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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 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Forgame Holdings Limited (the “**Company**” or “**Forgame**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2022 (the “**Interim Results**”). The Interim Results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. In addition, the Interim Results have also been reviewed by the audit and compliance committee of the Company (the “**Audit and Compliance Committee**”).

INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2022, the world economy continued to be in turmoil, with inflation in the United States and interest rate hikes by the Federal Reserve. Such austerity policies would lead to a significant shrink in consumption and various investment demands, which then would result in a slowdown in the economic growth and even a risk of recession. The negative impact of the Russia-Ukraine crisis continues to deepen and there is a risk of stagflation in the European economy. As a result of the slowing world economy and the impact of the epidemic, China also experienced negative growth in consumption, slowdown in investment, decline in exports and significant drop in the economic growth in the first half of the year.

The Group recorded a total revenue of approximately RMB34.5 million in the first half of 2022, representing a decrease of 62.9% compared to the same period of last year. In view of the complex international situation and downward pressure on the economy in the first half of the year, the Group, under the guidance of the Board, actively reviewed the current stage of business operations and integrated the group's resources. On the one hand, the Group maintained a stable and sustainable online gaming business, actively explored the development and utilization of new games. On the other hand, we maintained the stability of our semiconductors trading business, accelerated the turnover of inventories, improved derived value-added products and services and consolidated resources. At the same time, the Group achieved certain results in cost control and past outstanding loans recovery.

FIRST HALF OF 2022 COMPARED TO FIRST HALF OF 2021

The following table sets forth the Group's income statement for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

	Six Months Ended 30 June		Change %
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)	
Continuing operations			
Revenue	34,509	93,002	-62.9%
Cost of revenue	<u>(29,631)</u>	<u>(83,311)</u>	<u>-64.4%</u>
Gross profit	4,878	9,691	-49.7%
Selling and marketing expenses	(2,037)	(2,990)	-31.9%
Administrative expenses	(18,425)	(7,451)	147.3%
Research and development expenses	(11,906)	(707)	1584.0%
Other income	437	1,452	-69.9%
Other gains – net	7,818	817	856.9%
Finance cost	(209)	(78)	167.9%
Gain on disposal of investments at fair value through profit or loss	2,840	9,041	-68.6%
Share of profits of associates	6,083	6,077	0.1%
Reversal/(impairment) of financial assets measured at amortised cost	<u>21,234</u>	<u>(197)</u>	<u>NM</u>
Profit before income tax	10,713	15,655	-31.6%
Income tax expense	<u>(88)</u>	<u>(551)</u>	<u>-84.0%</u>
Profit from continuing operations	<u>10,625</u>	<u>15,104</u>	<u>-29.7%</u>
Discontinued operation			
Loss from discontinued operation	<u>–</u>	<u>(1,856)</u>	<u>NM</u>
Profit for the period	<u>10,625</u>	<u>13,248</u>	<u>-19.8%</u>

Note: NM – not meaningful.

Continuing operations

Revenue. Revenue decreased by approximately 62.9% to RMB34.5 million for the six months ended 30 June 2022 from RMB93.0 million for the six months ended 30 June 2021. The following table sets forth the Group’s revenue by segment for the six months ended 30 June 2022 and 2021:

	Six Months Ended 30 June			
	2022		2021	
	<i>RMB’000</i>	<i>(% of Total Revenue)</i>	<i>RMB’000</i>	<i>(% of Total Revenue)</i>
	(Unaudited)		(Unaudited)	
			(Restated)	
Revenue by Segment				
– Game business	7,926	23.0	9,397	10.1
– Electronic device & semiconductor business	26,583	77.0	83,605	89.9
Total Revenue	34,509	100.0	93,002	100.0

- Revenue generated from the Group’s game business decreased by approximately 15.7% to RMB7.9 million for the six months ended 30 June 2022 from RMB9.4 million for the six months ended 30 June 2021. Revenue generated from the online games decreased mainly due to the fact that the Group’s two games “戰將風雲” and “真王” 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 decreased by approximately 68.2% to RMB26.6 million for the six months ended 30 June 2022 from RMB83.6 million for the six months ended 30 June 2021. Revenue generated from the electronic device & semiconductor business decreased mainly due to impact of COVID-19 controlling and restriction measures on normal goods logistics and service delivery as well as on the quantity of goods for both the demand and supply sides.

Cost of revenue. Cost of revenue decreased by approximately 64.4% to RMB29.6 million for the six months ended 30 June 2022 from RMB83.3 million for the six months ended 30 June 2021. The decrease of cost of revenue was primarily attributable to the decrease of revenue.

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 31.9% to RMB2.0 million for the six months ended 30 June 2022 from RMB3.0 million for the six months ended 30 June 2021. Such decrease was mainly due to a reduction of the Group’s electronics business, which resulted in lower warehousing, transportation and employee benefit expenses and decrease of the Group’s game business, which resulted in lower advertising expenses.

Administrative expenses. Administrative expenses increased by approximately 147.3% to RMB18.4 million for the six ended 30 June 2022 from RMB7.5 million for the six months ended 30 June 2021. Such increase was primarily due to an increase of allowances for inventories and the classification of the financial performance of internet micro-credit business as discontinued operation in 2021 which resulted in a decrease of administrative expenses for the same period in 2021.

Other income. Other income decreased from RMB1.5 million for the six months ended 30 June 2021 to RMB0.4 million for the six months ended 30 June 2022. Such decrease was primarily due to the decrease of interest income during the first half of 2022.

Other gains – net. Other gains – net increased from RMB0.8 million for six months ended 30 June 2021 to RMB7.8 million for six months ended 30 June 2022. The increase was primarily due to foreign exchange rates difference and the loss recognized on change in fair value of consideration shares payable in relation to acquisition of Shenzhen Xingyun Data Technology Co., Ltd.,* (深圳市行雲數據技術有限公司) for the same period in 2021.

Gain on disposal of investments at fair value through profit or loss. Gain on disposal of investments at fair value through profit or loss decreased from RMB9.0 million for the six months ended 30 June 2021 to RMB2.8 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease of gain from investments in equity securities listed in PRC, Hong Kong and United States.

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 2022 of RMB21.2 million, as compared to the impairment amount of RMB0.2 million recognised for the same period of last year. The net amount of reversal recognised in the first half of 2022 was primarily consisted of impairment reversal of previously impaired corporate loans.

Profit from continuing operations. Profit from continuing operations decreased from RMB15.1 million for six months ended 30 June 2021 to RMB10.6 million for six months ended 30 June 2022. The decrease of profit was mainly due to the decrease in gross profit.

Discontinued Operation

Loss from discontinued operation. The Group recognized loss from discontinued operation in the amount of RMB1.9 million for the six months ended 30 June 2021. The loss from discontinued operation was the financial results of internet micro-credit business which the Group ceased operation in 2021.

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 2022 and 2021, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Profit from continuing operations for the period	10,625	15,104
Add:		
Depreciation and amortisation	7,305	378
Net interest expense/(income)	1	(1,236)
Income tax expense	88	551
	<u>18,019</u>	<u>14,797</u>
EBITDA (unaudited)		
Add:		
Share-based compensation	–	(1)
Changes in the value of investments at fair value through profit or loss	1,119	(9)
Gain on disposal of investments at fair value through profit or loss	(2,840)	(9,041)
Dividends arising from investments at fair value through profit or loss	(187)	(631)
Fair value change of share consideration payable	–	2,792
Loss on deregistration of a subsidiary	–	1,106
Loss on disposal of investment in an associate	259	–
	<u>16,370</u>	<u>9,013</u>
Adjusted EBITDA (unaudited)		

FINANCIAL POSITION

As at 30 June 2022, the total equity of the Group amounted to RMB656.9 million, as compared to that of RMB636.7 million as at 31 December 2021. Such increase was primarily due to the profit generated for the period.

The Group's net current assets amounted to RMB443.1 million as at 30 June 2022, as compared to that of RMB487.0 million as at 31 December 2021. Such decrease was due to part of the inventories was transferred to "property and equipment" in line with the business needs.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Cash at bank and on hand	173,907	208,579
Cash at other financial institutions	121,883	161,687
	295,790	370,266
Bank borrowings	(4,000)	(4,000)
Net Cash	291,790	366,266

The Group's total cash and cash equivalent amounted to RMB295.8 million as at 30 June 2022 as compared to that of RMB370.3 million as at 31 December 2021. The decrease was primarily attributable to the increase in inventories and investments at fair value through profit or loss, which resulted in a decrease in the cash balance.

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 Hong Kong dollar, followed by RMB.

As at 30 June 2022, the Group's bank borrowings were repayable within 1 year and the interest rate is at one year Loan Prime Rate plus 0.95%. As at 30 June 2022, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0.57%(as at 31 December 2021: 0.55%), which the Board believes is at an acceptable level.

FOREIGN EXCHANGE RISK

As at 30 June 2022, RMB183.9 million of the financial resources of the Group (as at 31 December 2021: RMB122.7 million) were held as deposits denominated in non-RMB currencies. Such increase was the result of the Group's active foreign exchange rates management. 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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Capital expenditures		
– Purchase of property and equipment	116	237
– Purchase of intangible assets	–	723
	<hr/>	<hr/>
Total	116	960

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as office equipment and leasehold improvement.

PLEDGE OF ASSETS

As at 30 June 2022, the Group had a pledge of assets of RMB0.8 million (as at 31 December 2021: RMB0.7 million) as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant unrecorded contingent liabilities (as at 31 December 2021: nil).

SIGNIFICANT INVESTMENT

As at 30 June 2022, the Group held a significant investment detailed as follows:

Company name	Date of incorporation	Carrying amount as at 30 June 2022 <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 2022	31 December 2021
北京分享時代科技股份 有限公司	23 February 2011	64,863	4,000	26,982.124	9.27%	9.60%

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 (the “**IPs**”) of celebrities, including design, promotion and sales of the IPs. Share Times was recognized as investments in associates. In the first half of 2022, the Group recognised share of profit of an associate of approximately RMB6.3 million and gain on dilution of investment in an associate of approximately RMB8.1 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.

HUMAN RESOURCES

As at 30 June 2022, the Group had 36 full-time employees (as at 30 June 2021: 38), 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 a share option scheme and a 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 2022 interim report of the Company.

MATERIAL ACQUISITION AND DISPOSAL

SUBSCRIPTION IN LIMITED PARTNERSHIP FUND

On 8 April 2022, Foga Tech Limited (the “**Subscriber**”), a wholly-owned subsidiary of the Company, entered into the supplemental limited partnership agreement with Sailing Limited Partnership Fund (the “**Fund**”), pursuant to which the Subscriber agreed to subscribe for the Limited Partner Interests in the Fund, for a capital commitment of US\$4 million (equivalent to approximately HK\$31.3 million) instead of the capital commitment of US\$1 million (equivalent to approximately HK\$7.8 million) under the limited partnership agreement entered into between the two parties on 23 December 2021. However, due to recent financial market adjustments, the Company decided to withdraw capital injection of the US\$4 million to the fund. A further announcement will be made if and when such agreement is reached.

POST BALANCE SHEET EVENTS

There was no significant subsequent event during the period from 30 June 2022 to the approval date of the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 by the Board.

RISK AND HURDLES

The current business environment remains to be overshadowed by the tensions in US-China trade, the war between Russia and Ukraine and the COVID-19 pandemic. 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 the traditional online game business operated by the Group, the Group is mainly exposed to the following types of risks:

- (i) Industry policies and regulatory risks. Any changes and adjustments in policies by governmental regulatory bodies could affect the market, and the online game industry is subject to the supervision of various relevant authorities, which may have an adverse impact on its business operations;
- (ii) 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;
- (iii) The rapid market changes from existing webgames to mobile games may have an adverse impact on its business operations; and
- (iv) The risk of disproportionate research and development investment and revenue of new games due to the contingent restrictions in issuance of new game publication numbers.

As to the electronic device and semiconductor business, the Group is mainly exposed to the following types of risks:

- (i) Exchange risk. Since the Group's operations involve settlement in US and Hong Kong dollars, it is exposed to the risk of fluctuations in exchange rates of the currency;
- (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; and
- (iii) Supply chain disruption risk. Affected by the epidemic and the uncertain international situation, the logistics capacity was under a great strain and the freight rates increased, which brought risks to the trading business.

All of the above may have an adverse effect on the Group's performance. In addition, the Group is exposed to risks such as contingent failures of certain material litigations or arbitrations, all of which will have an adverse effect on the Group's performance.

FUTURE PLANS

Looking forward, the unpredictable downward pressure on the world economy will continue. The risk of a global recession is rising. The recession risk, high inflation and tightening monetary policy by many central banks around the world will further weaken the upturn of economic fundamentals. A recurrence of the epidemic may also result in more uncertain factors. In the second half of 2022, while maintaining our existing business, the Group will actively develop cloud-games and its cloud-storage products, as well as carry out necessary upgrades to our existing games to unlock the potential of our gaming products and maintain stable gaming revenue. On the trade front, the Group will take appropriate measures to control its receivables risk while actively disposing of inventories to reduce the risk of inventory pressure and maintain a healthy cash flow. The Group will also improve its operational capacity to reduce costs and improve efficiency and continue to recover outstanding loans through commercial and legal channels.

The Group will take a proactive approach to expand and transform its business, optimise its business structure and improve management efficiencies based on a perspective of sustainable development and a prudent and optimistic attitude, and invest in a prudent manner to create value for our shareholders in the long run.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	4	34,509	93,002
Cost of revenue		<u>(29,631)</u>	<u>(83,311)</u>
Gross profit		4,878	9,691
Selling and marketing expenses		(2,037)	(2,990)
Administrative expenses		(18,425)	(7,451)
Research and development expenses		(11,906)	(707)
Other income		437	1,452
Other gains – net		7,818	817
Finance cost		(209)	(78)
Gain on disposal of investments at fair value through profit or loss		2,840	9,041
Share of profits of associates		6,083	6,077
Reversal/(impairment) of financial assets measured at amortised cost		<u>21,234</u>	<u>(197)</u>
Profit before income tax		10,713	15,655
Income tax expense	5	<u>(88)</u>	<u>(551)</u>
Profit from continuing operations		<u>10,625</u>	<u>15,104</u>
Discontinued operation			
Loss from discontinued operation	6	<u>–</u>	<u>(1,856)</u>
Profit for the period	7	<u>10,625</u>	<u>13,248</u>
Other comprehensive (loss)/income:			
<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		(1,604)	(5,541)
Deferred tax effect arising on changes in fair value of equity investments at fair value through other comprehensive income		401	385
Currency translation differences		<u>10,855</u>	<u>54</u>
Other comprehensive income/(loss) for the period, net of tax		<u>9,652</u>	<u>(5,102)</u>
Total comprehensive income/(loss) for the period		<u><u>20,277</u></u>	<u><u>8,146</u></u>

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		RMB'000	RMB'000
		(unaudited)	(unaudited)
			(restated)
Profit/(loss) for the period attributable to:			
Owners of the Company			
– Continuing operations		10,625	15,131
– Discontinued operation		<u>–</u>	<u>(1,856)</u>
		<u>10,625</u>	<u>13,275</u>
Non-controlling interests			
– Continuing operations		–	(27)
– Discontinued operation		<u>–</u>	<u>–</u>
		<u>–</u>	<u>(27)</u>
Profit for the period		<u><u>10,625</u></u>	<u><u>13,248</u></u>
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company			
		20,277	8,173
Non-controlling interests		<u>–</u>	<u>(27)</u>
		<u><u>20,277</u></u>	<u><u>8,146</u></u>
Basic and diluted earnings/(loss) per share (RMB)			
	9		
– Continuing and discontinued operations		0.07	0.09
– Continuing operations		0.07	0.10
– Discontinued operation		<u>N/A</u>	<u>(0.01)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property and equipment		92,725	36,951
Intangible assets		18,771	19,019
Right-of-use assets		4,074	4,687
Investments in associates		64,863	55,075
Equity investments at fair value through other comprehensive income		33,281	34,873
Prepayments and other receivables		435	405
Deferred tax assets		4,381	4,381
		<u>218,530</u>	<u>155,391</u>
Current assets			
Inventories	<i>10</i>	64,990	80,927
Trade receivables	<i>11</i>	55,286	58,517
Prepayments and other receivables		32,130	44,625
Investments at fair value through profit or loss		37,567	2,000
Restricted cash		1,703	1,669
Cash and cash equivalents		295,790	370,266
		<u>487,466</u>	<u>558,004</u>
Total assets		<u>705,996</u>	<u>713,395</u>

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		93	93
Reserves		<u>656,840</u>	<u>636,563</u>
Total equity		<u>656,933</u>	<u>636,656</u>
Liabilities			
Non-current liabilities			
Deferred tax liabilities		1,611	2,012
Lease liabilities		<u>3,135</u>	<u>3,740</u>
		<u>4,746</u>	<u>5,752</u>
Current liabilities			
Trade payables	12	9,398	9,688
Other payables and accruals		18,962	22,698
Bank borrowings		4,000	4,000
Contract liabilities		6,123	28,882
Income tax liabilities		4,642	4,558
Lease liabilities		<u>1,192</u>	<u>1,161</u>
		<u>44,317</u>	<u>70,987</u>
Total liabilities		<u>49,063</u>	<u>76,739</u>
Total equity and liabilities		<u>705,996</u>	<u>713,395</u>
Net current assets		<u>443,149</u>	<u>487,017</u>
Total assets less current liabilities		<u>661,679</u>	<u>642,408</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 in Hong Kong 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”) and trading of electronic device and semiconductor (the “Electronic Device and Semiconductor Business”) in the People’s Republic of China (the “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 2021 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 2021.

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 2022. 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 (the "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.

In 2021, the Group ceased the operation of internet micro-credit business (the "Internet Micro-credit Business"). Information about the discontinued operation is set out in Note 6. During the period, the CODM reassessed the performance and operation of the Group and concluded that the Group has two operating segments as follows:

- Game Business; and
- 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 (the "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 the CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, the 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 the 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 2022 and 2021 is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Revenue from continuing operations		
<i>Revenue from contracts with customers</i>		
Game Business	7,926	9,397
Electronic Device and Semiconductor Business	<u>26,583</u>	<u>83,605</u>
Total revenue	<u><u>34,509</u></u>	<u><u>93,002</u></u>
Adjusted EBITDA from continuing operations		
Game Business	1,455	(1,047)
Electronic Device and Semiconductor Business	706	(2,952)
Share of profits of associates	6,083	6,077
Gain on dilution of investment in an associate	<u>8,126</u>	<u>6,935</u>
Total adjusted EBITDA from continuing operations	<u><u>16,370</u></u>	<u><u>9,013</u></u>
Adjusted EBITDA reconciles to profit before income tax from continuing operations as follows:		
Total adjusted EBITDA from continuing operations	16,370	9,013
Net interest (expense)/income	(1)	1,236
Depreciation and amortisation	(7,305)	(378)
Share-based compensation	-	1
Changes in the value of investments at fair value through profit or loss	(1,119)	9
Gain on disposal of investments at fair value through profit or loss	2,840	9,041
Dividends arising from investments at fair value through profit or loss	187	631
Fair value change of share consideration payable	-	(2,792)
Loss on deregistration of a subsidiary	-	(1,106)
Loss on disposal of investment in an associate	<u>(259)</u>	<u>-</u>
Profit before income tax from continuing operations	<u><u>10,713</u></u>	<u><u>15,655</u></u>

Disaggregation of revenue from contracts with customers

Geographical information:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
PRC (excluding Hong Kong)	23,681	75,371
Other regions	10,828	17,631
	<u>34,509</u>	<u>93,002</u>

The Group also conducts operations in Hong Kong and other region. The geographical information on the non-current assets (other than investments in associates, equity investments at fair value through other comprehensive income and deferred tax assets) is as follows:

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current assets		
PRC (excluding Hong Kong)	45,035	27,328
Hong Kong	70,970	33,734
	<u>116,005</u>	<u>61,062</u>

Timing of revenue recognition:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
At a point in time	30,250	87,776
Over time	4,259	5,226
	<u>34,509</u>	<u>93,002</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	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A (sales of electronic device and semiconductor)	–	21,505
Customer B (sales of electronic device and semiconductor) <i>(note)</i>	–	16,698
Customer C (sales of electronic device and semiconductor)	6,185	–
Customer D (sales of electronic device and semiconductor)	4,078	–

Note: Customer B did not meet the threshold of revenue over 10% for the six months ended 30 June 2022.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC and oversea enterprise income tax	88	551

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 operations 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 six months ended 30 June 2022 and 2021.

The income tax provision of the Group in respect of operations in Taiwan is provided at 20% on assessable profits for the six months ended 30 June 2022 and 2021.

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 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof.

Since Shenzhen Xingyun Data Technology Co., Ltd., a subsidiary of the Company, is qualified as a “High and New Technology Enterprise” under the PRC Enterprise Income Tax Law (the “EIT Law”) in 2020, the applicable tax rate was 15% for the six months ended 30 June 2022 and 2021.

According to the relevant EIT Laws jointly promulgated by the Ministry of Finance of the PRC, State Tax Bureau of the PRC, and Ministry of Science of the PRC that became effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

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%.

No deferred income tax liability has been recognised in respect of WHT on the undistributed earnings of the subsidiaries incorporated in the PRC as those PRC subsidiaries with foreign immediate parent are all with accumulated losses (i.e. without any distributable earnings) as at 30 June 2022 and 31 December 2021.

6. DISCONTINUED OPERATION

The Group’s profit for the period is stated after charging the following:

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(unaudited)	(unaudited) (restated)
Loss of discontinued operation – Internet Micro-credit Business	<u>–</u>	<u>(1,856)</u>

In December 2016, the Group obtained a license to carry out Internet Micro-credit Business from the government and thereafter commenced the operation of the Group’s internet micro-credit service in the PRC. The license expired in August 2021 and has not been renewed. As a result, the financial performance of Internet Micro-credit Business was then classified as discontinued operation of the Group for the year ended 31 December 2021. The comparative figures of the financial performance for the period ended 30 June 2021 have been restated on such basis.

The results of the Internet Micro-credit Business’ discontinued operation for the period ended 30 June 2021, which have been included in unaudited condensed consolidated profit or loss and other comprehensive income, are as follows:

	Six months ended 30 June 2021 RMB’000 (unaudited)
Revenue	–
Expenses	(10,761)
Other gains – net	74
Reversal of impairment of financial assets measured at amortised cost	<u>8,831</u>
Loss before income tax	(1,856)
Income tax expense	<u>–</u>
Loss from discontinued operation	<u>(1,856)</u>
Net cash outflow from operating activities	<u>(93,683)</u>
Net cash used in the subsidiary	<u>(93,683)</u>

7. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited) (restated)
Amortisation of intangible assets	248	90
Allowance for inventories	6,480	442
Depreciation of right-of-use assets	613	192
Depreciation of property and equipment	6,444	96
(Reversal)/impairment of financial assets measured at amortised cost		
– reversal of impairment for loan receivables (<i>note</i>)	(21,335)	–
– provision of impairment for trade receivables, net	101	197
	<u>(21,234)</u>	<u>197</u>
Staff costs including directors' emoluments	<u>7,530</u>	<u>3,489</u>

Note: The reversal of impairment for loan receivables during the period ended 30 June 2022 was due to receipt of repayments in respect of certain loan receivables which were previously fully impaired. Of which, RMB20,286,000 repayments was in the form of transferring certain properties held by the guarantors of the borrowers to the Group. The fair value of the captioned properties at the received date was RMB20,286,000.

8. DIVIDENDS

No dividends was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2022, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2021: nil).

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(restated)
Profit/(loss) attributable to owners of the Company:		
From continuing operations	10,625	15,131
From discontinued operation	<u>–</u>	<u>(1,856)</u>
	<u>10,625</u>	<u>13,275</u>

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Weighted average number of ordinary shares in issue	143,350,090	142,287,686
Adjustments for calculation of diluted earnings/(loss) per share:		
– Adjustments for awarded shares under Restricted Share Unit Scheme	<u>–</u>	<u>5,951</u>

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/ (loss) per share	<u>143,350,090</u>	<u>142,293,637</u>
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Diluted earnings/(loss) per share (in RMB/share):

From continuing and discontinued operations	0.07	0.09
From continuing operations	0.07	0.10
From discontinued operation	<u>N/A</u>	<u>(0.01)</u>

10. INVENTORIES

	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Finished goods	<u>64,990</u>	<u>80,927</u>

11. TRADE RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables	70,375	73,595
Provision for loss allowance	<u>(15,089)</u>	<u>(15,078)</u>
Carrying amount	<u>55,286</u>	<u>58,517</u>

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0-30 days	29,843	29,475
31-60 days	24,486	28,680
61-90 days	489	289
91-180 days	458	12
181-365 days	<u>10</u>	<u>61</u>
	<u>55,286</u>	<u>58,517</u>

12. TRADE PAYABLES

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

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
0-30 days	1,300	2,465
31-60 days	880	1,284
61-90 days	749	861
91-180 days	707	451
181-365 days	1,135	4
Over 1 year	<u>4,627</u>	<u>4,623</u>
	<u>9,398</u>	<u>9,688</u>

13. 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”), had filed a lawsuit against Mutant Box Interactive 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 had 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 and complaint filed by Ms. Gomez as plaintiff against, among others, Mutant Box, GZ Feidong and the Company as defendants (the “said Defendants”) in the Supreme Court of California in the United States 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 said 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 has also reserved her right to seek punitive damages in the amount of US\$25 million.

(ii) 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 Dongfeng (“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.

In October 2021, the case was first heard in the Jiangxi Pingxiang Intermediate People's Court (萍鄉市中級人民法院) and no verdict was given in the court. The case was subsequently suspended in a civil ruling in December 2021.

The Company 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 2022.

Corporate Governance Code

The Company 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. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**CG Code**"). Save as disclosed below, in the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the CG Code during the six months ended 30 June 2022.

Code provision C.1.8 of the CG Code stipulates that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

The Company is using its reasonable endeavours to negotiate with the insurers for the contract terms in order to procure appropriate insurance cover as soon as possible. The Company has always been in strict compliance with the principles and requirements of the Listing Rules. As at 30 June 2022, the Company was not involved in any material litigation liabilities that were incurred by any Director. Each Director has the necessary qualification and experience required in performing his duty. The Company estimates that in the reasonably foreseeable future, there is limited risk that there would be any material event for which any Director shall take significant responsibility.

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

During the six months ended 30 June 2022, 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 three independent non-executive Directors, being Mr. Wong Chi Kin, Mr. Lu Xiaoma and Mr. Ji Yong. 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, together with the auditor of the Company, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2022.

Publication of the Unaudited Consolidated Interim Results and 2022 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 2022 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 2022.

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, 26 August 2022

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