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## OURGAME INTERNATIONAL HOLDINGS LIMITED

### 聯眾國際控股有限公司\*

(a company incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 6899)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

#### FINANCIAL HIGHLIGHTS

	Six months ended		Changes	Three months ended		Changes
	30 June			30 June		
	2016	2015		2016	2015	
	RMB'000	RMB'000		RMB'000	RMB'000	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
<b>Revenue</b>	<b>415,883</b>	325,068	+27.9%	<b>221,288</b>	160,919	+37.5%
PC games revenue	<b>205,406</b>	148,822	+38.0%	<b>97,724</b>	80,959	+20.7%
Mobile games revenue	<b>166,502</b>	175,012	-4.9%	<b>100,830</b>	79,733	+26.5%
Others	<b>43,975</b>	1,234	+3,463.6%	<b>22,734</b>	227	+9,915.0%
<b>Profit attributable to equity holders of the Company</b>	<b>75,998</b>	62,545	+21.5%	<b>54,067</b>	34,326	+57.5%
<b>Non-IFRS adjusted net profit*</b>	<b>96,147</b>	84,379	+13.9%	<b>62,916</b>	44,054	+42.8%
Attributable to equity holders of the Company	<b>96,979</b>	84,379	+14.9%	<b>64,148</b>	44,054	+45.6%
Attributable to non-controlling interests	<b>(832)</b>	—	—	<b>(1,232)</b>	—	—

\* Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding share-based compensation expense.

## REVENUE BY GAMES

	Six months ended		Changes	Three months ended		Changes
	30 June			30 June		
	2016	2015		2016	2015	
	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
<b>Games revenue</b>						
Self-developed games						
— Texas Hold'em	<b>151,595</b>	80,873	+87.4%	<b>77,399</b>	43,974	+76.0%
— Mahjong	<b>77,954</b>	78,138	-0.2%	<b>41,593</b>	39,436	+5.5%
— Fight the Landlord	<b>119,341</b>	134,741	-11.4%	<b>67,361</b>	63,337	+6.4%
— Other self-developed games	<b>15,285</b>	19,724	-22.5%	<b>7,789</b>	9,935	-21.6%
Self-developed games total	<b>364,175</b>	313,476	+16.2%	<b>194,142</b>	156,682	+23.9%
Others	<b>7,733</b>	10,358	-25.3%	<b>4,412</b>	4,010	+10.0%
<b>Total games revenue</b>	<b>371,908</b>	323,834	+14.8%	<b>198,554</b>	160,692	+23.6%
<b>Non-Games revenue<sup>(1)</sup></b>	<b>43,975</b>	1,234	+3,463.6%	<b>22,734</b>	227	+9,915.0%
<b>Total revenue</b>	<b>415,883</b>	325,068	+27.9%	<b>221,288</b>	160,919	+37.5%

<sup>(1)</sup> Non-Games revenue mainly consists of miscellaneous revenue derived from tournaments and events organised by the Group, which includes sponsorship and advertising income received.

## REVENUE BY GEOGRAPHICAL AREAS

	Six months ended		Changes	Three months ended		Changes
	30 June			30 June		
	2016	2015		2016	2015	
	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
The People's Republic of China (the "PRC") <sup>(2)</sup>	<b>355,727</b>	325,068	+9.4%	<b>191,882</b>	160,919	+19.2%
Outside the PRC <sup>(3)</sup>	<b>60,156</b>	—	—	<b>29,406</b>	—	—
<b>Total revenue</b>	<b><u>415,883</u></b>	<u>325,068</u>	+27.9%	<b><u>221,288</u></b>	<u>160,919</u>	+37.5%

<sup>(2)</sup> For the purpose of this announcement, the revenue from the PRC do not include those from Hong Kong, Macau and Taiwan (if any).

<sup>(3)</sup> The revenue outside the PRC was primarily derived from Peerless Media Limited and its subsidiaries (the "**Peerless Group**") which were acquired by the Group at the end of June 2015. The Peerless Group is engaged in the business of television production, brand licensing, online service and tour management producing poker and online entertainment content under the World Poker Tour ("**WPT**") global brand ("**WPT Branded Business**").

## OPERATIONAL HIGHLIGHTS

	Six months ended		Changes	Three months ended		Changes
	30 June			30 June		
	2016	2015		2016	2015	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
<b>Monthly active users (“MAUs”)</b>						
<b>(in thousands):</b>						
Self-developed games						
— Texas Hold'em	871	479	+81.8%	1,007	445	+126.3%
— Mahjong	5,283	4,834	+9.3%	5,936	4,736	+25.3%
— Fight the Landlord	17,032	18,229	-6.6%	18,551	16,692	+11.1%
— Other self-developed games	4,923	5,785	-14.9%	4,938	5,729	-13.8%
<b>Total</b>	<b>28,109</b>	<b>29,327</b>	<b>-4.2%</b>	<b>30,432</b>	<b>27,602</b>	<b>+10.3%</b>
<b>Monthly paying users (“MPUs”)</b>						
<b>(in thousands):</b>						
Self-developed games	1,785	1,783	+0.1%	1,970	1,735	+13.5%
<b>Monthly average revenue per</b>						
<b>paying user (“ARPPU”)</b>						
<b>(in RMB):</b>						
Self-developed games	34	29	+17.2%	33	30	+10.0%

## BUSINESS REVIEW

The board (the “**Board**”) of directors (the “**Directors**”) of Ourgame International Holdings Limited (the “**Company**” or “**Ourgame**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016. The interim results have been reviewed and approved by the Company’s audit committee (the “**Audit Committee**”).

For the six months ended 30 June 2016, the Group has been operating well and achieved satisfactory financial results despite overall challenging market conditions. In particular growth accelerated in the second quarter which made up for a somewhat slow start in the first quarter and contributed to overall first half year’s performance. During the second quarter of 2016, the revenue of the Group increased by 37.5% from RMB160.9 million for the three months ended 30 June 2015 to RMB221.3 million. The revenues from PC games and mobile games amounted to RMB97.7 million and RMB100.8 million, representing an increase of 20.7% and 26.5% as compared with RMB81.0 million and RMB79.7 million for the corresponding period of 2015 respectively. Other revenue amounted to RMB22.7 million for the three months ended 30 June 2016, representing an increase of RMB22.5 million or 9,915.0% as compared with RMB0.2 million for the corresponding period of 2015. The profit attributable to equity holders of the Company increased by 57.5% to RMB54.1 million for the three months ended 30 June 2016, from RMB34.3 million for the corresponding period of 2015. Non-IFRS adjusted net profit attributable to equity holders of the Company increased by 45.6% to RMB64.1 million as compared with RMB44.1 million for the corresponding period of 2015. Moreover, the MAUs amounted to 30.4 million for the second quarter of 2016, representing an increase of 10.3% from 27.6 million for the same period of 2015. Compared to the 1.7 million MPUs during the second quarter of 2015, there was visible increase of 13.5% and the MPUs of the second quarter of 2016 amounted to 2.0 million.

The revenue of the Group increased by 27.9% from RMB325.1 million for the six months ended 30 June 2015 to RMB415.9 million for the six months ended 30 June 2016. Among which, PC games revenue increased by 38.0% from RMB148.8 million for the six months ended 30 June 2015 to RMB205.4 million for the six months ended 30 June 2016. Mobile games revenue decreased by 4.9% from RMB175.0 million for the six months ended 30 June 2015 to RMB166.5 million for the six months ended 30 June 2016. Non-games revenue increased by 3,463.6% from RMB1.2 million for the six months ended 30 June 2015 to RMB44.0 million for the six months ended 30 June 2016. Our profit attributable to equity holders of the Company increased by 21.5% from RMB62.5 million for the six months ended 30 June 2015 to RMB76.0 million for the six months ended 30 June 2016. Our non-IFRS adjusted net profit increased by 13.9% from RMB84.4 million for the six months ended 30 June 2015 to RMB96.1 million for the six months ended 30 June 2016. Our MAUs decreased by 4.2% from 29.3 million for the six months ended 30 June 2015 to 28.1 million for the six months ended 30 June 2016. Our MPUs remained stable at 1.8 million for the six months ended 30 June 2015 and 2016. The ARPPU increased by 17.2% from RMB29 for the six months ended 30 June 2015 to RMB34 for the six months ended 30 June 2016.

In the first half of 2016, the revenue of Texas Hold'em achieved significant growth and amounted to RMB151.6 million for the six months ended 30 June 2016, representing an increase of 87.4% over the corresponding period of 2015. The revenue of Mahjong for the first half of 2016 remained stable compared with the corresponding period of 2015. The MAUs of Texas Hold'em and Mahjong reached 871 thousand and 5.3 million for the six months ended 30 June 2016, respectively, representing an increase of 81.8% and 9.3% over the same period of 2015. There were slight decreases in revenue and MAUs of Fight the Landlord and other self-developed games. Compared to the six months ended 30 June 2015, the revenue of Fight the Landlord and other self-developed games were RMB119.3 million and RMB15.3 million and decreased by 11.4% and 22.5% during the same period of 2016 respectively. Among the total revenue of RMB415.9 million of the Group during the six months ended 30 June 2016, the Peerless Group which was acquired by the Group at the end of June 2015 contributed RMB60.2 million.

The increase in revenue of our major games categories can be attributable to the continued upgrade of our games that continued to attract users and stimulated purchases, the gradual diversification of payment methods, the well execution of the on/offline model and the closer cooperation with mobile carriers and mobile manufacturers. In the second quarter of 2016, we began adding features such as missions completion (闖關), double up (加倍) and other similar features into Tian-tian Fight the Landlord (天天鬥地主) and Mashang Fight the Landlord (馬上鬥地主) as well as our Mahjong series with the aim of raising users engagement level. Our close cooperation with major mobile carriers and mobile phone manufactures continue to help us attract users and maintain a stable payment environment. At the same time, we established a payment-directing function in our mobile games so that users can pay via WeChat or Alipay starting in the second quarter of 2016. We launched the first Fight the Landlord Golden League on Campus in May 2016 and the 2016 Fight the Landlord Golden League in June 2016. The two offline events have successfully drawn online traffic and attracted new users from the campus to our online platforms. Moreover, the successful launch of the 9th WPT Dragon Series, which attracted a record high number of participants and the contribution from the online traffic of WPT, had both helped drive the performance of our Texas Hold'em gaming business.

In June 2016, we celebrated the first anniversary of our acquisition of Peerless Group that holds the WPT global brand. Over the past year, Ourgame's technical and online operation know-hows were transplanted into Peerless Group whereas WPT's TV program production, offline event organization and other capabilities were infused into Ourgame smoothly. WPT finalized a historic, five-year broadcasting deal with FOX Sports Networks, assuring that WPT's top-rated show will become one of the longest-running regularly scheduled series in the history of television. Moreover, in May 2016, Peerless Group introduced the televised WPT Tournament of Champions. The elite tournament garnered headlines across the poker community, attracting 64 WPT Champions from the past 14 years. Social media impressions, including viewership on Youtube, Twitch, Pluto TV and other new digital media channels, increased 134% year-over-year in the second quarter of 2016, and WPT is on pace to generate more than 50 million impressions in 2016. In addition, Peerless Group continued to expand the depth and breadth of WPT Studios; adding distribution channels in India, South Korea and Israel; and achieving greater penetration on digital platforms such as PlutoTV.

Since the beginning of this year, Ourgame has been working closely with our substantial shareholder, Irena Group Co., Ltd. (a company listed on the National Equities Exchange and Quotations System in the PRC; stock code: 834358; the “**iRena**”), which enjoys unmatched expertise, resources and capability in sports tournament management, sports marketing, sports leisure services and manages over 70% of tickets sales of all premium commercial sports tournaments throughout the PRC. With the combination of two groups’ resources and expertise, the Group and iRena established a joint venture in Hainan (“**iRena/Ourgame JV**”) in April 2016 that aims to transform the sporting experience of millions of fans with a creative new business models by combining features of ticket sales, online games, tournaments and e-sports.

In the first half of 2016, we also made significant progress on Internet Plus transformation of card and board games together with the Board and Card Games Administrative Centre of the China General Sports Administration (the “**Board and Card Games and Administrative Center**”). The Board and Card Games and Administrative Centre announced the official launch of the competitive board and card games platform (the “**Platform**”), which was built by Ourgame’s invested Tianjin Zhongqi Weiye Sports Development Co., Ltd. (天津中棋惟業體育發展有限公司), and also announced the selection of five strategic pilot partners (including Tencent, 360, Sina, China Mobile Migu and Ourgame). The launch of the Platform heralds a brand new model for card and board game competitive sports. Users from all strategic partners could compete together on the Platform and win Master Scores (大師分) granted by the Board and Card Games and Administrative Centre.

In April 2016, we officially announced our new company logo. The new logo is formed by five “G” letters in a design inspired by The Olympic Rings. The new logo portrays our expansion from “game” business into an integrated “global group” with its five platforms (online games, e-sports, mind sports, global poker entertainment and sports e-Commerce). The new logo reflects the Group’s business ecosystem and its synergistic components. Going forward, the Group will continue to expand and accelerate growth along the axis of this five eco-system components, both domestic and internationally.

## **FUTURE PROSPECTS**

If first half of 2016 was continue to build the foundation for our eco-system and growth, then in the second half of 2016, there should be the first wave of initial results coming to fruition.

We will have an unequalled focus on our games products and we will be revamping our entire development and operations organization to center around our core products. We will be launching innovative products and game features with an accelerated pace. In PRC, we will continue to release innovative products and features across PC and mobile to reach new users and increase users engagement. Overseas, we have launching in the second half of 2016, an entire new set of WPT social gaming products, branded PlayWPT. PlayWPT includes a freemium poker game (PlayWPT Poker) with both PC and mobile versions, as well as several theme-based slot games (PlayWPT Slots). We are committed to growing PlayWPT into a worldwide leader. We will leverage WPT’s vast television library and utilize WPT’s significant social media footprint to penetrate WPT’s live player database.

Our eSports JV, Allied eSports, will be expanding our eSports arena property network to North America and Europe in the second half of 2016, making our property network truly global. With the global arena property network as the foundation, Allied eSports will be working with game publishers to operate eSports tournaments and events around the world, which will lead to a global integrated tournament offering.

The iRena/Ourgame JV will be launching its first wave of products and offerings in the second half of 2016. With the initial realization of synergy effects resulting from our cooperation with iRena, the iRena/Ourgame JV will further focus on expansions into correlative areas, including commercialization on sports IPs, sports fans and sports derivative products, and will strive to be a leading integrated e-business sports company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Overview

For the six months ended 30 June 2016, profit attributable to equity holders of the Company increased significantly and amounted to RMB76.0 million, representing an increase of RMB13.5 million from the corresponding period of 2015. Non-IFRS adjusted net profit\* attributable to equity holders of the Company amounted to RMB97.0 million, representing an increase of RMB12.6 million as compared with RMB84.4 million for the corresponding period of 2015.

\* *Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding share-based compensation expense.*

### 2. Revenue

For the six months ended 30 June 2016, revenue of the Group amounted to RMB415.9 million, representing an increase of RMB90.8 million or 27.9% as compared with RMB325.1 million for the corresponding period of 2015. The increase was due to significant increase in revenue from PC games and increase in other revenue primarily derived from game tournaments and events organized by the Group as a result of the acquisition of the Peerless Group.

For the six months ended 30 June 2016, the revenue from PC games amounted to RMB205.4 million, representing an increase of RMB56.6 million or 38.0% as compared with RMB148.8 million for the corresponding period of 2015. Other revenue amounted to RMB44.0 million for the six months ended 30 June 2016, representing an increase of RMB42.7 million or 3,463.6% as compared with RMB1.2 million for the corresponding period of 2015.

### 3. Cost of Revenue and Gross Profit Margin

For the six months ended 30 June 2016, cost of revenue of the Group amounted to RMB178.9 million, representing an increase of RMB29.9 million or 20.0% as compared with RMB149.0 million for the corresponding period of 2015. The resulting gross profit margin remained relatively stable at 57.0% and 54.2% for the six months ended 30 June 2016 and 2015 respectively.

### 4. Other Income

For the six months ended 30 June 2016, other income of the Group amounted to RMB21.4 million, representing an increase of RMB7.1 million or 49.5% as compared with RMB14.3 million for the corresponding period of 2015. This was primarily due to the recognition of the gain on deemed disposal of partial interest in an associate for the six months ended 30 June 2016.

## **5. Selling and Marketing Expenses**

For the six months ended 30 June 2016, selling and marketing expenses of the Group amounted to RMB85.7 million, representing an increase of RMB38.3 million or 80.7% from RMB47.4 million over the corresponding period of 2015. The increase for the period was mainly due to consolidation of the operating results of the Peerless Group since its acquisition by the Group at the end of June 2015 and due to additional costs incurred for the increase in marketing activities and personnel expenses.

## **6. Administrative Expenses**

For the six months ended 30 June 2016, administrative expenses of the Group amounted to RMB60.4 million, representing an increase of RMB31.3 million or 107.7% as compared with RMB29.1 million for the corresponding period of 2015. The increase for the period was mainly due to consolidation of the operating results of the Peerless Group since its acquisition by the Group at end of June 2015 and due to the increase in office rental for expansion of office space, professional fees and personnel expenses.

## **7. Research and Development Expenses**

For the six months ended 30 June 2016, research and development expenses of the Group amounted to RMB18.0 million, representing a decrease of RMB3.6 million or 16.7% as compared with RMB21.6 million for the corresponding period of 2015. The decrease in research and development expenses for the period was mainly due to improved efficiency.

## **8. Profit Attributable to Equity Holders of the Company**

For the six months ended 30 June 2016, profit attributable to equity holders of the Company amounted to RMB76.0 million, representing an increase of RMB13.5 million, or 21.5% as compared with RMB62.5 million for the corresponding period of 2015. The increase was primarily due to the significant increase in revenue.

## **9. Non-IFRS Measure — Adjusted Net Profit**

For the six months ended 30 June 2016, unaudited non-IFRS adjusted net profit attributable to equity holders of the Company amounted to RMB97.0 million, representing an increase of RMB12.6 million, or 14.9% as compared with RMB84.4 million for the corresponding period of 2015. The increase was primarily due to the significant increase in revenue. Our unaudited non-IFRS adjusted net profit attributable to equity holders of the Company for the six months ended 30 June 2016 and 2015 were derived from profit attributable to equity holders of the Company for the period excluding their share of share-based compensation expense (six months ended 30 June 2016: RMB21.0 million; six months ended 30 June 2015: RMB21.8 million).

## **10. Income Tax Credit/(Expense)**

For the six months ended 30 June 2016, income tax credit of the Group amounted to RMB1.8 million, compared to RMB7.9 million income tax expense for the corresponding period of 2015. The decrease of income tax expense was primarily due to an overprovision of income tax expense in respect of 2015 of RMB8.6 million as Beijing Lianzhong Co., Ltd. (“**Beijing Lianzhong**”), a wholly-owned subsidiary of the Group was accredited as a “Key Software Enterprise within National Planning Layout (國家規劃布局內重點軟體企業)” in May 2016 and was granted a preferential income tax rate of 10% retrospectively from 2015. As a result, Beijing Lianzhong is currently enjoying the preferential income tax rate of 10%, which is 5% lower than that of 2015. Such qualification is subject to a review process lead by applicable Development and Reform Commission and Ministry of Industry and Information Technology.

## **11. Liquidity and Source of Funding and Borrowing**

As at 30 June 2016, the Group’s total bank balances and cash (including pledged bank deposits) decreased by 22.8% from RMB348.7 million as at 31 December 2015 to RMB269.2 million. The decrease of total bank balances and cash for the period primarily was a result of the cash payments for our acquisition of intangible assets and property, plant and equipment for approximately RMB57.4 million, as well as payments in investment activities during the six months ended 30 June 2016.

As at 30 June 2016, the current assets of the Group amounted to RMB667.3 million, including RMB304.2 million in bank balances and cash and available-for-sale financial assets, and other current assets of RMB363.1 million. Current liabilities of the Group amounted to RMB110.4 million, of which RMB40.2 million were trade payables and deferred revenue, and other current liabilities of RMB70.2 million. As at 30 June 2016, the current ratio (the current assets to current liabilities ratio) of the Group was 6.0 as compared to 5.3 as at 31 December 2015.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group’s total equity. The Group did not have any bank borrowings or debt financing obligations as at 30 June 2016 or the date of this interim results announcement and did not have any breaches of finance covenants and the resulting gearing ratio is nil (2015: nil). The Group intends to finance future expansion, investments and business operations with internal resources.

## **12. Material Investments**

The Group did not have any material investments during the six months ended 30 June 2016.

## **13. Material Acquisitions**

The Group did not have any material acquisitions of subsidiaries or associated companies during the six months ended 30 June 2016.

#### **14. Material Disposals**

The Group did not have any material disposals of subsidiaries or associated companies during the six months ended 30 June 2016.

#### **15. Pledge of Assets**

The Group had no pledged assets as at 30 June 2016.

#### **16. Contingent Liabilities**

The Group had no material contingent liabilities as at 30 June 2016.

#### **17. Foreign Exchange Exposure**

During the six months ended 30 June 2016, the Group mainly operated in the PRC and in the United States of America and the majority of our transactions were settled in RMB or USD, being the functional currencies of the group entities to which the transactions relate. As at 30 June 2016, the Group did not have significant foreign currency exposure from its operations.

#### **18. Employee's Remuneration and Policy**

As at 30 June 2016, the Group employed 525 employees (including WPT staff), 138 of which were responsible for game development, 167 for game operation, 91 for general administration and corporate management, 45 for marketing and cooperation development, 75 for product security and quality control and 9 for customer services. The total remuneration expenses, excluding share-based compensation expenses, for the first half of 2016 were RMB71.2 million, representing an increase of 42.1% as compared with that of the corresponding period in the previous year. We provide external and internal training programs to our employees. As required by the PRC laws, we participate in various employee benefit plans, including housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. Pursuant to the share option scheme adopted on 19 November 2014 (the “**2014 Share Option Scheme**”), 10,840,000 share options were granted to the Directors and senior management of the Company during the six months ended 30 June 2016. The Group's share-based compensation expense for the six months ended 30 June 2016 amounted to RMB21.0 million, representing a decrease of RMB0.9 million as compared with RMB21.8 million for the corresponding period of 2015.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the "Shareholders").

### **1. Compliance with the Code on Corporate Governance Practices**

During the six months ended 30 June 2016, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for a deviation from code provision A.2.1 which requires that the roles of chairman and chief executive to be separate and not be performed by the same individual.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should not be performed by the same individual. Mr. Yang Eric Qing ("Mr. Yang") is the chairman and co-chief executive officer of the Company. Mr. Yang joined our Group in December 2010 and is responsible for general operation, strategy and information technology of the Company and is instrumental to the Company's growth and business expansion. The Board considers that vesting the roles of chairman and chief executive officer in Mr. Yang is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Yang), four non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

### **2. Compliance with the Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to govern securities transactions by its Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

### **3. Audit Committee**

The Company has established the Audit Committee in accordance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Company's internal control and financial reporting process and to maintain an appropriate relationship with the Company's

independent auditors. The Audit Committee comprises three members, namely, Mr. Cheung Chung Yan David (independent non-executive Director), Mr. Fan Tai (non-executive Director) and Mr. Ge Xuan (independent non-executive Director). Mr. Cheung Chung Yan David is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the six months ended 30 June 2016. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

#### **4. Purchase, Sale or Redemption of the Company's Listed Securities**

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Subsequent to the six-month period ended 30 June 2016, the Company repurchased 512,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 July 2016 for an aggregate consideration of approximately HK\$1,483,622.40 (before expenses). The repurchased shares were subsequently cancelled on 10 August 2016.

#### **5. Material Litigation**

As at 30 June 2016, the Group was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatening against the Group.

#### **6. Interim Dividend**

The Board does not declare any interim dividend to the Shareholders for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2016. The interim results have been reviewed by the Audit Committee and the Company's auditors, Grant Thornton Hong Kong Limited.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>415,883</b>	325,068
Cost of revenue		<u>(178,861)</u>	<u>(148,996)</u>
<b>Gross profit</b>		<b>237,022</b>	176,072
Other income	4	<b>21,396</b>	14,316
Selling and marketing expenses		<b>(85,669)</b>	(47,410)
Administrative expenses		<b>(60,398)</b>	(29,080)
Share-based compensation expense	17	<b>(20,981)</b>	(21,834)
Research and development expenses		<b>(18,012)</b>	(21,629)
Finance cost		<u>—</u>	<u>(36)</u>
<b>Profit before income tax</b>		<b>73,358</b>	70,399
Income tax credit/(expense)	6	<u><b>1,808</b></u>	<u>(7,854)</u>
<b>Profit for the period</b>	5	<u><b>75,166</b></u>	<u>62,545</u>
<b>Other comprehensive income for the period</b>			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u><b>5,319</b></u>	<u>4</u>
<b>Total comprehensive income for the period</b>		<u><b>80,485</b></u>	<u>62,549</u>
<b>Profit/(Loss) for the period attributable to:</b>			
Equity holders of the Company		<b>75,998</b>	62,545
Non-controlling interests		<u><b>(832)</b></u>	<u>—</u>
		<u><b>75,166</b></u>	<u>62,545</u>

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Equity holders of the Company		<b>81,317</b>	62,549
Non-controlling interests		<u><b>(832)</b></u>	<u>—</u>
		<u><b>80,485</b></u>	<u><b>62,549</b></u>
<b>Earnings per share attributable to equity holders of the Company</b> (expressed in RMB cents per share)			
Basic	8	<u><b>9.65</b></u>	<u><b>7.98</b></u>
Diluted	8	<u><b>9.16</b></u>	<u><b>7.49</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<i>Notes</i>	As at <b>30 June 2016</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2015 <i>RMB'000</i> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	55,811	56,573
Intangible assets	10	261,301	234,577
Goodwill		99,472	97,412
Available-for-sale financial assets	13	81,839	63,453
Interest in associates	11	47,424	13,768
Loans to a third party		45,375	42,990
Other non-current receivable	15	12,523	29,895
Deferred tax assets		<u>2,676</u>	<u>583</u>
		<u>606,421</u>	<u>539,251</u>
<b>Current assets</b>			
Inventories		968	1,928
Trade and other receivables	12	339,094	278,856
Current portion of other non-current receivable	15	23,014	3,241
Available-for-sale financial assets	13	35,000	20,000
Bank balances and cash		<u>269,174</u>	<u>348,669</u>
		<u>667,250</u>	<u>652,694</u>
<b>Current liabilities</b>			
Trade and other payables	14	55,455	71,536
Current portion of other non-current payable	15	23,014	3,241
Deferred revenue		23,530	30,060
Income tax liabilities		<u>8,361</u>	<u>19,309</u>
		<u>110,360</u>	<u>124,146</u>
<b>Net current assets</b>		<u>556,890</u>	<u>528,548</u>
<b>Total assets less current liabilities</b>		<u>1,163,311</u>	<u>1,067,799</u>

		As at <b>30 June</b> <b>2016</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2015 <i>RMB'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Other non-current payable	<i>15</i>	<b>12,523</b>	29,895
Deferred tax liabilities		<u><b>8,336</b></u>	<u>10,637</u>
		<u><b>20,859</b></u>	<u>40,532</u>
<b>Net assets</b>		<u><b>1,142,452</b></u>	<u>1,027,267</u>
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>240</b>	240
Reserves		<u><b>1,130,492</b></u>	<u>1,019,758</u>
Equity attributable to equity holders of the Company		<b>1,130,732</b>	1,019,998
Non-controlling interests		<u><b>11,720</b></u>	<u>7,269</u>
<b>Total equity</b>		<u><b>1,142,452</b></u>	<u>1,027,267</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Equity attributable to equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Balance at 1 January 2015</b>	238	620,618	18,883	(3,379)	25,233	101,027	127,206	889,826	90	889,916	
<b>Total comprehensive income for the period</b>											
Profit for the period	—	—	—	—	—	—	62,545	62,545	—	62,545	
Other comprehensive income for the period											
Currency translation differences	—	—	—	4	—	—	—	4	—	4	
	—	—	—	4	—	—	62,545	62,549	—	62,549	
<b>Transactions with owners</b>											
Change in functional currency	1	(3,414)	—	3,379	(110)	—	144	—	—	—	
Share-based compensation (Note 17)	—	—	—	—	19,693	2,141	—	21,834	—	21,834	
Exercise of share option (Note 16(ii))	1	8,027	—	—	(5,534)	—	—	2,494	—	2,494	
Appropriation to statutory reserve	—	—	7,534	—	—	—	(7,534)	—	—	—	
Dividends paid (Note 7)	—	—	—	—	—	—	(50,273)	(50,273)	—	(50,273)	
<b>Total transactions with owners</b>	2	4,613	7,534	3,379	14,049	2,141	(57,663)	(25,945)	—	(25,945)	
<b>Balance at 30 June 2015</b>	240	625,231	26,417	4	39,282	103,168	132,088	926,430	90	926,520	

Equity attributable to equity holders of the Company

	Share capital <i>RMB'000</i> (Unaudited)	Share premium <i>RMB'000</i> (Unaudited)	Statutory reserve <i>RMB'000</i> (Unaudited)	Translation reserve <i>RMB'000</i> (Unaudited)	Share option reserve <i>RMB'000</i> (Unaudited)	Other reserve <i>RMB'000</i> (Unaudited)	Accumulated profits <i>RMB'000</i> (Unaudited)	Sub-total <i>RMB'000</i> (Unaudited)	Non- controlling interests <i>RMB'000</i> (Unaudited)	Total equity <i>RMB'000</i> (Unaudited)
<b>Balance at 1 January 2016</b>	240	574,723	32,508	14,194	65,541	103,812	228,980	1,019,998	7,269	1,027,267
<b>Total comprehensive income/(loss) for the period</b>										
Profit/(loss) for the period	—	—	—	—	—	—	75,998	75,998	(832)	75,166
Other comprehensive income for the period										
Currency translation differences	—	—	—	5,319	—	—	—	5,319	—	5,319
	—	—	—	5,319	—	—	75,998	81,317	(832)	80,485
<b>Transactions with owners</b>										
Share-based compensation (Note 17)	—	—	—	—	19,996	985	—	20,981	—	20,981
Exercise of share option (Note 16(ii))	—	1,037	—	—	(218)	—	—	819	—	819
Transfer upon forfeiture of share options	—	—	—	—	(187)	(67)	254	—	—	—
Appropriation to statutory reserve	—	—	6,504	—	—	—	(6,504)	—	—	—
Disposal of partial interest in a subsidiary without losing control (Note 18(b))	—	—	—	—	—	7,617	—	7,617	5,283	12,900
<b>Total transactions with owners</b>	—	1,037	6,504	—	19,591	8,535	(6,250)	29,417	5,283	34,700
<b>Balance at 30 June 2016</b>	<u>240</u>	<u>575,760</u>	<u>39,012</u>	<u>19,513</u>	<u>85,132</u>	<u>112,347</u>	<u>298,728</u>	<u>1,130,732</u>	<u>11,720</u>	<u>1,142,452</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Profit before income tax		73,358	70,399
Adjustments for non-cash items		<u>55,097</u>	<u>20,275</u>
Operating profit before working capital changes		128,455	90,674
Net changes in working capital		<u>(85,919)</u>	<u>(76,067)</u>
Cash generated from operations		42,536	14,607
Interest received		8,976	7,017
Interest paid		—	36
Income tax paid		<u>(13,286)</u>	<u>(10,558)</u>
<b>Net cash from operating activities</b>		<u>38,226</u>	<u>11,102</u>
<b>Cash flows from investing activities</b>			
(Increase)/Decrease in time deposits with original maturities over three months		(17,978)	249,668
Increase in pledged bank deposits		—	(221,636)
Purchase of property, plant and equipment		(14,065)	(12,400)
Proceeds from disposal of property, plant and equipment		28	320
Purchase of intangible assets		(43,323)	(6,961)
Addition in development costs through internal development		(26,302)	(9,149)
Acquisition of subsidiary, net of cash acquired		—	(216,531)
Investments in associates		(21,645)	(7,955)
Purchase of available-for-sale financial assets		(54,000)	(25,000)
Proceeds from disposal of available-for-sale financial assets		20,010	—
Cash outflow from disposal of a subsidiary	18(a)	(465)	—
Repayment from loan to a related party		8,217	—
Loans granted to a third party		<u>—</u>	<u>(40,000)</u>
<b>Net cash used in investing activities</b>		<u>(149,523)</u>	<u>(289,644)</u>

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	—	(50,273)
Interest paid	—	(36)
Proceeds from short-term bank borrowings	—	120,910
Proceeds from issuance of shares upon exercise of share options	<b>819</b>	2,494
Proceeds from disposal of partial interest in a subsidiary	<b>12,900</b>	—
	<u><b>13,719</b></u>	<u>73,095</u>
<b>Net cash from financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	<b>(97,578)</b>	<b>(205,447)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>155,612</b>	<b>367,343</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents held</b>	<b>105</b>	—
	<u><b>58,139</b></u>	<u>161,896</u>
<b>Cash and cash equivalents at end of period</b>		
<b>Analysis of balances of cash and cash equivalents:</b>		
Bank balances and cash	<b>269,174</b>	263,864
Less: time deposits with original maturities exceeding three months	<b>(211,035)</b>	(101,968)
	<u><b>58,139</b></u>	<u>161,896</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2016*

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Ourgame International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2014 (the “**Listing**”).

The Company is an investment holding company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the development and operation of online card and board games, organising and broadcasting online to offline mind-sports events, tournaments, TV shows and contents (collectively, the “**Group’s Game Business**”) in the People’s Republic of China (the “**PRC**”). The Group’s Game Business has expanded outside PRC, primarily in the United States (the “**US**”) and Gibraltar, upon completion of the acquisition of Peerless Media Limited (“**Peerless**”) in 2015.

These unaudited condensed consolidated interim financial report (the “**Interim Financial Report**”) is presented in Renminbi (“**RMB**”), unless otherwise stated.

The Interim Financial Report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”).

The accounting policies and methods of computation used in the preparation of the Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2015 except for the adoption of the amendments to International Financial Reporting Standards (“**IFRSs**”) as disclosed below.

The Interim Financial Report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The Group has applied the following amendments to IFRSs, which have become effective for the accounting period beginning on 1 January 2016 and relevant to the Group:

Amendments to IFRSs	Annual improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

The adoption had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Report requires 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 the Interim Financial Report, 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 2015, with the exception of the below changes:

### Recognition of share-based compensation expense

As detailed in Note 17(c), the Company has granted share options to the Group's management and employees on 8 January 2016 and 17 May 2016 respectively. The directors, with the assistance of an independent professional valuer, have used the Binomial Option-Pricing Model to determine the total fair value of the options granted, which is to be expensed over the vesting period as appropriate. Significant estimate on assumptions, such as share price volatility and dividend yield, is required to be made by the directors in applying the Binomial Option-Pricing Model.

### Significant influence over Beijing Weichu Information Technology Co., Ltd. ("Beijing Weichu")

During the six months ended 30 June 2016, the Group has acquired 11.76% interest in Beijing Weichu. The investment in Beijing Weichu is classified as interest in an associate although the Group owns less than 20% equity interest in the company. The Group has significant influence over the company by virtue of its contractual right to appoint director on its board.

### Control over Tianjin Allied Esports Internet Technology Co., Ltd. ("Allied Esports")

As detailed in Note 18(b), the Group held 48.5% equity interests in Allied Esports after the partial disposal. Although the Group held less than 50% equity interest in Allied Esports, it has the power to appoint and remove the sole director of that company and has ability to direct the relevant activities of Allied Esports through the sole director. As a result, the directors consider that the Group has de facto control over Allied Esports and continue to classify Allied Esports as the subsidiary of the Company.

## 3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue from external customers is as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PC games	205,406	148,822
Mobile games	166,502	175,012
Others ( <i>note</i> )	43,975	1,234
	<u>415,883</u>	<u>325,068</u>

*Note:* Others mainly represent miscellaneous revenue derived from tournaments and events organised by the Group, which includes sponsorship and advertising income received.

The chief operating decision-makers (the “CODM”) has been identified as the executive directors of the Group. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. The Group’s operating activities are previously attributable to a single reportable and operating segment focusing primarily on online card and board games development and operation, organising and broadcasting online to offline mind-sports events, tournaments, TV shows and contents in the PRC. Further to the acquisition of Peerless and its subsidiaries (the “Peerless Group”) in 2015, the Group has expanded its operation outside PRC (primarily in the US and Gibraltar). Accordingly, segment information is provided on the basis of geographic areas of operations, being the basis on which the Group manages its worldwide interests. Revenue is attributable to the country based on the location of the Group entity reporting the revenue. Segment profit represents profit earned by each segment without allocating share-based compensation expense, finance costs and income tax credit/(expense).

### Segment revenue, segment results and other segment information

	Six months ended 30 June 2016				
	PRC <i>RMB’000</i> (Unaudited)	Outside PRC <i>RMB’000</i> (Unaudited)	Unallocated <i>RMB’000</i> (Unaudited)	Eliminations <i>RMB’000</i> (Unaudited)	Total <i>RMB’000</i> (Unaudited)
Revenue					
— From external customers	355,727	60,156	—	—	415,883
— From other segments	—	3,268	—	(3,268)	—
<b>Reportable segment revenue</b>	<b>355,727</b>	<b>63,424</b>	<b>—</b>	<b>(3,268)</b>	<b>415,883</b>
<b>Reportable segment results</b>	<b>99,419</b>	<b>(5,080)</b>	<b>—</b>	<b>—</b>	<b>94,339</b>
Share-based compensation expense	—	—	(20,981)	—	(20,981)
Profit before income tax					73,358
Income tax credit					1,808
<b>Profit for the period</b>					<b>75,166</b>
<b>Other information</b>					
Interest income	6,821	—	—	—	6,821
Depreciation of property, plant and equipment	9,579	3,049	—	—	12,628
Amortisation of intangible assets	9,753	32,312	—	—	42,065

## Six months ended 30 June 2015

	PRC <i>RMB'000</i> (Unaudited)	Outside PRC <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Eliminations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from external customers and reportable segment revenue	<u>325,068</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>325,068</u>
Reportable segment results	92,269	—	—	—	92,269
Finance costs	—	—	(36)	—	(36)
Share-based compensation expense	<u>—</u>	<u>—</u>	<u>(21,834)</u>	<u>—</u>	<u>(21,834)</u>
Profit before income tax					70,399
Income tax expense					<u>(7,854)</u>
Profit for the period					<u>62,545</u>

**Other information**

Interest income	12,949	—	—	—	12,949
Depreciation of property, plant and equipment	3,664	—	—	—	3,664
Amortisation of intangible assets	<u>7,632</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,632</u>

**Segment assets and liabilities**

## As at 30 June 2016

	PRC <i>RMB'000</i> (Unaudited)	Outside PRC <i>RMB'000</i> (Unaudited)	Unallocated <i>RMB'000</i> (Unaudited)	Eliminations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>ASSETS</b>					
Segment assets	<u>945,244</u>	<u>333,779</u>	<u>—</u>	<u>(5,352)</u>	<u>1,273,671</u>
<b>LIABILITIES</b>					
Segment liabilities	<u>59,872</u>	<u>76,699</u>	<u>—</u>	<u>(5,352)</u>	<u>131,219</u>

**Other information**

Non-current assets (other than financial instruments and deferred tax assets), including:					
— Interest in associates	187,223	276,785	—	—	464,008
	47,424	—	—	—	47,424
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the period	<u>69,760</u>	<u>35,575</u>	<u>—</u>	<u>—</u>	<u>105,335</u>

	As at 31 December 2015				
	PRC	Outside PRC	Unallocated	Eliminations	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<b>ASSETS</b>					
Segment assets	<u>858,434</u>	<u>336,669</u>	<u>—</u>	<u>(3,158)</u>	<u>1,191,945</u>
<b>LIABILITIES</b>					
Segment liabilities	<u>87,050</u>	<u>81,012</u>	<u>—</u>	<u>(3,384)</u>	<u>164,678</u>
<b>Other information</b>					
Non-current assets (other than financial instruments and deferred tax assets), including:					
— Interest in associates	131,461	270,869	—	—	402,330
	13,768	—	—	—	13,768
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>92,580</u>	<u>279,516</u>	<u>—</u>	<u>—</u>	<u>372,096</u>

#### 4. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Other revenue</b>		
Bank interest income	4,436	12,374
Gain on deemed disposal of partial interest in an associate ( <i>Note 11</i> )	10,349	—
Gain on disposal of a subsidiary ( <i>Note 18(a)</i> )	3,399	—
Interest income from loans to a third party	<u>2,385</u>	<u>575</u>
	<u>20,569</u>	<u>12,949</u>
<b>Other net income</b>		
Subsidy income from government ( <i>note</i> )	763	1,352
Sundry income	<u>64</u>	<u>15</u>
	<u>827</u>	<u>1,367</u>
	<u>21,396</u>	<u>14,316</u>

*Note:* Subsidy income mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

## 5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Employee benefit expenses</b>		
Salaries, bonus and allowances	65,324	43,348
Retirement benefit scheme contributions	5,425	6,630
Severance payments	435	100
Share-based compensation expense	<u>20,981</u>	<u>21,834</u>
	<u>92,165</u>	<u>71,912</u>
<b>Other items</b>		
Depreciation of property, plant and equipment	12,628	3,664
Amortisation of intangible assets	42,065	7,632
Loss on disposal of available-for-sale financial assets	<u>604</u>	<u>—</u>

## 6. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
Current period	11,357	8,124
Over provision in respect of prior years	<u>(8,581)</u>	<u>—</u>
	<u>2,776</u>	<u>8,124</u>
<b>Deferred tax</b>	<u>(4,584)</u>	<u>(270)</u>
<b>Income tax (credit)/expense</b>	<u>(1,808)</u>	<u>7,854</u>

Notes:

### (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 the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

**(b) Hong Kong profits tax**

Hong Kong profits tax rate is 16.5% for the six months ended 30 June 2016 and 2015. Hong Kong profits tax has not been provided as the Group had no estimated assessable profits in Hong Kong for the six months ended 30 June 2016 and 2015.

**(c) PRC enterprise income tax**

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25%.

Pursuant to the relevant laws and regulations in the PRC, Beijing Lianzhong Co., Ltd (“**Beijing Lianzhong**”) has renewed and obtained its qualification as a High and New Technology Enterprise (“**HNTE**”) in 2014 for the three-year period commencing from October 2014 and accordingly Beijing Lianzhong enjoyed a preferential income tax rate of 15% in 2015. In May 2016, Beijing Lianzhong was accredited as a “Key Software Enterprise within National Planning Layout” (國家規劃佈局內重點軟件企業) and accordingly, Beijing Lianzhong was retrospectively entitled to a preferential income tax rate of 10% from 2015 and will continue to enjoy this preferential income tax rate until it no longer meets the requirements of the qualification.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“**Super Deduction**”). Beijing Lianzhong has made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the six months ended 30 June 2016 and 2015.

**(d) US profits tax**

Subsidiaries operating in the US are subject to US federal and state tax on its assessable profits. The applicable tax rate for federal tax is 34% whilst the tax rate for state tax of California, the principal place of business of the Company’s major US subsidiaries is 8.84%.

**(e) Gibraltar profits tax**

Gibraltar profits tax has been provided at the rate of 10% on the estimated assessable profits for the six months ended 30 June 2016.

**(f) PRC withholding tax**

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group’s foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. 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%.

## 7. DIVIDENDS

During the six months ended 30 June 2015, a final dividend for the year ended 31 December 2014 of RMB0.064 per share has been declared and approved by the shareholders at the annual general meeting of the Company. The 2014 final dividend was paid in Hong Kong dollars at HK\$0.0812 per share, amounting to approximately RMB50,273,000 during the six months ended 30 June 2015.

The directors do not declare the payment of an interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

## 8. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for the period is calculated by dividing the profit attributable to equity holders of the Company of RMB75,998,000 (six months ended 30 June 2015: RMB62,545,000) by the weighted average number of ordinary shares of 787,188,426 shares (2015: 784,151,753 shares) in issue during the period.

### (b) Diluted earnings per share

Diluted earnings 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 2016 and 2015, the Company has one category of dilutive ordinary shares, being the share option schemes of the Company (Management Pre-IPO Share Option Scheme and the 2014 Share Option Scheme).

Diluted earnings per share for the period is calculated by dividing the profit attributable to equity holders of the Company of RMB75,998,000 (six months ended 30 June 2015: RMB62,545,000) by the weighted average number of ordinary shares of 829,428,786 shares (2015: 835,155,043 shares) in issue during the period, calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares for the purpose		
of basic earnings per share	<b>787,188,426</b>	784,151,753
Adjustment for share option schemes	<b><u>42,240,360</u></b>	<u>51,003,290</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u><u>829,428,786</u></u></b>	<u><u>835,155,043</u></u>

## **9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group acquired property, plant and equipment at a cost of RMB14,065,000 (six months ended 30 June 2015: RMB12,400,000), excluding the amounts through acquisition of subsidiaries of nil (six months ended 30 June 2015: RMB8,644,000).

## **10. INTANGIBLE ASSETS**

During the six months ended 30 June 2016, additions to intangible assets by acquisition and capitalisation in respect of development costs amounted to RMB43,323,000 (six months ended 30 June 2015: RMB6,961,000) and RMB26,302,000 (six months ended 30 June 2015: RMB9,149,000) respectively, excluding the amounts through acquisition of subsidiaries of nil (six months ended 30 June 2015: RMB146,592,000).

## **11. INTEREST IN ASSOCIATES**

During the six months ended 30 June 2016, the Group made additional investments in associates of RMB21,645,000 (six months ended 30 June 2015: RMB7,955,000).

Save as the above, upon the Group disposed 52.0% interest in Tianjin Zhongqi in April 2016, the Group's equity interest in Tianjin Zhongqi was reduced to 48.0%, resulting in loss of control over Tianjin Zhongqi. Accordingly, the retained interest in Tianjin Zhongqi of fair value amounting to RMB1,662,000 was reclassified as interest in an associate (Note 18(a)).

Subsequent to the partial disposal of the interest in Tianjin Zhongqi, the Group's interest in Tianjin Zhongqi was diluted from 48.0% to 45.6% upon the additional contributions by the new investors and a gain on deemed disposal of partial interest in an associate of RMB10,349,000 was recognised in profit or loss during the six months ended 30 June 2016.

The share of loss of associates by the Group for the six months ended 30 June 2015 and 2016 are considered to be immaterial.

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
<i>Note</i>	<b>RMB'000 (Unaudited)</b>	<b>RMB'000 (Audited)</b>
<b>Trade receivables</b>		
From third parties	(a) <b>212,464</b>	165,235
Less: provision for impairment of trade receivables	<u><b>(2,889)</b></u>	<u>(2,889)</u>
	<u><b>209,575</b></u>	<u>162,346</u>
<b>Other receivables</b>		
Deposits, prepayments and other receivables	<b>96,045</b>	91,366
Advances to employees	<b>15,395</b>	12,376
Amount due from an associate	<b>18,951</b>	1,500
Loan to a related party	—	8,217
Interest receivables	<u><b>128</b></u>	<u>4,051</u>
	<b>130,519</b>	117,510
Less: provision for impairment of other receivables	<u><b>(1,000)</b></u>	<u>(1,000)</u>
	<u><b>129,519</b></u>	<u>116,510</u>
	<u><b>339,094</b></u>	<u>278,856</u>

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) **Trade receivables**

Trade receivables were arising from the operation of online card and board games. The credit terms of trade receivables granted to distribution channels and payment vendors are usually 30 to 90 days. Ageing analysis based on recognition date of the gross trade receivables at the respective reporting dates is as follows:

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	<b>As at 31 December 2015 RMB'000 (Audited)</b>
0–30 days	<b>50,055</b>	40,426
31–60 days	<b>40,697</b>	20,240
61–90 days	<b>9,907</b>	15,474
91–180 days	<b>18,100</b>	32,029
181–365 days	<b>45,238</b>	44,833
Over 1 year	<b>48,467</b>	12,233
	<b><u>212,464</u></b>	<b><u>165,235</u></b>

**13. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	<b>As at 31 December 2015 RMB'000 (Audited)</b>
<b>Included in non-current assets</b>		
Unlisted equity investments, at cost less impairment losses	<b><u>81,839</u></b>	<b><u>63,453</u></b>
<b>Included in current assets</b>		
Unlisted trust funds, at fair value	<b><u>35,000</u></b>	<b><u>20,000</u></b>
	<b><u>116,839</u></b>	<b><u>83,453</u></b>

The Directors determined that the fair value of the unlisted trust funds as issued by financial institutions are not materially different from the carrying amount as stated above.

## 14. TRADE AND OTHER PAYABLES

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
<b>Trade payables</b>		
To third parties	16,003	22,021
To an associate	<u>630</u>	<u>258</u>
	(a) <u>16,633</u>	<u>22,279</u>
<b>Other payables</b>		
Receipts in advance	61	1,291
Other payables and accrued charges	13,670	25,901
Other taxes liabilities	3,701	3,100
Staff costs and welfare accruals	21,390	18,202
Deferred income related to government grants	<u>—</u>	<u>763</u>
	<u>38,822</u>	<u>49,257</u>
	<u>55,455</u>	<u>71,536</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2015 and 30 June 2016 were considered to be a reasonable approximation of its fair value.

### (a) Trade payables

Trade payables primarily related to the purchase of services for server custody, outsourcing game development and the revenue sharing of licensed and third-party operated PC games and which is payable to cooperated game developers according to respective cooperation agreements.

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

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
0–30 days	9,132	12,092
31–60 days	1,432	4,452
61–90 days	2,149	2,783
91–180 days	800	822
181–365 days	1,346	448
Over 1 year	<u>1,774</u>	<u>1,682</u>
	<u>16,633</u>	<u>22,279</u>

## 15. OTHER NON-CURRENT RECEIVABLE/PAYABLE

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
<b>Non-current receivable</b>		
Current portion	23,014	3,241
Non-current portion	<u>12,523</u>	<u>29,895</u>
	<u>35,537</u>	<u>33,136</u>
<b>Non-current payable</b>		
Current portion	23,014	3,241
Non-current portion	<u>12,523</u>	<u>29,895</u>
	<u>35,537</u>	<u>33,136</u>

In 2015, the Group has acquired the non-current receivable and payable through the acquisition of Peerless Group. Other non-current payable represents a contingent consideration payable to a third party by Peerless and a subsidiary of bwin.party digital entertainment plc (“**bwin.party**”) for the then acquisition of the WPT brand in 2009 and subsequent buy-out in 2012 of the contingent revenue share element. Subject to certain conditions, including subsequent changes in legislation in the US, the maximum aggregate contingent consideration payable by Peerless and bwin.party’s subsidiary amounted to US\$6,500,000 (equivalent to approximately RMB42,208,000).

As at 30 June 2016, other non-current payable represents the directors’ current best estimate of the amount payable which they consider is likely to be paid within and after twelve months from the reporting date, after the effects of discounting at the effective interest rate of 10.3% (31 December 2015: 10.3%). The directors of the Group consider that the fair values are not materially different from their carrying amounts. As at 30 June 2016, there has been no change in the amount recognised since its acquisition (except for unwinding of the discount and exchange differences of approximately RMB1,727,000 and RMB674,000 respectively) and the non-discounted book value for the contingent consideration amounted to approximately US\$6,119,000 (equivalent to approximately RMB40,576,000).

Pursuant to the relevant share purchase agreement, the selling shareholder of Peerless Group (the “**Seller**”) and bwin.party (the “**Seller’s Guarantor**”, a company listed on the London Stock Exchange) had contractually agreed to indemnify the Group against any loss and undertake the repayment of all liabilities in connection with the contingent consideration payable as detailed above. In this respect, the Group has recognised an indemnification asset as other non-current receivable at an amount equivalent to the fair value of the indemnified liability.

## 16. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Nominal value of shares <i>US\$'000</i>	Equivalent nominal value of shares <i>RMB'000</i>
<b>Authorised:</b>				
<i>Ordinary shares of the Company:</i>				
At 1 January 2015, 30 June 2015 (Unaudited), 31 December 2015 and <b>30 June 2016 (Unaudited)</b>				
		<u>10,000,000,000</u>	<u>500</u>	
<b>Issued and fully paid:</b>				
<i>Ordinary shares:</i>				
At 1 January 2015				
		784,000,000	39	238
Change in functional currency				
		—	—	1
Repurchased shares cancelled				
	<i>(i)</i>	(910,000)	—	—
Exercise of share option				
	<i>(ii)</i>	<u>3,822,624</u>	—	<u>1</u>
At 31 December 2015				
		786,912,624	39	240
Exercise of share option				
	<i>(ii)</i>	<u>332,750</u>	—	—
<b>At 30 June 2016 (Unaudited)</b>				
		<u>787,245,374</u>	<u>39</u>	<u>240</u>
At 1 January 2015				
		784,000,000	39	238
Change in functional currency				
		—	—	1
Repurchased shares cancelled				
	<i>(i)</i>	(910,000)	—	—
Exercise of share option				
	<i>(ii)</i>	<u>2,432,624</u>	—	<u>1</u>
At 30 June 2015 (Unaudited)				
		<u>785,522,624</u>	<u>39</u>	<u>240</u>

*Notes:*

### (i) Repurchase of shares

The 910,000 shares repurchased by the Company in 2014 were cancelled on 19 January 2015.

### (ii) Exercise of share option

During the year ended 31 December 2015, options were exercised to subscribe for 3,822,624 ordinary shares of the Company at a consideration of RMB3,985,000, of which approximately RMB1,000 was credited to share capital and the balance of approximately RMB3,984,000 was credited to the share premium account. As a result of the exercise of options, RMB3,808,000 has been transferred from the share option reserve to the share premium account.

During the six months ended 30 June 2016, options were exercised to subscribe for 332,750 (six months ended 30 June 2015: 2,432,624) ordinary shares of the Company at a consideration of RMB819,000 (six months ended 30 June 2015: RMB2,494,000), of which approximately RMB100 (six months ended 30 June 2015: RMB1,000) was credited to share capital and the balance of approximately RMB1,037,000 (six months ended 30 June 2015: RMB2,493,000) was credited to the share premium account. As a result of the exercise of options, RMB218,000 (six months ended 30 June 2015: RMB5,534,000) has been transferred from the share option reserve to the share premium account.

## 17. SHARE-BASED COMPENSATION TRANSACTIONS

### (a) The 2014 Replacement Share Options issued by Blink Milestones Limited (“Blink Milestones”)

In 2014, 12,152,381 share options were granted by Blink Milestones (the “**2014 Blink Milestones Share Options**”) as the replacement of the share awards granted by Beijing Tongshengcheng Investment Management Center (LLP) (“**Tongshengcheng**”) to certain employees of the Group (the “**Participants**”) in 2012. The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024 with an exercise price of RMB0.2625 per share (subject to adjustment) and are subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of listing of the Company’s shares on any internationally recognised stock exchange, starting from the first anniversary date until the fourth, and for the Participants remaining an employee of the Group until and on the relevant vesting dates. Blink Milestones is an investment holding company and owned 12.43% equity interest in the Company at the date of grant. Upon the completion of the capitalisation issue on 30 June 2014, the number of share options and exercise price per share has been adjusted to 25,009,600 options in total, at an exercise price of RMB0.1276 per share, respectively.

The Group has no legal or constructive obligation to repurchase or settle the 2014 Blink Milestones Share Options in cash. The 2014 Blink Milestones Share Options entitle participants to obtain existing issued shares in the Company held by Blink Milestones and will not involve the Company issuing any new shares, the 2014 Blink Milestones Share Options were accounted for as a share-based compensation transaction by way of capital contribution from the shareholders.

Movements in the number of 2014 Blink Milestones Share Options outstanding are as follows:

	<b>Number of share options</b>
At 1 January 2016	<b>20,540,798</b>
Exercised during the period	<b>(5,135,199)</b>
Forfeited during the period	<b>(176,401)</b>
<b>As at 30 June 2016 (Unaudited)</b>	<b><u>15,229,198</u></b>
At 1 January 2015	25,009,600
Forfeited during the period	<u>(392,000)</u>
As at 30 June 2015 (Unaudited)	<u>24,617,600</u>

**(b) Management Pre-IPO Share Option Scheme of the Company in 2014**

Pursuant to an unanimous written resolution of the Board on 7 March 2014, a share option scheme (“**Management Pre-IPO Share Option Scheme**”) and respective share options granted by the Company on 20 February 2014 was adopted and ratified by the Board. The Management Pre-IPO Share Option Scheme was adopted for the purpose of providing participants an opportunity to acquire proprietary interests in the Company and help motivate such participants to optimize their performance and efficiency, and also to help retain the participants for the continual growth and development of the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Management Pre-IPO Share Option Scheme must not in aggregate exceed 6% of the issued share capital of the Company after an IPO, as defined. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options (in aggregate to purchase 6% of the issued share capital of the Company after an IPO) were granted by the Company on 20 February 2014 to senior management of the Group with estimated total fair value of approximately RMB52,870,000. The exercise price of the share options granted is US\$0.34398035 per share (subject to adjustment). The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024. Twenty five percent (25%) of options granted shall vest on the first anniversary of the grant date, and the remaining options granted shall vest on 36 equal monthly instalments with the first instalment vesting upon the 13th monthly anniversary of the grant date and each of the remaining instalments vesting on each monthly anniversary of the 13th monthly anniversary of the grant date, and for the participant continuing to be an employee of the Group or director of the Company until and on the relevant vesting dates. In addition, the share options are only exercisable after the completion of an IPO.

Upon the completion of the capitalisation issue and the Listing on the Main Board of The Stock Exchange of Hong Kong Limited on 30 June 2014, the total number of share options granted equate to 50,042,553 share options at an adjusted exercise price of US\$0.16714303 per share. Movements in the number of share options during the period are as follows:

**For the six months ended 30 June 2016 (Unaudited)**

			<b>Outstanding</b>			<b>Outstanding</b>
	<b>Exercisable period</b>	<b>Exercise price per share</b>	<b>as at 1 January 2016</b>	<b>Granted during the period</b>	<b>Exercised during the period</b>	<b>as at 30 June 2016</b>
		<i>US\$</i>				
<b>Directors</b>	<b>1 July 2017 to 30 June 2026*</b>	<b>0.16714303</b>	<b>41,702,128</b>	—	—	<b>41,702,128</b>
<b>Employee</b>	<b>20 February 2015 to 19 February 2024</b>	<b>0.16714303</b>	<b>4,517,801</b>	—	—	<b>4,517,801</b>
			<b>46,219,929</b>	—	—	<b>46,219,929</b>

For the six months ended 30 June 2015 (Unaudited)

	Exercisable period	Exercise price per share US\$	Outstanding as at 1 January 2015	Granted during the period	Exercised during the period	Outstanding as at 30 June 2015
Directors	20 February 2015 to 19 February 2024	0.16714303	41,702,128	—	—	41,702,128
Employee	20 February 2015 to 19 February 2024	0.16714303	8,340,425	—	(2,432,624)	5,907,801
			<u>50,042,553</u>	<u>—</u>	<u>(2,432,624)</u>	<u>47,609,929</u>

\* Pursuant to the shareholders resolution dated 13 May 2016, the exercisable period of the directors under the Management Pre-IPO Share Option Scheme of the Company in 2014 were modified to a period of 9 years starting from 1 July 2017. The modification of exercisable period has no financial effect to the profit or loss, as it was not beneficial to the directors.

None of the share options granted were lapsed during the six months ended 30 June 2015 and 2016.

**(c) Share Option Scheme adopted by the Company in November 2014**

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19 November 2014, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 19 November 2014 (the “**2014 Share Option Scheme**”). Details of the terms of the 2014 Share Option Scheme have been set out in the Group’s annual financial statements for the year ended 31 December 2015.

During the six months ended 30 June 2015, 47,040,000 options were granted on 5 January 2015 with estimated total fair values of approximately RMB40,378,000. The exercise price of the share options granted is HK\$2.67 per share for option lots of 47,040,000 options. The share options are valid for a period of 10 years and subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of grant, starting from the first anniversary date until the fourth.

During the six months ended 30 June 2016, 7,840,000 and 3,000,000 options were granted on 8 January 2016 and 17 May 2016 with estimated total fair value of approximately RMB16,759,000 and RMB3,897,000 respectively. The exercise price of the share options granted is HK\$5.506 and HK\$3.684 per share respectively. The share options are valid for a period of 10 years and subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of grant, starting from the first anniversary date until the fourth.

Movements in the number of share options during the period are as follows:

**Six months ended 30 June 2016 (Unaudited)**

Exercisable period	Exercise price per share US\$	Outstanding	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding
		as at 1 January 2016				as at 30 June 2016
Directors 1 July 2017 to 30 June 2026 <sup>#</sup>	2.67	23,520,000	—	—	—	23,520,000
1 July 2017 to 30 June 2026 <sup>#</sup>	5.506	—	7,840,000	—	—	7,840,000
Employees 5 January 2016 to 4 January 2025	2.67	23,460,000	—	(332,750)	(170,000)	22,957,250
9 July 2016 to 8 July 2025	4.402	23,520,000	—	—	(445,000)	23,075,000
17 May 2017 to 16 May 2026	3.684	—	3,000,000	—	—	3,000,000
		<u>70,500,000</u>	<u>10,840,000</u>	<u>(332,750)</u>	<u>(615,000)</u>	<u>80,392,250</u>

**Six months ended 30 June 2015 (Unaudited)**

Exercisable period	Exercise price per share US\$	Outstanding	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding
		as at 1 January 2015				as at 30 June 2015
Directors 5 January 2016 to 4 January 2025	2.67	—	23,520,000	—	—	23,520,000
Employees 5 January 2016 to 4 January 2025	2.67	—	23,520,000	—	—	23,520,000
		—	47,040,000	—	—	47,040,000

<sup>#</sup> Pursuant to the shareholders resolution dated 13 May 2016, the exercisable period of the directors under the Share Option Scheme adopted by the Company in November 2014 were modified to a period of 9 years starting from 1 July 2017. The modification of exercisable period has no financial effect to the profit or loss, as it was not beneficial to the directors.

The fair values of the share options granted during the period were calculated using the Binomial Option Pricing Model. The inputs into the model were as follows:

	5 January 2015	8 January 2016	17 May 2016
Exercise price	HK\$2.67	HK\$5.506	HK\$3.684
Expected volatility	45%	50%	55%
Expected life	10 years	10 years	10 years
Risk-free rate	1.83%	1.589%	1.297%
Expected dividend yield	—	—	—

- (d) The Group recognised a total expense of RMB20,981,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB21,834,000) in relation to the above share options granted by the shareholders or the Company, and the share-based compensation expense were shown as a separate item on the face of the condensed consolidated statement of comprehensive income.

## 18. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of a subsidiary with loss of control

In April 2016, the Group disposed 52.0% interest in its wholly-owned subsidiary, Tianjin Zhongqi Weiye Sports Development Co., Ltd. (“**Tianjin Zhongqi**”), to certain third parties, resulting in a loss of control over Tianjin Zhongqi. Accordingly, the investment in Tianjin Zhongqi was reclassified as interest in an associate.

The assets and liabilities of Tianjin Zhongqi were deconsolidated from the Group’s condensed consolidated statement of financial position and the interest in Tianjin Zhongqi has been accounted for as an associate using equity method. The fair value of the 48.0% retained interest in Tianjin Zhongqi amounting to RMB1,662,000 at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Tianjin Zhongqi as an associate (Note 11).

	<i>RMB’000</i>
<b>Fair value of interest retained</b>	<u>1,662</u>
<b>Analysis of assets and liabilities over which control was lost</b>	
	<i>RMB’000</i>
<b>Non-current assets</b>	
Property, plant and equipment	2,459
Intangible assets	2,022
<b>Current assets</b>	
Inventories	208
Trade and other receivables	20,718
Bank balances	465
<b>Current liabilities</b>	
Trade and other payables	<u>(22,409)</u>
<b>Net assets disposed of</b>	<u>3,463</u>

	<i>RMB'000</i>
Consideration receivable	5,200
Fair value of retained interests	1,662
Net assets disposed of	<u>(3,463)</u>
<b>Gain on disposal of a subsidiary</b>	<b><u>3,399</u></b>

**Net cash outflow arising on disposal of a subsidiary**

	<i>RMB'000</i>
Consideration received ( <i>note</i> )	—
Bank balances disposed of	<u>(465)</u>
	<b><u>(465)</u></b>

*Note:* The consideration receivable RMB5,200,000 was included under other receivables.

**(b) Disposal of a subsidiary without loss of control**

During the six months ended 30 June 2016, the Group disposed 21.5% shareholding in Allied Esports to certain third parties without losing control over the subsidiary. As a result of the disposal, the Group's interest in Allied Esports was reduced to 48.5%. The difference of RMB7,617,000 between the consideration received of RMB12,900,000 and the amount of non-controlling interest adjusted of RMB5,283,000 was directly recognised in other reserve.

**19. COMMITMENTS**

**(a) Capital commitments**

At the reporting date, the Group had the following capital commitments:

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	As at 31 December 2015 RMB'000 (Audited)
Contracted but not provided for:		
Expenditure in respect of acquisition of intangible assets	<b>45,604</b>	128,804
Expenditure in respect of investments in associates	<b>4,368</b>	10,800
Expenditure in respect of available-for-sale investments	<u><b>40,000</b></u>	<u>—</u>
	<b><u>89,972</u></b>	<b><u>139,604</u></b>

In June 2016, the Group has entered into an agreement with the substantial shareholders of the Company and certain third parties to set up an investment fund in the PRC. Details of which are stated in the Company's announcement dated 21 June 2016. Subsequent to the reporting date, the Group has injected RMB40 million to the investment fund and has classified the investment under available-for-sale investments.

**(b) Operating lease commitments**

The Group leases its servers, lines, office and various residential properties under non-cancellable operating lease agreements. The leases have varying lease terms and renewal rights. At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	<b>As at 30 June 2016 RMB'000 (Unaudited)</b>	<b>As at 31 December 2015 RMB'000 (Audited)</b>
Within one year	<b>14,124</b>	15,856
In the second to fifth year inclusive	<b>19,897</b>	22,036
	<b><u>34,021</u></b>	<b><u>37,892</u></b>

**20. SIGNIFICANT RELATED PARTY TRANSACTIONS**

In addition to the transactions/information disclosed elsewhere in the Interim Financial Report, during the period, the Group had the following material transactions with related parties:

**Key management personnel remuneration**

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	<b>Six months ended 30 June</b>	
	<b>2016 RMB'000 (Unaudited)</b>	<b>2015 RMB'000 (Unaudited)</b>
Basic salaries and allowances	<b>1,194</b>	780
Discretionary bonus	<b>853</b>	—
Retirement benefit scheme contributions	<b>98</b>	67
Share-based compensation expense	<b>11,875</b>	16,246
	<b><u>14,020</u></b>	<b><u>17,093</u></b>

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<b>As at 30 June 2016 Level 2 RMB'000 (Unaudited)</b>	As at 31 December 2015 Level 2 RMB'000 (Audited)
<b>Assets</b>		
Available-for-sale financial assets		
Unlisted trust funds	<u><u>35,000</u></u>	<u><u>20,000</u></u>

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2015: nil).

The fair value of unlisted trust funds is determined by reference to the net asset value of the underlying investment in the equity fund.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement has been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.ourgame.com](http://www.ourgame.com). The interim report of the Group for the six months ended 30 June 2016 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By Order of the Board  
**Ourgame International Holdings Limited**  
**YANG Eric Qing**  
*Chairman and Executive Director*

Hong Kong, 30 August 2016

*As at the date of this announcement, the executive Directors are Mr. YANG Eric Qing and Mr. NG Kwok Leung Frank; the non-executive Directors are Mr. LIU Jiang, Mr. HUA Guanfa, Mr. FAN Tai and Mr. CHEN Xian; the independent non-executive Directors are Mr. GE Xuan, Mr. LU Zhong and Mr. CHEUNG Chung Yan David.*

\* *For identification purpose only*