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**Forgame Holdings Limited**

**雲遊控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 484)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Forgame Holdings Limited (the “**Company**” or “**Forgame**”) announces the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the six months ended 30 June 2021. The Interim Results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by the audit and compliance committee of the Company (the “**Audit and Compliance Committee**”).

**INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2021, faced with the complex situations of continuous spread of COVID-19 pandemic abroad and the volatile global political and economic activities, the Group has reviewed its current stage of business development and operations and carried out a systematic planning and layout in terms of business strategy to better cope with the downward economic pressure. On the one hand, the Group continued to maintain its operational foundation in respect of online gaming business while ensuring the achievement of its established business objectives. On the other hand, the Group strengthened the development of its trading of high value-added electronic products and semiconductors business as well as its supporting software and services, and actively promoted the integration of the Group's new business with the existing business lines in terms of customer base and information system, so as to utilise the advantages of listed company's resources and platforms, in order to achieve joint development and enhanced efficiency for the Group's businesses through accurate strategy positioning and operation management for each business segment. As a result, the Group recorded a total revenue of approximately RMB93.0 million in the first half of 2021, representing a significant increase of 267.2% from the same period of last year.

The Group completed its divestment of VR game business operated by Beijing Xigua Huyu Technology Co., Ltd.\* (北京西瓜互娛科技有限責任公司) (“**Beijing Xigua**”) in 2020. Since then, the Group's game business is mainly consisted of webgames and mobile games. The Group's strategic focus on game business was mainly to optimise the return on investment of these businesses. Through outsourcing and cooperation with external professional teams to maintain continuous business operations of existing online games, we will continue to maintain the scale of game revenue as well as improve the cost-effectiveness of game business.

The Group's trading of electronic device and semiconductor business achieved significant development in the first half of 2021, and recorded revenue of approximately RMB83.6 million. While maintaining a continuous, long-term and stable cooperation with major suppliers, the Group has continued to explore its business scope with a steady increase in the number of cooperating vendors and product lines. Currently, the electronic products sold by the Group include various types of data storage products such as memory sticks, memory chips and solid-state drives, as well as network equipment, servers, audio equipment and computer accessories. The Group is also able to provide customers with technical solutions and system integration services. Meanwhile, the Group attached great importance to the operations management and efficiency management of funds usage of the electronic device and semiconductor trading business, thereby further improving its delicacy management capabilities.

In terms of the internet micro-credit business, the Group has adjusted the business, suspended the grant of new loans as the Group continued to recover outstanding loans through active commercial and legal channels, and achieved positive results in the first half of 2021 with a total of approximately RMB16.8 million loan recovered.

## FIRST HALF OF 2021 COMPARED TO FIRST HALF OF 2020

The following table sets forth the Group's income statement for the six months ended 30 June 2021 as compared to the six months ended 30 June 2020.

	Six Months Ended 30 June		Change %
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited) (restated)	
<b>Continuing operations</b>			
Revenue	<b>93,002</b>	25,325	267.2%
Cost of revenue	<b>(83,311)</b>	(8,882)	838.0%
<b>Gross profit</b>	<b>9,691</b>	16,443	-41.1%
Selling and marketing expenses	<b>(2,990)</b>	(2,196)	36.2%
Administrative expenses	<b>(18,212)</b>	(28,021)	-35.0%
Research and development expenses	<b>(707)</b>	(369)	91.6%
Other income	<b>1,452</b>	4,928	-70.5%
Other gains – net	<b>891</b>	175	409.1%
Finance cost	<b>(78)</b>	(64)	21.9%
Gain on disposal of investments at fair value through profit or loss	<b>9,041</b>	–	NM
Share of profits of associates	<b>6,077</b>	3,660	66.0%
Reversal/(impairment) of financial assets measured at amortised cost	<b>8,634</b>	(557)	NM
<b>Profit/(loss) before income tax</b>	<b>13,799</b>	(6,001)	NM
Income tax expense	<b>(551)</b>	(212)	159.9%
<b>Profit/(loss) from continuing operations</b>	<b>13,248</b>	(6,213)	NM
<b>Discontinued operation</b>			
Loss from discontinued operation	–	(22,148)	NM
<b>Profit/(loss) for the period</b>	<b>13,248</b>	(28,361)	NM

Note: NM – not meaningful.

## Continuing operations

**Revenue.** Revenue increased by approximately 267.2% to RMB93.0 million for the six months ended 30 June 2021 from RMB25.3 million for the six months ended 30 June 2020. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2021 and 2020:

	Six Months Ended 30 June			
	2021		2020	
	(RMB'000)	(% of Total Revenue)	(RMB'000)	(% of Total Revenue)
	(Unaudited)		(Unaudited)	
			(restated)	
<b>Revenue by Segment</b>				
Game Business	9,397	10.1	18,692	73.8
Internet Micro-credit Business	–	–	6,633	26.2
Electronic Device and Semiconductor Business	83,605	89.9	–	–
<b>Total Revenue</b>	<b>93,002</b>	<b>100.0</b>	<b>25,325</b>	<b>100.0</b>

- Revenue generated from the Group's game business decreased by approximately 49.7% to RMB9.4 million for the six months ended 30 June 2021 from RMB18.7 million for the six months ended 30 June 2020. Revenue generated from the online games decreased mainly due to the fact that some of the Group's key games such as the games "Liberators" and "英雄遠征", have entered into the mature stage of their lifecycles and generated less revenue than the same period of last year.
- Revenue generated from the Group's electronic device and semiconductor business was RMB83.6 million for the six months ended 30 June 2021. The Group completed the acquisition of Shenzhen Xingyun Data Technology Co., Ltd.\* (深圳市行雲數據技術有限公司) ("**Shenzhen Xingyun**") on 18 November 2020. During the six months ended 30 June 2021, the revenue of Shenzhen Xingyun mainly consisted of revenue generated from products and services offered to business and industrial customers.

**Adjusted EBITDA.** Adjusted EBITDA was RMB7.7 million for the six months ended 30 June 2021 while adjusted EBITDA was negative RMB6.6 million for the six months ended 30 June 2020. The following table sets forth the adjusted EBITDA of the Group by segment for the six months ended 30 June 2021 and 2020:

	<b>Six Months Ended 30 June</b>		<b>Change</b>
	<b>2021</b>	<b>2020</b>	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>%</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
		<b>(restated)</b>	
<b>Adjusted EBITDA by Segment</b>			
Game Business	<b>(1,047)</b>	(6,068)	-82.7%
Internet Micro-credit Business	<b>(1,313)</b>	(4,158)	-68.4%
Electronic Device and Semiconductor Business	<b>(2,952)</b>	–	NM

*Note:* The difference between the sum of adjusted EBITDA of the game business, the internet micro-credit business and the electronic device and semiconductor business above and the total adjusted EBITDA of the Group is from gain on dilution of investment in an associate and share of profits of associates.

*Note:* NM-Not meaningful.

- Adjusted EBITDA in respect of the Group's game business was negative RMB1.0 million for the six months ended 30 June 2021, as compared to negative RMB6.1 million for the six months ended 30 June 2020. The reduced loss was primarily due to the improved operating efficiency which resulted in a reduction in operating expenses.
- Adjusted EBITDA in respect of the Group's internet micro-credit business was negative RMB1.3 million for the six months ended 30 June 2021 as compared to negative RMB4.2 million for six months ended 30 June 2020. The improvement of adjusted EBITDA generated from the internet micro-credit business was mainly due to the reversal of previously impaired loans during the first half of 2021.
- Adjusted EBITDA in respect of the Group's electronic device and semiconductor business was negative RMB3.0 million for the six months ended 30 June 2021.

**Cost of revenue.** Cost of revenue increased by approximately 838.0% to RMB83.3 million for the six months ended 30 June 2021 from RMB8.9 million for the six months ended 30 June 2020. The increase was primarily attributable to the consolidation of Shenzhen Xingyun into the Group's business. Such increase was partially offset by the decrease in cost of revenue of the Group's game business in line with its revenue decrease. For the six months ended 30 June 2021, the percentage of cost of revenue to total revenue increased to 89.6% (six months ended 30 June 2020: 35.1%).

**Selling and marketing expenses.** Selling and marketing expenses increased by approximately 36.2% to RMB3.0 million for the six months ended 30 June 2021 from RMB2.2 million for the six months ended 30 June 2020. Such increase was mainly due to the increased marketing effort in order to expand the Group's electronics business.

**Administrative expenses.** Administrative expenses decreased by approximately 35.0% to RMB18.2 million for the six ended 30 June 2021 from RMB28.0 million for the six months ended 30 June 2020. Such decrease was primarily due to the Group's active cost control measures and improved operating efficiency which resulted in a reduction in the administrative expenses.

**Other income.** Other income was RMB1.5 million for the six months ended 30 June 2021 as compared to RMB4.9 million for the six months ended 30 June 2020. Such decrease was primarily due to the decrease of interest income received during the first half of 2021.

**Gain on disposal of investments at fair value through profit or loss.** The Group recognised gain on disposal of investments at fair value through profit or loss in the amount of RMB9.0 million for the six months ended 30 June 2021. Such amount was primarily consisted of gain from investments in equity securities listed in PRC and Hong Kong.

**Share of profits of associates.** Share of profits of associates was RMB6.1 million for the six months ended 30 June 2021, as compared to RMB3.7 million recognised for the same period of last year. Such increase was primarily due to the increased gain from investment in associated companies.

**Reversal/(impairment) of financial assets measured at amortised cost.** The Group recognised reversal of impairment of financial assets measured at amortised cost (net amount) for the six months ended 30 June 2021 of RMB8.6 million, as compared to the impairment amount of RMB0.6 million recognised for the same period of last year. The net amount of reversal recognised in the first half of 2021 was primarily consisted of reversal of impairment for loans previously granted to six corporate borrowers located in Changchun.

**Income tax expense.** The Group recognised income tax expense in the amount of RMB0.6 million during the six months ended 30 June 2021, as compared to RMB0.2 million recognised during the same period of last year. The income tax expense increased year-on-year mainly due to the increase of income tax associated with the Group's electronic device and semiconductor business.

**Profit/(loss) from continuing operations.** The Group recognised a profit from continuing operations in the amount of RMB13.2 million for the six months ended 30 June 2021, as compared to a loss from continuing operations of RMB6.2 million for the same period of last year. Due to mixed effects from the above-mentioned factors, the Group recorded a turnaround from loss to profit during the first half of 2021.

## Discontinued Operation

**Loss from discontinued operation.** The Group recognized loss from discontinued operation in the amount of RMB22.1 million for the six months ended 30 June 2020, while the amount was nil during the six months ended 30 June 2021. The large reduction of loss from discontinued operation was primarily due to the completion of the its disposal of Beijing Xigua by the Group during the second half of 2020.

## NON-IFRSS MEASURES - EBITDA AND ADJUSTED EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2021 and 2020, to the nearest measures prepared in accordance with IFRSs:

	<b>Six Months Ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(restated)</b>
<b>Profit/(loss) from continuing operations for the period</b>	<b>13,248</b>	<b>(6,213)</b>
Add:		
Depreciation and amortisation	<b>924</b>	<b>3,218</b>
Net interest income	<b>(1,239)</b>	<b>(4,300)</b>
Income tax expense	<b>551</b>	<b>212</b>
	<hr/>	<hr/>
<b>EBITDA (unaudited)</b>	<b>13,484</b>	<b>(7,083)</b>
Add:		
Share-based compensation	<b>(1)</b>	<b>385</b>
Changes in the value of investments at fair value through profit or loss	<b>(9)</b>	<b>132</b>
Gain on disposal of investments at fair value through profit or loss	<b>(9,041)</b>	<b>–</b>
Loss on deregistration of a subsidiary	<b>1,106</b>	<b>–</b>
Fair value change of share consideration payable	<b>2,792</b>	<b>–</b>
Dividends received from investments at fair value through profit or loss	<b>(631)</b>	<b>–</b>
	<hr/>	<hr/>
<b>Adjusted EBITDA (unaudited)</b>	<b>7,700</b>	<b>(6,566)</b>

## FINANCIAL POSITION

As at 30 June 2021, the total equity of the Group amounted to RMB640.4 million, as compared to that of RMB612.0 million as at 31 December 2020. Such increase was primarily due to the profit generated for the period and the issuance of shares during the first half of 2021.

The Group's net current assets amounted to RMB507.5 million as at 30 June 2021, as compared to that of RMB497.2 million as at 31 December 2020. Such increase was a mixed effect of the increase of current assets and the decrease of current liabilities.

## LIQUIDITY AND FINANCIAL RESOURCES

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Cash at bank and on hand	<b>136,498</b>	309,912
Cash at other financial institutions	<b>126,650</b>	75,604
<b>Total</b>	<b><u>263,148</u></b>	<b><u>385,516</u></b>

The Group's total cash and cash equivalent amounted to RMB263.1 million as at 30 June 2021 as compared to that of RMB385.5 million as at 31 December 2020. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the cost of funding, the Group's treasury activities are centralised and cash is generally deposited with banks and other financial institutions and denominated mostly in RMB, followed by Hong Kong dollar.

As at 30 June 2021, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was nil (as at 31 December 2020: nil), which means that the Group did not have any bank borrowing balance as at 30 June 2021. The borrowing requirements of the Group are not subject to seasonality.

## FOREIGN EXCHANGE RISK

As at 30 June 2021, RMB41.3 million of the financial resources of the Group (as at 31 December 2020: RMB50.0 million) were held as deposits denominated in non-RMB currencies. The Group will continue to actively manage its exposure to various foreign currencies and monitor its foreign exchange risk exposure to better preserve the Group's cash value.

## CAPITAL EXPENDITURES

	Six months ended 30 June	
	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	237	58
– Purchase of intangible assets	723	41
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>          960</u></b>	<b><u>          99</u></b>

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as office equipment and leasehold improvement, and the purchase of intangible assets, such as system software and IT systems upgrade.

## PLEDGE OF ASSETS

As at 30 June 2021, the Group had a pledge of assets of RMB0.8 million (as at 31 December 2020: RMB0.8 million) as restricted cash for corporate credit card deposits.

## CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant unrecorded contingent liabilities (as at 31 December 2020: nil).

## SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2021, the Group held significant investments detailed as follows:

Company name	Date of incorporation	Carrying amount as at 30 June 2021 <i>RMB'000</i>	Investment cost <i>RMB'000</i>	Registered capital <i>RMB'000</i>	Percentage of ownership interest attributable to the Group as at	
					30 June 2021	31 December 2020
北京分享時代科技股份有限公司	23 February 2011	58,596	4,000	25,603	9.76%	10.31%
成都小夥伴股權投資基金 合夥企業(有限合夥)	9 December 2013	38,868	64,000	85,000	75.30%	75.30%

北京分享時代科技股份有限公司 (translated as Beijing Share Times Technology Co., Limited, “**Share Times**”) is a company that develops and operates intellectual properties (“**IPs**”) of celebrities including design, promotion, and sales of IPs. Share Times was recognized as investments in associates. In the first half of 2021, the Group recognised share of profit of an associate of approximately RMB7.3 million and gain on dilution of investment in an associate of approximately RMB6.9 million from Share Times. The Group will continue to support the business development of Share Times, and seek synergy between Share Times and other investments of the Group to maximize their performances.

成都小夥伴股權投資基金合夥企業(有限合夥) (translated as Chengdu Partnership Equity Investment Fund Partnership (Limited Partnership), “**Chengdu Partnership**”) is an investment holding company. The investment in Chengdu Partnership was recognized as equity investments at fair value through other comprehensive income in the Group’s financial position.

The Group will continue to support the business development of Share Times and Chengdu Partnership, and will continue to seek potential investment opportunities according to the Group’s development needs.

## HUMAN RESOURCES

As at 30 June 2021, the Group had 38 full-time employees (as at 30 June 2020: 52), the vast majority of whom are based in the PRC.

The remuneration for the Group's employees includes salaries, bonus, allowances and share-based compensation. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group also provides various training programs to its staff to enhance their professional development, such as assigning experienced employees as mentors in relevant teams or departments to provide regular on-the-job guidance and trainings. The Group has also adopted share option scheme and restricted share unit scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises. Details of the share option schemes and the restricted share unit scheme will be set out in the 2021 interim report of the Company.

## MATERIAL ACQUISITIONS AND DISPOSAL

### Disposal of 69.84% equity interest in Beijing Xigua

References are made to the announcements of the Company dated 24 April 2019, 24 May 2019, 26 June 2019, 21 November 2019, 11 December 2019, 10 March 2020, 19 March 2020, 8 May 2020, 22 October 2020, 23 October 2020, 12 November 2020, 24 December 2020 and 19 February 2021 (collectively, the “**Disposal Announcements**”) and the circular of the Company dated 2 December 2020 (the “**Circular**”) in relation to the acquisition of Beijing Xigua, the non-fulfilment of the Profit Guarantee and the follow-up actions taken by the Company. Unless otherwise stated herein, capitalized terms used in this section shall have the same meanings as those defined in the Disposal Announcements.

Upon completion of the Equity Disposal in December 2020, Beijing Xigua has ceased to be a subsidiary of the Company and the Company no longer held any issued shares of Beijing Xigua. Further, on 19 February 2021, the Company announced the completion of off-market Share Buy-back in relation to the disposal of the 69.84% equity interest in Beijing Xigua.

### Acquisition of Shenzhen Xingyun

References are made to the announcements of the Company dated 22 October 2020, 13 November 2020, 18 November 2020 and 20 January 2021 in relation to the acquisition of the Target Company and Shenzhen Xingyun (collectively, the “**Acquisition Announcements**”). Unless otherwise stated herein, capitalized terms used in this section shall have the same meanings as those defined in the Acquisition Announcements.

On 18 November 2020, the Company announced the completion of the acquisition as all conditions precedent under the Sale and Purchase Agreement have been fulfilled. The Target Company and Shenzhen Xingyun have thus become indirect wholly-owned subsidiaries of the Company. Further, on 20 January 2021, the Company announced the completion of the allotment and issuance of the consideration shares under the General Mandate, as well as the payment of the cash consideration in the amount of RMB6,000,000, in relation to the acquisition of the Target Company and Shenzhen Xingyun.

### **Acquisition of Shenzhen Binghong**

Reference is made to the announcement of the Company dated 6 April 2021, 27 April 2021, 10 May 2021, 31 May 2021, 25 June 2021 and 22 July 2021 in relation to the acquisition of the Target Company and Shenzhen Binghong (collectively, the “**Binghong Acquisition Announcements**”). Unless otherwise stated herein, capitalized terms used in this paragraph shall have the same meanings as those defined in the Binghong Acquisition Announcements.

On 6 April 2021, the Company announced the entering into of the SPA with the Vendor, the Guarantors and relevant parties for the acquisition of (i) the Sale Shares, representing the entire issued share capital of the Target Company; and (ii) the Sale Loan in the sum of approximately RMB52.1 million. The aggregate consideration of the Purchase is approximately RMB92.1 million, including the Consideration Cash of approximately RMB63.0 million and the Consideration Shares in the amount of approximately RMB29.1 million (equivalent to approximately HK\$35.0 million) through allotment and issuance of an aggregate of 18,208,768 Consideration Shares at the Issue Price of HK\$1.92 per Consideration Share. The Target Group is engaged in providing commercial factoring and private securities fund management services. Shenzhen Binghong Commercial Factoring is a commercial factoring service provider. Shenzhen Sijia Capital is a private equity investment company that can provide private equity services in the PRC. The Board believes that the Target Group will continue to capture the growth opportunities in the commercial factoring and asset management services industry in the PRC and contribute to the financial performance of the Group. The Purchase constitutes a major and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholder’s approval requirements under the Listing Rules. An EGM will be convened and held to consider and, if thought fit, approve the Purchase. Shareholders and potential investors should note that the Purchase is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and securities of the Company.

## **POST BALANCE SHEET EVENTS**

There was no significant subsequent event during the period from 30 June 2021 to the approval date of the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 by the Board.

## **RISK AND HURDLES**

The Group is exposed to a number of risks including macroeconomic and external risks common to most industries, as well as risks specific to the industries in which the Group operates. The Group has formulated policies to ensure continuous identification, reporting, monitoring and management of significant risks that may adversely affect its business development.

As to its established online game business, the Group is mainly exposed to the following types of risks: (i) the risk of declines in current game revenue and profitability. Due to the life cycle of online games, changes in player preferences may cause uncertainties around the Company's future business performance; (ii) the risk of loss of core talents. The loss of key management members and technical personnel may adversely affect the Company's operations; (iii) industry regulatory risks. China has strict regulations and policy controls on games, and the online game industry is subject to the supervision of various authorities. Any failure of the Company to consistently obtain its license from the authorities may have an adverse impact on its business operations; and (iv) platform and technology risks, which may hamper the Group's ability to collect fees and data and update games.

As to the electronic device and semiconductor business of Shenzhen Xingyun, the Group is mainly exposed to the following types of risks: (i) exchange risk. Since the Group's operations involve settlement in US dollars, it is exposed to the risk of fluctuations in exchange rates of the currency; and (ii) inventory management risk. Due to the high value of semiconductor memory products, their prices are volatile and vulnerable to macroeconomic cyclicality. Improper inventory management may cause capital occupancy, leading to financial risks.

The main risks associated with the remaining internet micro-credit business of the Group are: (i) the credit risk of loans becoming unrecoverable; and (ii) the collapse of real estate market or other markets causing the decrease in the value of the collaterals granted to the Group.

All of the above may have an adverse effect on the Group's performance. In addition, the Group is exposed to risks such as impairment loss due to invested companies' under-performance or contract party becoming insolvent, other unexpected one-off restructuring costs, and failures of certain material litigations or arbitrations, all of which will have an adverse effect on the Group's performance.

## **FUTURE PLANS AND OUTLOOK**

Looking forward, faced with the opportunities and challenges along with new trends in the industry under the new normal of the pandemic, the Group will actively explore opportunities for industrial upgrades, conform to the trends of economic development and national policies, and continue to explore in the industries (such as commercial factoring industry) which fit in the Group's existing businesses and have development potentials. The Group believes that such strategy will enable the Group to deepen and upgrade its existing businesses, in order to generate diversified and stable income sources.

Meanwhile, whilst adapting to the changing trends of the environment and the market and looking for new market opportunities, the Group will continue to focus on the organic integration and development of synergies among its businesses, as well as improve its operational efficiency and management level, in an effort to create ideal returns for its shareholders.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(restated)</b>
<b>Continuing operations</b>			
Revenue	4	<b>93,002</b>	25,325
Cost of revenue		<u><b>(83,311)</b></u>	<u>(8,882)</u>
<b>Gross profit</b>		<b>9,691</b>	16,443
Selling and marketing expenses		<b>(2,990)</b>	(2,196)
Administrative expenses		<b>(18,212)</b>	(28,021)
Research and development expenses		<b>(707)</b>	(369)
Other income		<b>1,452</b>	4,928
Other gains – net		<b>891</b>	175
Finance cost		<b>(78)</b>	(64)
Gain on disposal of investments at fair value through profit or loss		<b>9,041</b>	–
Share of profits of associates		<b>6,077</b>	3,660
Reversal/(impairment) of financial assets measured at amortised cost		<u><b>8,634</b></u>	<u>(557)</u>
<b>Profit/(loss) before income tax</b>		<b>13,799</b>	(6,001)
Income tax expense	5	<u><b>(551)</b></u>	<u>(212)</u>
<b>Profit/(loss) from continuing operations</b>		<u><b>13,248</b></u>	<u>(6,213)</u>
<b>Discontinued operation</b>			
Loss from discontinued operation	6	<u>–</u>	<u>(22,148)</u>
<b>Profit/(loss) for the period</b>	7	<u><b>13,248</b></u>	<u>(28,361)</u>
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity investments at fair value through other comprehensive income		<b>(5,541)</b>	(3,644)
Deferred tax effect arising from changes in fair value of equity investments at fair value through other comprehensive income		<b>385</b>	116
Currency translation differences		<u><b>54</b></u>	<u>414</u>
<b>Other comprehensive loss for the period, net of tax</b>		<u><b>(5,102)</b></u>	<u>(3,114)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><b>8,146</b></u>	<u>(31,475)</u>

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	(unaudited) (restated)
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company			
– Continuing operations		<b>13,275</b>	(6,213)
– Discontinued operation		<u>–</u>	<u>(17,534)</u>
		<b>13,275</b>	<b>(23,747)</b>
Non-controlling interests			
– Continuing operations		<b>(27)</b>	–
– Discontinued operation		<u>–</u>	<u>(4,614)</u>
		<b>(27)</b>	<b>(4,614)</b>
<b>Profit/(loss) for the period</b>		<b>13,248</b>	<b>(28,361)</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
Owners of the Company		<b>8,173</b>	(26,861)
Non-controlling interests		<u>(27)</u>	<u>(4,614)</u>
		<b>8,146</b>	<b>(31,475)</b>
<b>Basic and diluted earnings/(loss) per share (RMB)</b>			
	9		
– Continuing and discontinued operations		<b>0.09</b>	(0.15)
– Continuing operations		<b>0.09</b>	(0.04)
– Discontinued operation		<u>N/A</u>	<u>(0.11)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

		<b>As at 30 June 2021 RMB'000 (unaudited)</b>	As at 31 December 2020 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		2,176	2,195
Intangible assets		19,289	18,791
Right-of-use assets		3,082	3,544
Investments in associates		64,355	51,343
Equity investments at fair value through other comprehensive income		46,046	41,614
Prepayments and other receivables		819	897
Deferred tax assets		<u>4,381</u>	<u>4,381</u>
		<u>140,148</u>	<u>122,765</u>
<b>Current assets</b>			
Inventories	<i>10</i>	142,412	8,413
Trade receivables	<i>11</i>	50,280	4,878
Loan receivables	<i>12</i>	–	8,000
Prepayments and other receivables		54,161	33,112
Investments at fair value through profit or loss		9,360	75,855
Equity investments at fair value through other comprehensive income		38,868	38,868
Restricted cash		1,682	765
Cash and cash equivalents		<u>263,148</u>	<u>385,516</u>
		<u>559,911</u>	<u>555,407</u>
<b>Total assets</b>		<u><u>700,059</u></u>	<u><u>678,172</u></u>

		As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		93	102
Reserves		<u>640,345</u>	<u>612,945</u>
		<b>640,438</b>	613,047
Non-controlling interests		<u>–</u>	<u>(1,079)</u>
		<b>640,438</b>	611,968
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		4,833	5,218
Lease liabilities		<u>2,420</u>	<u>2,783</u>
		<u>7,253</u>	<u>8,001</u>
<b>Current liabilities</b>			
Trade payables	13	7,865	12,068
Other payables and accruals		23,685	37,224
Contract liabilities		15,063	4,527
Income tax liabilities		5,037	3,614
Lease liabilities		<u>718</u>	<u>770</u>
		<u>52,368</u>	<u>58,203</u>
<b>Total liabilities</b>		<u><b>59,621</b></u>	<u>66,204</u>
<b>Total equity and liabilities</b>		<u><b>700,059</b></u>	<u>678,172</u>
<b>Net current assets</b>		<u><b>507,543</b></u>	<u>497,204</u>
<b>Total assets less current liabilities</b>		<u><b>647,691</b></u>	<u>619,969</u>

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

**1. GENERAL INFORMATION**

Forgame Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 26 July 2011 as an exempted company with limited liability. The address of its 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 address of its principal place of business is Unit 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong. The address of the headquarters is Room 1106, Block A Phase I, Innovation Technology Plaza, Tianan Digital City, Chegongmiao, Futian District, Shenzhen, China. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The Company and its subsidiaries (collectively the “Group”) are principally engaged in developing and publishing domestic and overseas webgames and mobile games (the “Game Business”), providing internet micro-credit service (the “Internet Micro-credit Business”) and trading of electronic device and semiconductor (the “Electronic Device and Semiconductor Business”) in the People’s Republic of China (“PRC”).

The unaudited condensed consolidated financial statements are presented in Renminbi (the “RMB”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Company.

**2. BASIS OF PREPARATION**

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2020 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2020.

### **3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited condensed consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### **4. REVENUE AND SEGMENT INFORMATION**

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

During the six months ended 30 June 2021, the CODM reassessed the performance and operation of the Group and concluded that the Group has three operating segments as follows:

- Game Business
- Internet Micro-credit Business
- Electronic Device and Semiconductor Business

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted earnings before interest expense, taxes, depreciation and amortisation (“adjusted EBITDA”) excluding share of profits of associates and gain on dilution of investment in an associate, of each operating segment.

Specifically, the revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the assessment of operating segments’ results, primarily with respect to equity-settled share-based payments, investment-related gains or losses and non-recurring event.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these unaudited condensed consolidated 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 from continuing operations provided to the Group's CODM for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
		(restated)
Revenue from continuing operations		
Game Business	<b>9,397</b>	18,692
Electronic device and semiconductor business	<b>83,605</b>	—
	<u>93,002</u>	<u>18,692</u>
Revenue from contracts with customers	<b>93,002</b>	18,692
Internet Micro-credit Business	<b>—</b>	6,633
	<u>—</u>	<u>6,633</u>
Total revenue	<b>93,002</b>	25,325
	<u>93,002</u>	<u>25,325</u>
Adjusted EBITDA from continuing operations		
Game Business	<b>(1,047)</b>	(6,068)
Internet Micro-credit Business	<b>(1,313)</b>	(4,158)
Electronic device and semiconductor business	<b>(2,952)</b>	—
Share of profits of associates	<b>6,077</b>	3,660
Gain on dilution of investment in an associate	<b>6,935</b>	—
	<u>6,935</u>	<u>—</u>
Total adjusted EBITDA from continuing operations	<b>7,700</b>	(6,566)
	<u>7,700</u>	<u>(6,566)</u>
<b>Adjusted EBITDA reconciles to profit/(loss) before income tax from continuing operations as follows:</b>		
<b>Total adjusted EBITDA from continuing operations</b>	<b>7,700</b>	(6,566)
Net interest income	<b>1,239</b>	4,300
Depreciation and amortisation	<b>(924)</b>	(3,218)
Share-based compensation	<b>1</b>	(385)
Changes in the value of investments at fair value through profit or loss	<b>9</b>	(132)
Gain on disposal of investments at fair value through profit or loss	<b>9,041</b>	—
Dividends received from investments at fair value through profit or loss	<b>631</b>	—
Fair value change of share consideration payable	<b>(2,792)</b>	—
Loss on deregistration of a subsidiary	<b>(1,106)</b>	—
	<u>(1,106)</u>	<u>—</u>
<b>Profit/(loss) before income tax from continuing operations</b>	<b>13,799</b>	(6,001)
	<u>13,799</u>	<u>(6,001)</u>

## Disaggregation of revenue from contracts with customers

### Geographical information:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited) (restated)
Continuing operations		
PRC (excluding Hong Kong)	75,371	11,547
Other regions	<u>17,631</u>	<u>7,145</u>
	93,002	18,692
Discontinued operation		
PRC (excluding Hong Kong)	<u>–</u>	<u>3,602</u>
	<u><b>93,002</b></u>	<u><b>22,294</b></u>

As at 30 June 2021 and 31 December 2020, majority of the non-current assets of the Group were located in the PRC.

### Timing of revenue recognition:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited) (restated)
Continuing operations		
At a point in time	87,776	10,025
Over time	<u>5,226</u>	<u>8,667</u>
	93,002	18,692
Discontinued operation		
Over time	<u>–</u>	<u>3,602</u>
	<u><b>93,002</b></u>	<u><b>22,294</b></u>

### Revenue from major customers:

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Customer A (sales of electronic device and semiconductor)	21,505	–
Customer B (sales of electronic device and semiconductor)	<u>16,698</u>	<u>–</u>

## 5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited) (restated)
Current tax – PRC and oversea enterprise income tax	<u>551</u>	<u>212</u>

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.

The income tax provision of the Group in respect of operation in Hong Kong is provided at 8.25% on assessable profits up to HK\$2,000,000, and the applicable tax rate is 16.5% on any part of assessable profits over HK\$2,000,000 based on the assessable profit for the period.

The income tax provision of the Group in respect of operation in Taiwan is provided at 20% on assessable profits for the period.

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 six months ended 30 June 2021 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

Since Shenzhen Xingyun Data Technology Co., Ltd. (“Shenzhen Xingyun”) is qualified as a “High and New Technology Enterprise” (“HNTE”) under the PRC Enterprise Income Tax Law (“EIT Law”), the applicable tax rate was 15% for six months ended 30 June 2021.

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% PRC withholding tax (“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%.

The Group has no intend to distribute any dividend from PRC subsidiaries to their foreign immediate parents. Thus no deferred income tax liability has been recognised in respect of WHT on the undistributed earnings of those subsidiaries as at 30 June 2021 and 31 December 2020.

## 6. DISCONTINUED OPERATION

On 12 November 2020, the Company announced the disposal transaction on the Group's 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd. (北京西瓜互娱科技有限公司) ("Beijing Xigua"), at a cash consideration of RMB20,000,000 and share consideration of 22,268,908 shares. The disposal was completed in December 2020. As a result, the financial performance of Beijing Xigua was then restated as discontinued operation of the Group for the six months ended 30 June 2020.

The results of the Beijing Xigua's discontinued operation for the six months ended 30 June 2020, which have been included in consolidated profit or loss and other comprehensive income, are as follows:

	Six months ended 30 June 2020 RMB'000 (unaudited)
Revenue	3,602
Cost of revenue	(10,643)
Expenses	(7,894)
Other income	242
Other gains – net	83
Finance cost	(893)
Impairment of intangible assets	(41)
Impairment of right-of-use assets	(311)
Impairment of financial assets measured at amortised cost	(85)
Loss on fair value change of derivative financial instrument	<u>(6,200)</u>
Loss before income tax	(22,140)
Income tax expense	<u>(8)</u>
Loss from discontinued operation	<u><u>(22,148)</u></u>
Net cash outflow from operating activities	(13,625)
Net cash inflow from investing activities	793
Net cash inflow from financing activities	<u>4,400</u>
Net cash used in the subsidiary	<u><u>(8,432)</u></u>

## 7. PROFIT/(LOSS) FOR THE PERIOD

The Group's profit/(loss) for the period from continuing operations is stated after charging the following:

	Six months ended 30 June	
	2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited) (restated)
Amortisation of intangible assets	225	564
Depreciation of right-of-use assets	462	1,770
Depreciation of property and equipment	237	884
(Reversal)/impairment of financial assets measured at amortised cost		
– reversal of impairment for loan receivables	(8,831)	–
– provision of impairment for trade receivables, net	197	759
– reversal of impairment for other receivables, net	–	(202)
	<u>(8,634)</u>	<u>557</u>
Staff costs including directors' emoluments	<u>7,794</u>	<u>15,187</u>

## 8. DIVIDENDS

No dividends was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2020: nil).

## 9. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The basic earnings/(loss) per share for the six months ended 30 June 2021 is calculated based on the profit/(loss) attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited) (restated)
Profit/(loss) attributable to owners of the Company:		
From continuing operations	13,275	(6,213)
From discontinued operation	—	(17,534)
	<u>13,275</u>	<u>(23,747)</u>
	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	<u>142,287,686</u>	<u>156,754,237</u>
Basic earnings/(loss) per share (in RMB/share):		
From continuing and discontinued operations	0.09	(0.15)
From continuing operations	0.09	(0.04)
From discontinued operation	<u>N/A</u>	<u>(0.11)</u>

### Diluted earnings/(loss) per share

For the six months ended 30 June 2021, the Company had dilutive potential ordinary shares of restricted share units granted to employees under Restricted Share Units Scheme. Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company (collectively forming the denominator for computing the diluted earnings/(loss) per share). No adjustment is made to earnings (numerator).

The effects of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2020.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>(restated)</b>
Profit/(loss) attributable to owners of the Company:		
From continuing operations	<b>13,275</b>	(6,213)
From discontinued operation	<u>–</u>	<u>(17,534)</u>
	<b><u>13,275</u></b>	<b><u>(23,747)</u></b>
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Weighted average number of ordinary shares in issue	<b>142,287,686</b>	156,754,237
Adjustments for calculation of diluted earnings/(loss) per share:		
– Adjustments for awarded shares under Restricted Share Unit Scheme	<u>5,951</u>	<u>–</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	<b><u>142,293,637</u></b>	<b><u>156,754,237</u></b>
Diluted earnings/(loss) per share (in RMB/share):		
From continuing and discontinued operations	<b>0.09</b>	(0.15)
From continuing operations	<b>0.09</b>	(0.04)
From discontinued operation	<b><u>N/A</u></b>	<b><u>(0.11)</u></b>

## 10. INVENTORIES

	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Finished goods	<b><u>142,412</u></b>	<b><u>8,413</u></b>

## 11. TRADE RECEIVABLES

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Trade receivables	<b>65,482</b>	19,890
Provision for loss allowance	<b>(15,202)</b>	(15,012)
Carrying amount	<b><u>50,280</u></b>	<b><u>4,878</u></b>

The aging analysis of trade receivables, based on recognition date of the trade receivables and net of allowance is as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0-30 days	<b>38,677</b>	2,034
31-60 days	<b>11,049</b>	1,125
61-90 days	<b>378</b>	1,210
91-180 days	<b>128</b>	177
181-365 days	<b>48</b>	332
	<b><u>50,280</u></b>	<b><u>4,878</u></b>

## 12. LOAN RECEIVABLES

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Guaranteed loans	82,869	99,700
Collateralised loans	<u>23,590</u>	<u>23,590</u>
	<b>106,459</b>	123,290
Provision for loss allowance	<u>(106,459)</u>	<u>(115,290)</u>
Carrying amount	<u><u>–</u></u>	<u><u>8,000</u></u>

The loan terms granted to customers are within one year, and the loan receivables are all dominated in RMB.

Analysis of loan receivables by overdue and impaired states are as follows:

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Individually impaired	106,459	123,290
Less: Allowance for impairment losses	<u>(106,459)</u>	<u>(115,290)</u>
Net balance	<u><u>–</u></u>	<u><u>8,000</u></u>

## 13. TRADE PAYABLES

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

	<b>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
0-30 days	886	3,930
31-60 days	925	847
61-90 days	937	1,582
91-180 days	496	790
181-365 days	5	360
Over 1 year	<u>4,616</u>	<u>4,559</u>
	<u><u>7,865</u></u>	<u><u>12,068</u></u>

## 14. MATERIAL EVENTS

### (i) An alleged lawsuit relating to right of publicity

On 22 April 2020, the Company announced that there were certain recent media reports reporting that Ms. Selena Gomez, an American singer, songwriter, actress, and television producer (“Ms. Gomez”), has filed a lawsuit (the “Lawsuit”) against Mutant Box Limited (“Mutant Box”) and Guangzhou Feidong Software Technology Co., Ltd. (“GZ Feidong”), both being subsidiaries of the Company, alleging that Mutant Box and GZ Feidong have portrayed Ms. Gomez’s character on, and profited off her likeness for, a mobile fashion game, “Clothes Forever” without the consent of Ms. Gomez.

On 12 October 2020, Mutant Box received a formal summons (the “Summons”) and complaint (the “Complaint”) filed by Ms. Gomez as plaintiff against, among others, Mutant Box, GZ Feidong and the Company as defendants (the “Defendants”) in the Supreme Court of California in respect of an action for violation of and conspiracy to violate statutory and common law right of publicity.

Accordingly, Ms. Gomez seeks damages and other relief against the Defendants (including general damages for harm to reputation and loss of standing in the community in the amount of US\$1 million and special damages for commercial value of the unauthorised use of Ms. Gomez’s right of publicity in the amount of US\$9 million). Ms. Gomez as the plaintiff also reserved her right to seek punitive damages in the amount of US\$25,000,000.

### (ii) Frozen Shares of Certain PRC Operational Entities

Pursuant to the requirements of a civil paper (Document 2019 Yue 0106 Caibao 43) issued by a court in the PRC (the “Court”), legal shares of 23.75% (representing paid up capital of RMB2,375,000), 23.75% (representing paid up capital of RMB2,375,000) and 20.94% (representing paid up capital of RMB2,094,000) of Guangzhou Feiyin Information Technology Co., Ltd (廣州菲音信息科技有限公司), Guangzhou Weidong Internet Technology Co., Ltd (廣州維動網絡科技有限公司) and Guangzhou Jieyou Software Co., Ltd (廣州捷遊軟件有限公司), respectively, which are held by Mr. Wang Dongfeng (“Mr. Wang”) (collective defined as the “Frozen Shares”) have been frozen by the Court due to lawsuits filed against Mr. Wang as a defendant. The frozen period is from 26 February 2019 to 25 February 2021. During the frozen period, the Frozen Shares cannot be transferred to other parties without the agreement of the Court, and the Frozen Shares might also be demanded by the Court to be disposed of in order to settle any damages, as determined by the Court, arising from the lawsuits. As of the date of this announcement, no refrozen information has been made available to the Company.

The Directors based on the advice of its legal advisor, consider that the contractual arrangements between GZ Feidong and PRC operational entities are in compliance with relevant PRC laws and regulations and are legally binding and enforceable. There is no significant change for the contractual arrangements.

**(iii) Contractual dispute**

On 14 May 2021, the Company announced that the Company has been recently informed of a civil complaint (the “Civil Complaint”) dated 6 May 2021 filed by Pingxiang Huisheng Industrial Investment Management Co., Ltd. (萍鄉市匯盛工業投資管理有限公司) (the “Plaintiff”) as plaintiff with Jiangxi Pingxiang Intermediate People’s Court (江西省萍鄉市中級人民法院) against Mr. Ruan Qian (阮謙) (the “Defendant 1”), the Company, Mr. Wang and Pingxiang Caizhi Data Technology Co., Ltd. (萍鄉市財智數據科技有限公司) (the “Defendant 2”, together with the Defendant 1, the Company and Mr. Wang, collectively the “Defendants”) in relation to a contractual dispute.

The Plaintiff alleged that the Defendant 1 failed to complete the purchase after the relevant investment period and claimed, among others, the following: 1) the Defendant 1 to purchase the 20% equity interest in the Defendant 2 held by the Plaintiff and pay the Plaintiff the outstanding sum of the consideration of the Purchase and the relevant overdue interests, totaling approximately RMB621.5 million calculated as at 6 May 2021; 2) the Defendants to pay the Plaintiff the reasonable costs and expenses in relation to the Civil Complaint and pay the litigation costs; and 3) the Defendant 2, Mr. Wang and the Company to be jointly responsible for the abovementioned payment obligations.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief based on the information currently available, the Company is not connected to the Plaintiff, the Defendant 1 and the Defendant 2, and neither does the Company agree to any of the claims stated in the Civil Complaint. The Company has been collecting information and seeking legal advice. The Company has reported to the police with respect to the possible forgery of the Company’s seal, and will continue to take proactive actions to safeguard the Group’s interest. The Company is of the view that the above legal proceedings currently do not affect the normal business and operations of the Group.

## **OTHER INFORMATION**

### **Model Code for Securities Transactions by Directors**

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2021.

### **Corporate Governance Code**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. During the six months ended 30 June 2021, the Directors consider that the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

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

Pursuant to the special resolution passed at an extraordinary general meeting of the Company held on 24 December 2020, the Company bought back 22,268,908 Shares which had been transferred to the Company by Shanghai Dacheng Network Technology Co., Ltd.\* (上海大承網絡技術有限公司) through the designated escrow agent pursuant to the transfer agreement dated 12 November 2020 and subsequently cancelled on 19 February 2021.

Save as disclosed above, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **Audit and Compliance Committee**

The Audit and Compliance Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two independent non-executive Directors, being Mr. Wong Chi Kin and Mr. Wang Dong, and one non-executive Director, being Mr. Cui Yuzhi. The chairman of the Audit and Compliance Committee is Mr. Wong Chi Kin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee has reviewed the Group's unaudited interim financial results for the six months ended 30 June 2021.

## **Publication of the Unaudited Consolidated Interim Results and 2021 Interim Report**

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2021 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in September 2021.

### **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 support and contribution to the Group.

By order of the Board  
**Forgame Holdings Limited**  
**Cui Yuzhi**  
*Chairman*

Hong Kong, 25 August 2021

*As at the date of this announcement, the executive Directors are Mr. CUI Yuzhi, Mr. HAN Jun and Mr. ZHU Liang; the non-executive Director is Mr. ZHANG Qiang; and the independent non-executive Directors are Mr. WANG Dong, Mr. WONG Chi Kin and Mr. LU Xiaoma.*

\* *For identification purposes only*