousand in 2015. This decrease was primarily due to the fact that several games, such as "Sword Immortal (劍仙緣)", "Bonnie Bears: Homeland Defense (熊出沒之保衛家園)" and "True King (真王)", have entered into the mature stage of their lifecycles while the new games developed by the Group need time to ramp up and have yet to offset the loss of paying users. Monthly ARPPU level of game product segment remained stable and amounted to RMB35 for the year 2016 as compared with RMB39 for the year ended 2015.

— **Game platform.** Registered players of the Group's game publishing platform *91wan* increased to approximately 228 million as at 31 December 2016 from approximately 225 million as at 31 December 2015. The average MPUs of the Group for the game platform segment decreased to approximately 9 thousand in 2016 from approximately 11 thousand in 2015, and the monthly ARPPU of the game platform segment has decreased to RMB234 for 2016 from RMB345 for 2015. The decrease in average MPUs and monthly ARPPU was primarily due to the Group's strategy to scale back webgame player acquisitions in order to maintain a positive return on investment for our webgame publishing business.

The following table sets forth the Group's income statement for the year ended 31 December 2016 as compared to the year ended 31 December 2015:

	Year Ended 31 December		
	2016	2015	Change
	(RMB'000)	*(RMB'000)*	%
Revenue	**361,564**	511,539	-29.3%
Cost of revenue	**(289,015)**	(340,125)	-15.0%
Gross profit	**72,549**	171,414	-57.7%
Selling and marketing expenses	**(88,820)**	(40,684)	118.3%
Administrative expenses	**(121,983)**	(85,176)	43.2%
Research and development expenses	**(96,476)**	(131,562)	-26.7%
Other income	**11,787**	41,582	-71.7%
Other losses	**(14,246)**	(15,352)	-7.2%
Finance income-net	**8,701**	8,562	1.6%
Gain on dilution of investments accounted for using the equity method	**3,907**	1,333	193.1%
Share of income/(loss) of investments accounted for using the equity method	**2,047**	(13,880)	-114.7%
Impairment of investment in associates	**(22,219)**	(19,418)	14.4%
Impairment of available-for-sale financial assets	**(108,063)**	(35,521)	204.2%
Impairment loss on intangible assets and property and equipment	**(30,198)**	(5,774)	423.0%
Loss before income tax	**(383,014)**	(124,476)	207.7%
Income tax expense	**(13,478)**	(5,145)	162.0%
Loss for the year	**(396,492)**	(129,621)	205.9%

Revenue. Revenue decreased by 29.3% to RMB361.6 million for the year ended 31 December 2016 from RMB511.5 million for the year ended 31 December 2015. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2016 and 2015:

	Year Ended 31 December			
	2016		2015	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000)*	*(% of Total Revenue)*
Revenue by Segment				
– Game product	**335,648**	**92.8**	468,086	91.5
– Game platform	**25,916**	**7.2**	43,453	8.5
Total Revenue	**361,564**	**100.0**	511,539	100.0
Revenue by Game Type				
– Mobile games	**230,508**	**63.8**	309,724	60.5
– Webgames	**131,056**	**36.2**	201,815	39.5
Total Revenue	**361,564**	**100.0**	511,539	100.0

— Revenue generated from the Group's game product segment decreased by approximately 28.3% to RMB335.6 million for the year ended 31 December 2016 from RMB468.1 million for the year ended 31 December 2015. This decrease was primarily due to the fact that some of the Group's key games have entered into the mature stage of their lifecycles and generated less revenue than prior year, while the increase in revenue generated from the Group's new games could not fully offset the decrease in revenue. Further, although we experienced delay in the launch of some of our titles in order to optimise the performance of the relevant games, we managed to execute the mobile game strategy and launched 21 major games[(1)] to the market. Revenue generated from the Group's game platform segment decreased by approximately 40.4% to RMB25.9 million for the year ended 31 December 2016 from RMB43.5 million for the year ended 31 December 2015. The decline in revenue from the game platform segment was mainly due to the scaling back in the Group's webgame publishing business.

— Revenue generated from the Group's mobile games decreased by approximately 25.6% to RMB230.5 million for the year ended 31 December 2016 from RMB309.7 million for the year ended 31 December 2015. This decrease was mainly due to a few of our key mobile titles, such as "Boonie Bears(熊出沒)" series and "Sword Immortal(劍仙緣)", having entered the mature stage of their lifecycles and generated less revenue this year. Revenue generated from the Group's webgames decreased by approximately 35.1% to RMB131.1 million for the year ended 31 December 2016 from RMB201.8 million for the year ended 31 December 2015. This decrease was in line with the Group's expectation as the Group shifts its business focus from webgames to mobile games. This transition resulted in the reduction in the number of new webgames that the Group has launched and operated in 2016.

Note:

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

Cost of revenue. Cost of revenue decreased by 15.0% to RMB289.0 million for the year ended 31 December 2016 from RMB340.1 million for the year ended 31 December 2015. For the year ended 31 December 2016, the percentage of cost of revenue to total revenue increased to 79.9% (2015: 66.5%). The following table sets forth the cost of revenue of the Group by segment for the years ended 31 December 2016 and 2015:

	Year Ended 31 December			
	2016		2015	
	(RMB' 000)	***(% of Total Cost of Revenue)***	*(RMB' 000)*	*(% of Total Cost of Revenue)*
Cost of Revenue by Segment				
– Game product	**283,768**	**98.2**	327,444	96.3
– Game platform	**5,247**	**1.8**	12,681	3.7
Total Cost of Revenue	**289,015**	**100.0**	340,125	100.0

— Cost of revenue in respect of the Group's game product segment decreased by 13.3% to RMB283.8 million for the year ended 31 December 2016 from RMB327.4 million for the year ended 31 December 2015. This decrease was mainly due to lower content costs and revenue sharing costs of self-developed mobile games for the year ended 31 December 2016 compared to the year ended 31 December 2015 as some of the Group's key mobile titles, such as "Boonie Bears(熊出沒)" series and "Sword Immortal(劍仙緣)", having entered the mature stage of their lifecycles and generated less revenue during the year.

— Cost of revenue in respect of the Group's game platform segment decreased by 58.6% to RMB5.2 million for the year ended 31 December 2016 from RMB12.7 million for the year ended 31 December 2015. This decrease was primarily due to the intended scaling back of the webgame publishing business and the ongoing effort of the Group to optimise the return on investment and profitability of *91wan*.

Selling and marketing expenses. Selling and marketing expenses increased by 118.3% to RMB88.8 million for the year ended 31 December 2016 from RMB40.7 million for the year ended 31 December 2015. This increase was mainly attributable to the increase in the promotion and advertising expenses of the Group in respect of its new games. In particular, "Liberators", the Group's new overseas webgame title, had incurred approximately RMB69.4 million marketing costs in 2016.

Administrative expenses. Administrative expenses increased by 43.2% to RMB122.0 million for the year ended 31 December 2016 from RMB85.2 million for the year ended 31 December 2015. This increase was mainly due to (i) one-off losses relating to the write-down of prepayments and receivables after assessing the current and/or projected games' performance and suitability pursuant to the Company's strategy of focusing resources on developing casual games and refraining from investing resources into new PRC hard-core games, and (ii) costs of closing down the Group's Taiwan office and the associated asset write-offs.

Research and development expenses. Research and development expenses decreased by 26.7% to RMB96.5 million for the year ended 31 December 2016 from RMB131.6 million for the year ended 31 December 2015. This decrease was primarily due to the ongoing effort of the Group to optimise its research and development capability, as well as the reduction in the research and development expenses of the Group's webgames due to the strategic transition of the Group's business focus from webgames to mobile games.

Other income. Other income decreased by 71.7% to RMB11.8 million for the year ended 31 December 2016 from RMB41.6 million for the year ended 31 December 2015. This decrease was mainly due to the conversion of a significant amount of Group's bank deposits from RMB into USD, in order to preserve the Group's purchasing power in light of RMB exchange rate fluctuations, which however resulted in a lower interest rate.

Other losses. Other losses decreased by 7.2% to RMB14.2 million for the year ended 31 December 2016 from RMB15.4 million for the year ended 31 December 2015. The other losses in 2016 included (i) a RMB9.7 million fair value loss as a result of the change in the value of financial assets at fair value through profit or loss, and (ii) a RMB3.4 million loss as a result of the disposal of property and equipment mainly due to the disposal of redundant servers in order to improve operational efficiency.

Finance income-net. Finance income-net primarily consists of the interest income from short-term bank deposits. The finance income-net of the Group remained stable and amounted to RMB8.7 million (2015: RMB8.6 million). As part of the Group's cash management strategy, the Company monitors the RMB interest rate movements and re-evaluates its cash management strategy from time to time to best utilise the available cash on hand.

Gain on dilution of investments accounted for using the equity method. Gain on dilution of investments accounted for using the equity method increased by 193.1% to RMB3.9 million for the year ended 31 December 2016 from RMB1.3 million for the year ended 31 December 2015. This increase was mainly due to the increase of valuation of investments as a result of the fund raising activities carried out by investees.

Share of income/(loss) of investments accounted for using the equity method. Share of income of investments accounted for using the equity method for the year ended 31 December 2016 was RMB2.0 million, as compared to a loss of RMB13.9 million for the year ended 31 December 2015. This gain reflected the improved financial and operational performance of the Group's investee companies. Some of the Group's investee companies had recorded positive profit before tax or had narrowed the loss compared to the previous year.

Impairment of investment in associates and impairment of available-for-sale financial assets. Impairment of investment in associates and impairment of available-for-sale financial assets for the year ended 31 December 2016 was RMB22.2 million and RMB108.1 million respectively, which represented the provision for impairment loss of some of our angel investments after the review of the Group's major investments in the investment portfolio with the help of a third party consultancy. According to the review, the PRC fund raising market for small gaming studios continued to be challenging. After considering that the performance of such angel investments may be less predictable and typically depend on their ability to attract more rounds of funding, the Group made a provision for impairment loss as a matter of prudence.

Impairment loss on intangible assets and property and equipment. Impairment loss on intangible assets and property and equipment increased by 423.0% to RMB30.2 million for the year ended 31 December 2016 from RMB5.8 million for the year ended 31 December 2015. This increase was primarily caused by the expected write-down of PRC hard-core game intellectual property licence fees resulting from a strategic repositioning plan with the aim of focusing the Group's resources on developing casual games and refraining from investing resources into new PRC hard-core games.

Income tax expense. Income tax expense increased by 162.0% to RMB13.5 million for the year ended 31 December 2016 from RMB5.1 million for the year ended 31 December 2015. This increase primarily reflected the write-offs of certain deferred tax assets previously recognised which the Board considered unlikely to be utilised in the future.

Loss for the year. As a result of the foregoing, the loss for the year ended 31 December 2016 was RMB396.5 million (including the provision for investment and impairment loss of approximately RMB134.1 million), as compared to the loss of RMB129.6 million for the year ended 31 December 2015. The increase in loss for the year (excluding provision for investment and impairment loss) was primarily due to decrease in revenue, increase in marketing and promotion expenses and certain one-off exceptional losses (such as impairment loss on intangible assets and the write down of prepayments and receivables, etc.) resulting from a strategic repositioning plan with the aim of focusing the Group's resources on developing casual games and refraining from investing resources into new PRC hard-core games. However, the Group had managed to control the operating costs and expenses at a reasonable level and optimise the Group's research and development capability.

Non-IFRSs Measures-Adjusted Net Loss and Adjusted EBITDA

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

The following tables set forth the reconciliation of the Group's non-IFRS financial measures for the years ended 31 December 2016 and 2015, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2016	2015
	(RMB'000)	*(RMB'000)*
Loss for the year	**(396,492)**	(129,621)
Add:		
Share-based compensation	**16,272**	9,592
Changes in the value of financial assets at fair value through profit or loss	**9,791**	6,323
Loss on disposal of a subsidiary	**—**	5,958
Impairment of investment in associates	**22,219**	19,418
Impairment of available-for-sale financial assets	**108,063**	35,521
Adjusted net loss (unaudited)	**(240,147)**	(52,809)
Add:		
Depreciation and amortisation	**34,556**	49,339
Net interest income	**(15,700)**	(40,350)
Income tax expense	**13,478**	5,145
Adjusted EBITDA (unaudited)	**(207,813)**	(38,675)

Financial Position

As at 31 December 2016, the total equity of the Group amounted to RMB1,058.1 million, compared to RMB1,444.7 million as at 31 December 2015. This decrease was mainly due to the increase in accumulated losses as discussed in the above paragraphs.

The Group's net current assets amounted to RMB665.1 million as at 31 December 2016, compared to RMB1,165.2 million as at 31 December 2015. This decrease was primarily due to (i) the decrease in cash and cash equivalents resulted from the convertible bonds investment payment to INK, details of which are set out in the paragraph headed "Significant Investments" in this section, and (ii) the decrease in receivables and prepayment balance as a result of the strategic repositioning plan with the aim of prioritising the Group's resources on developing casual games over new PRC hard-core games.

Liquidity and Financial Resources

	Year Ended 31 December	
	2016	2015
	(RMB' 000)	*(RMB' 000)*
Cash at bank and on hand	**264,123**	916,095
Cash at other financial institutions	**3,863**	11,034
Short-term deposits	**448,997**	200,000
Total	**716,983**	1,127,129

The total cash, cash equivalent and short-term deposits of the Group amounted to RMB717.0 million as at 31 December 2016, compared to RMB1,127.1 million as at 31 December 2015. This decrease was primarily due to the convertible bonds investment payment to INK, details of which are set out in the paragraph headed "Significant Investments" below, and share buy-backs in 2016.

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 Renminbi ("RMB"), followed by United States dollars ("USD").

As at 31 December 2016, the Group's gearing ratio (calculated by bank borrowing divided by total assets) was nil (as at 31 December 2015: nil), which means it did not have any bank borrowing balance as at 31 December 2016. The borrowing requirements of the Group are not subject to seasonality.

Significant Investments

Subscription of Convertible Bonds

On 3 August 2016, the Company entered into an investment agreement with INK pursuant to which the Company agreed to subscribe for, and INK agreed to issue, the convertible bonds (the "Convertible Bonds") in the aggregate principal amount of RMB300,000,000 (the "Subscription"). The Subscription was completed on 27 September 2016.

Assuming the conversion rights attaching to the Convertible Bonds and the accrued interest are exercised in full upon maturity of the Convertible Bonds at the initial conversion price of RMB0.7448 per conversion share, up to a total of 474,411,730 conversion shares will be allotted and issued by INK, representing approximately 15.01% of the issued share capital of INK as at 3 August 2016 (on an as-converted and fully diluted basis, but without taking into account any potential dilution effect resulting from the additional shares reserved for issue under the employee stock ownership plan adopted by INK).

For further details and information of the Subscription, please refer to the announcements of the Company dated 3 August 2016 and 27 September 2016.

Foreign Exchange Risk

As at 31 December 2016, RMB345.7 million of the financial resources of the Group (2015: RMB25.0 million) were held in deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was due to the conversion of a significant amount of the Group's bank deposits from RMB into USD to support the Group's international operations and preserve the Group's purchasing power in light of the recent RMB exchange rate fluctuations. With a significant amount of deposits denominated in USD and in view of potential RMB exchange rate fluctuations, the Group will continue to monitor foreign exchange rate changes to best preserve the Group's cash value.

Capital Expenditures

	Year Ended 31 December	
	2016	2015
	(RMB' 000)	*(RMB' 000)*
Capital expenditures		
– Purchase of property and equipment	**971**	2,561
– Purchase of intangible assets	**9,909**	22,392
Total	**10,880**	24,953

Capital expenditures comprise of the purchase of property and equipment, such as servers and computers, and purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers. The total capital expenditures were RMB10.9 million and RMB25.0 million for the years ended 31 December 2016 and 2015, respectively. The decrease of RMB14.1 million in total capital expenditures reflected a lower purchasing level of property and equipment and a decrease in the leasehold improvement for PRC Operational Entities' offices and intangible assets. The Group has less property and equipment purchase requirements for the year ended 31 December 2016 because the property and equipment purchases made prior to 2016 sufficiently supported its business growth. The purchase of intangible assets decreased in 2016 because the licensing rights for several third party mobile games as well as the adaptation rights of several popular intellectual properties acquired prior to 2016 successively supported the game publishing and game development of the Group in 2016.

Pledge of Asset

As at 31 December 2016, the Group had a pledge of assets of RMB0.8 million (as at 31 December 2015: RMB0.7 million) as restricted cash for corporate credit card deposits.

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant unrecorded contingent liabilities.

Human Resources

As at 31 December 2016, the Group had 399 full-time employees, the vast majority of whom were based in Guangzhou. As the Group continued its transition from a webgame business to a mobile game business, the management has actively monitored human resources costs and made headcount adjustments. As a result, the Group had a net decrease of 197 employees in 2016. The following table sets forth the number of employees by function as at 31 December 2016:

	Number of Employees	**% of Total**
Game Development	198	50%
Publishing	47	12%
Sales and Marketing	21	5%
General and Administration	133	33%
Total	399	100%

Details of the Group's remuneration policies and training schemes and detail of share option scheme and restricted share unit scheme will be set out in the annual report of the Company for the year ended 31 December 2016.

Post Balance Sheet Event

There were no material subsequent events during the period from 31 December 2016 to the approval date of these financial statements by the Board of Directors on 28 March 2017.

Transformation Plan: Risks and Hurdles

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

Since 2014, the Group have made investments in a number of mobile game studios and incubators in China with a remaining value of approximately RMB52.6 million post investment impairment and losses in 2016, out of which approximately RMB23.6 million were classified as "investments in associates". These investments are mostly angel investments and during the development phase do not generate meaningful revenue and profit. Similar to most angel investments, it is difficult to determine the success of these investments in the early stage, and while successful investments could generate substantial returns, unsuccessful ones may need to be impaired or written off.

Future Plans

The Group is evaluating investment opportunities across various parts of the internet, media, and technology industry using the net proceeds from the placing of new shares of the Company ("Share") completed in June 2015 (the "Placing"), and/or the general working capital of the Group with the aim of building an ecosystem that would drive organic growth. Going forward, the Group will also look beyond the gaming space and diversify into the broader internet and pan-entertainment investment opportunities that can drive higher growth and profitability for the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Year Ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	2	**361,564**	511,539
Cost of revenue	3	**(289,015)**	(340,125)
Gross profit		**72,549**	171,414
Selling and marketing expenses	3	**(88,820)**	(40,684)
Administrative expenses	3	**(121,983)**	(85,176)
Research and development expenses	3	**(96,476)**	(131,562)
Other income		**11,787**	41,582
Other losses		**(14,246)**	(15,352)
Finance income-net		**8,701**	8,562
Gain on dilution of investments accounted for using the equity method		**3,907**	1,333
Share of income/(loss) of investments accounted for using the equity method		**2,047**	(13,880)
Impairment of investment in associates		**(22,219)**	(19,418)
Impairment of available-for-sale financial assets		**(108,063)**	(35,521)
Impairment loss on intangible assets and property and equipment		**(30,198)**	(5,774)
Loss before income tax		**(383,014)**	(124,476)
Income tax expense	4	**(13,478)**	(5,145)
Loss for the year		**(396,492)**	(129,621)

		Year Ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
– Change in value of available-for-sale financial assets		**(5,202)**	1,046
Items that will not be subsequently reclassified to profit or loss:			
– Currency translation differences		**35,783**	3,535
Total other comprehensive income, before tax		**30,581**	4,581
Income tax relating to components of other comprehensive income		**780**	(157)
Other comprehensive income for the year, net of tax		**31,361**	4,424
Total comprehensive loss for the year		**(365,131)**	(125,197)
Loss attributable to:			
– Owners of the Company		**(395,174)**	(129,144)
– Non-controlling interests		**(1,318)**	(477)
		(396,492)	(129,621)
Total comprehensive loss attributable to:			
– Owners of the Company		**(363,813)**	(124,720)
– Non-controlling interests		**(1,318)**	(477)
		(365,131)	(125,197)
Loss per share (expressed in RMB per share)			
– Basic	5	**(2.89)**	(0.95)
– Diluted	5	**(2.89)**	(0.95)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property and equipment		**8,217**	26,197
Intangible assets		**17,381**	58,650
Investments accounted for using the equity method		**23,582**	43,857
Financial assets at fair value through profit or loss		**319,922**	15,651
Available-for-sale financial assets		**23,150**	122,255
Prepayments and other receivables		**1,183**	2,410
Deferred income tax assets		**—**	12,686
		393,435	281,706
Current assets			
Trade receivables	7	**40,480**	71,927
Prepayments and other receivables		**10,112**	43,675
Restricted cash		**807**	674
Short-term deposits		**448,997**	200,000
Cash and cash equivalents		**267,986**	927,129
		768,382	1,243,405
Total assets		**1,161,817**	1,525,111

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**87**	88
Share premium		**2,073,900**	2,099,777
Reserves		**(65,296)**	(100,750)
Accumulated losses		**(949,535)**	(554,361)
		1,059,156	1,444,754
Non-controlling interests		**(1,046)**	(28)
Total equity		**1,058,110**	1,444,726
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**64**	844
Deferred revenue		**410**	1,358
		474	2,202
Current liabilities			
Trade payables	8	**26,652**	24,091
Other payables and accruals		**64,107**	40,063
Income tax liabilities		**1,620**	—
Deferred revenue		**10,854**	14,029
		103,233	78,183
Total liabilities		**103,707**	80,385
Total equity and liabilities		**1,161,817**	1,525,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information and Basis of Preparation

(a) General Information

Forgame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 July 2011 as an exempted company with limited liability under the Companies Law (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 and publishing webgames and mobile games (the "Group's Game Business") in the People's Republic of China (the "PRC").

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

(b) Basis of Preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

– Annual improvements to IFRSs 2012 – 2014 cycle

– Disclosure initiative – amendments to IAS 1.

The adoption of these amendments to standards and improvements do not have any impact on the current period or any prior period.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, "Financial instruments"
- IFRS 15, "Revenue from contracts with customers"
- IFRS 16, "Leases"

IFRS 9 and IFRS 15 are mandatory for financial years commencing on or after 1 January 2018. IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the above standards before their effective dates.

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

2 Segment Information

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

- Game Product
- Game Platform

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

The revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. Cost of revenue primarily comprises bandwidth and server custody fees, employee benefit expenses, content cost, distribution cost and other outsourcing expenses, 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 or to evaluate the performance of the operating segments.

The segment information provided to the Group's CODM for the reportable segments for the years ended 31 December 2016 and 2015 is as follows:

	Year Ended 31 December 2016		
	Game Product	**Game Platform**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**335,648**	**25,916**	**361,564**
Segment costs	**(283,768)**	**(5,247)**	**(289,015)**
Gross profit	**51,880**	**20,669**	**72,549**
Depreciation and amortisation included in segment costs	**15,987**	**1,037**	**17,024**

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

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the years ended 31 December 2016 and 2015 is as follows:

	Year Ended 31 December 2016		
	PRC (Excluding Hong Kong)	**Other Regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**314,451**	**47,113**	**361,564**

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

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

The Group offers its products and services in different forms: mobile games and webgames. A breakdown of revenue derived from different forms for years ended 31 December 2016 and 2015 is as follows:

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mobile games	**230,508**	309,724
Webgames	**131,056**	201,815
	361,564	511,539

There is no concentration risk as no single external customer contributed more than 10% of the Group's total revenue for the year ended 31 December 2016 (2015: Nil).

Turnover consists of revenues generated by the Group, which accounted for RMB361,564,000 for the year ended 31 December 2016 (2015: RMB511,539,000).

As at 31 December 2016 and 2015, majority of the non-current assets of the Group were located in the PRC.

3 Expenses by Nature

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Content cost, distribution cost and other outsourcing expenses	**252,846**	282,232
Employee benefit expenses	**138,975**	156,232
Promotion and advertising expenses	**78,353**	30,594
Amortisation of intangible assets	**22,787**	33,247
Impairment loss on prepayments and other receivables	**19,815**	4,843
Impairment loss on trade receivables	**15,699**	3,591
Bandwidth and server custody fees	**13,596**	22,664
Depreciation of property and equipment	**11,769**	16,092
Operating lease rentals in respect of office buildings	**10,812**	14,783
Travelling and entertainment expenses	**7,938**	10,253
Auditors' remuneration		
– Audit services	**4,500**	5,665
– Non-audit services	**1,004**	577
Legal claim (Note a)	**2,000**	500
Others	**16,200**	16,274
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**596,294**	597,547

(a) The Group made additional provision of RMB2,000,000 for a legal claim related to copyright infringement after taking appropriate legal advice (2015: RMB500,000). The aggregate provision for the case was RMB2,500,000 as at 31 December 2016.

4 Income Tax Expense

The income tax expense of the Group for the years ended 31 December 2016 and 2015 are analysed as follows:

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax:		
– PRC and oversea enterprise income tax	**792**	(479)
Deferred income tax:		
– Reversal of temporary differences	**12,686**	5,624
Income tax expense	**13,478**	5,145

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

	Year Ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Loss before income tax	**(383,014)**	(124,476)
Tax calculated at statutory income tax rates applicable to losses of the consolidated entities in their respective jurisdictions	**(91,046)**	(35,603)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**33,395**	12,418
Reversal of previously recognised tax losses and timing differences	**12,686**	—
Tax losses and timing differences for which no deferred income tax asset was recognised	**49,736**	21,326
Super deduction of research and development expenses	**(1,737)**	(2,161)
Expenses not deducted for income tax purposes:		
– Share-based compensation	**2,317**	1,354
– Others	**8,127**	7,811
Income tax expense	**13,478**	5,145

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the year ended 31 December 2016 (2015: Nil).

(c) Taiwan business income tax

Forgame International Co., Ltd. ("Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the year ended 31 December 2016 (2015: 17%).

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

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the year ended 31 December 2016 (2015: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. ("Weidong") and Guangzhou Feiyin Information Technology Co., Ltd. ("Feiyin") 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 rate was 15% for the year ended 31 December 2016 (2015: 15%).

Guangzhou Feidong Software Technology Co., Ltd. and Guangzhou Jieyou Software Co., Ltd. were accredited as "software enterprises" under the relevant PRC Laws and regulations. They are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generating from prior years. The applicable tax rate for two companies was 12.5% for the year ended 31 December 2016 (2015: 12.5%).

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that became effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the years ended 31 December 2016 and 2015.

(e) PRC withholding tax ("WHT")

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

As at 31 December 2016, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2016.

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

The tax charge relating to components of other comprehensive income during the year is as follows:

	2016			2015		
	Before tax	**Tax credit**	**After tax**	Before tax	Tax charge	After tax
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Fair value (losses)/gains on available-for-sale financial assets	**(5,202)**	**780**	**(4,422)**	1,046	(157)	889
Currency translation differences	**35,783**	**—**	**35,783**	3,535	—	3,535
Other comprehensive income	**30,581**	**780**	**31,361**	4,581	(157)	4,424
Current tax		**—**			—	
Deferred tax		**780**			(157)	
		780			(157)	

5 Loss per Share

(a) Basic

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

	Year Ended 31 December	
	2016	2015
Loss attributable to owners of the Company (RMB'000)	**(395,174)**	(129,144)
Weighted average number of ordinary shares in issue	**136,806,927**	136,195,587
Basic loss per share (in RMB/share)	**(2.89)**	(0.95)

(b) Diluted

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

For the year ended 31 December 2016, the Company had three categories of dilutive potential ordinary shares, share options granted to employees under the pre-IPO share option scheme and the post-IPO share option scheme, and restricted share units granted to employees under the restricted share units scheme.

As the Group incurred losses for the year ended 31 December 2016, the potential ordinary shares were not included in the calculation of dilutive loss per share, which would be anti-dilutive. Accordingly dilutive loss per share for the year ended 31 December 2016 was the same as basic loss per share for the year.

6 Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

7 Trade Receivables

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Third parties	**62,217**	76,372
Related parties	**1,919**	3,343
	64,136	79,715
Less: provision for impairment	**(23,656)**	(7,788)
	40,480	71,927

As at 31 December 2016 and 2015, the fair values of trade receivables were approximately similar to their carrying amounts.

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0-30 days	**11,055**	20,673
31-60 days	**7,052**	17,299
61-90 days	**5,623**	7,144
91-180 days	**12,030**	13,705
181-365 days	**11,262**	9,732
Over 1 year	**17,114**	11,162
	64,136	79,715

(b) 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 31 December 2016, trade receivables which had been past due but not impaired amounted to 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. The maximum age of this category of trade receivables is less than two years.

8 Trade Payables

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

The aging analysis based on recognition date of trade payables is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0-30 days	**7,183**	6,790
31-60 days	**3,238**	2,731
61-90 days	**3,199**	3,423
91-180 days	**9,188**	2,400
181-365 days	**1,712**	5,647
Over 1 years	**2,132**	3,100
	26,652	24,091

Trade payables were denominated in RMB and the fair values of these balances approximate their carrying amounts at the reporting date.

OTHER INFORMATION

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

At the Company's annual general meeting held on 24 May 2016, the shareholders of the Company ("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 24 May 2016) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the memorandum and articles of association of the Company to be held, or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting. Pursuant to such mandate, during the year ended 31 December 2016, the Company bought back a total of 2,395,200 Shares at a consideration of HK$30,812,278 on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), all of which were cancelled as at 31 December 2016. The bought-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the buy-backs are as follows:

Month of buy-backs	Total number of shares bought back (on the Stock Exchange)	Price per Share Highest	Price per Share Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
January 2016	2,395,200	13.00	11.30	30,812,278
	2,395,200			30,812,278

Save as disclosed above, during the year ended 31 December 2016, neither the Company nor any member company of the Group has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 12 May 2017 to Tuesday, 23 May 2017, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 23 May 2017. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 11 May 2017.

Use of Proceeds from Initial Public Offering

The Company's Shares were listed on the Stock Exchange in October 2013 and the Company raised net proceeds of approximately HK$982.8 million from the IPO. 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.

As at 31 December 2016, the Group had utilised approximately HK$876.4 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$107.8 million was used in 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, as subsequently amended and disclosed in the August Announcement. The unutilised portion of the net proceeds from the IPO (i.e. approximately HK$106.4 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 the remaining approximately HK$310,160,000 unutilised Placing 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. 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 Placing Proceeds as at the date of the December Announcement, to include 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 31 December 2016, the Group had utilised approximately HK$61.6 million of the net proceeds from the Placing in operations and investments in the internet, media, and technology industry. The unutilised portion of the net proceeds from the Placing (i.e. approximately HK$248.6 million) is currently held in cash and cash equivalents and short-term deposits, and is intended to be applied in the manner consistent with the stated use of proceeds as disclosed in the August Announcement and the December Announcement.

Audit and Compliance Committee

The audit and compliance committee of the Company has reviewed together with the Board and the external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers ("PwC HK"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

Corporate Governance Code

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

The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code and Corporate Governance Report as set in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "CG Code").

Save as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2016.

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 the 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 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.

Model Code for Securities Transactions

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2016.

Publication of the Audited Consolidated Annual Results and 2016 Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the annual report of the Company for the year ended 31 December 2016 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in April 2017.

Appreciation

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

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. WANG Dongfeng and Ms. LIANG Na; the non-executive director of the Company is Mr. ZHANG Qiang; the independent non-executive directors of the Company are Mr. HOW Sze Ming, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.