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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 2023

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 2023 (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 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, global economic growth slowed, the prospects for economic recovery remained bleak due to factors such as the prolonged COVID-19 epidemic, the Ukraine crisis, climate change and high inflation. In the first half of the year, the Chinese economy faced new difficulties and challenges, mainly due to weak domestic demand and a significant decline in external demand due to global supply chain structural changes. Some enterprises were in operational difficulties, with many risks and hidden dangers in key areas, and the external environment was complex and severe. After the lifting of restrictions on the COVID-19 epidemic, the economic recovery will need to go through a wave-like development and a tortuous process. The economic recovery is uneven and market demand is still insufficient. Our Group's business operations still face complex and severe economic environment and market challenges.

Under the guidance of the Board, the Group actively responded to changes in the market competition, and continued to stabilize and sustain the development of its online game business. The Group actively explored and expanded the development and utilization of new games, actively explored the structure of electronic trade products to seek breakthroughs, accelerated the layout and development of innovative transformation business and integrated resources to strengthen operation management and promote innovative development.

In the first half of 2023, the Group recorded a total revenue of approximately RMB23.4 million, representing a decrease of 32.3% compared to the same period of last year.

FIRST HALF OF 2023 COMPARED TO FIRST HALF OF 2022

The following table sets forth the Group's income statement for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

	Six Months Ended 30 June		Change %
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	
Revenue	23,359	34,509	-32.3%
Cost of revenue	<u>(16,899)</u>	<u>(29,631)</u>	<u>-43.0%</u>
Gross profit	6,460	4,878	32.4%
Selling and marketing expenses	(1,347)	(2,037)	-33.9%
Administrative expenses	(13,943)	(18,425)	-24.3%
Research and development expenses	(21,916)	(11,906)	84.1%
Other income	5,103	437	1,067.7%
Other gains – net	18,039	10,658	69.3%
Finance cost	(166)	(209)	-20.6%
Share of profits of associates	4,633	6,083	-23.8%
Impairment (provision)/reversal of financial assets measured at amortised cost	<u>(142)</u>	<u>21,234</u>	<u>NM</u>
(Loss)/profit before income tax	(3,279)	10,713	NM
Income tax expense	<u>(2)</u>	<u>(88)</u>	<u>-97.7%</u>
(Loss)/profit for the period	<u>(3,281)</u>	<u>10,625</u>	<u>NM</u>

Note: NM – not meaningful.

Revenue. Revenue decreased by approximately 32.3% to RMB23.4 million for the six months ended 30 June 2023 from RMB34.5 million for the six months ended 30 June 2022. The following table sets forth the Group’s revenue by segment for the six months ended 30 June 2023 and 2022:

	Six Months Ended 30 June			
	2023	(% of Total Revenue)		2022
Revenue by Segment	RMB’000 (Unaudited)	RMB’000 (Unaudited)	RMB’000 (Unaudited)	(% of Total Revenue)
– Game business	6,265	26.8	7,926	23.0
– Electronic device and semiconductor business	17,094	73.2	26,583	77.0
Total Revenue	<u>23,359</u>	<u>100.0</u>	<u>34,509</u>	<u>100.0</u>

- Revenue generated from the Group’s game business decreased by approximately 21.0% to RMB6.3 million for the six months ended 30 June 2023 from RMB7.9 million for the six months ended 30 June 2022. Revenue generated from the online games decreased mainly due to the fact that the Group’s two games “真王” 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 decreased by approximately 35.7% to RMB17.1 million for the six months ended 30 June 2023 from RMB26.6 million for the six months ended 30 June 2022. Revenue generated from the electronic device and semiconductor business decreased mainly due to business transformation.

Cost of revenue. Cost of revenue decreased by approximately 43.0% to RMB16.9 million for the six months ended 30 June 2023 from RMB29.6 million for the six months ended 30 June 2022. The decrease of cost of revenue was the result of a combined impact of effective cost control and the decrease of revenue.

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 33.9% to RMB1.3 million for the six months ended 30 June 2023 from RMB2.0 million for the six months ended 30 June 2022. Such decrease was mainly due to electronic trading business employee downsizing, which resulted in lower employee benefit expenses and decrease of the Group’s game business revenue, which resulted in lower advertising expenses.

Administrative expenses. Administrative expenses decreased by approximately 24.3% to RMB13.9 million for the six months ended 30 June 2023 from RMB18.4 million for the six months ended 30 June 2022. Such decrease was primarily due to a decrease of allowances for inventories.

Other income. Other income increased from RMB0.4 million for the six months ended 30 June 2022 to RMB5.1 million for the six months ended 30 June 2023. Such increase was primarily due to an increase of interest income during the first half of 2023.

Other gains – net. Other gains-net increased by approximately 69.3% from RMB10.7 million for the six months ended 30 June 2022 to RMB18.0 million for six months ended 30 June 2023. Such increase was primarily due to an increase of investment-related financial instruments gain (net of fair value change), as the Group adopted a prudent investment strategy.

Impairment (provision)/reversal of financial assets measured at amortised cost. The Group recognised the impairment provision of financial assets measured at amortised cost of RMB0.1 million for the six months ended 30 June 2023, as compared to the reversal of RMB21.2 million recognised for the same period of last year. The reversal recognised in the first half of 2022 consisted of impairment reversal of several previously impaired corporate loans.

(Loss)/profit for the period. The Group recognised loss for the six months ended 30 June 2023 in the amount of RMB3.3 million, as compared to the profit of RMB10.6 million for the same period of last year. Such change was due to the mixed effects from the above mentioned factors.

NON-IFRSs MEASURES – EBITDA AND ADJUSTED EBITDA

To supplement the consolidated results of the Group 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 2023 and 2022, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(3,281)	10,625
Add:		
Depreciation and amortisation	16,567	7,305
Net interest (income)/expense	(1,462)	1
Income tax expense	<u>2</u>	<u>88</u>
EBITDA (unaudited)	<u>11,826</u>	<u>18,019</u>
Add:		
Interest arising from debt investments at fair value through other comprehensive income	(3,440)	–
Gain on disposal of investments at fair value through profit or loss	(28,933)	(2,840)
Changes in the value of investments at fair value through profit or loss	22,720	1,119
Dividends arising from investments at fair value through profit or loss	(133)	(187)
Loss on disposal of investment in an associate	–	259
Gain on disposal of debt investments at fair value through other comprehensive income	<u>(2,548)</u>	<u>–</u>
Adjusted EBITDA (unaudited)	<u>(508)</u>	<u>16,370</u>

FINANCIAL POSITION

As at 30 June 2023, the total equity of the Group amounted to RMB613.7 million, as compared to that of RMB643.2 million as at 31 December 2022. Such decrease was primarily due to the loss incurred for the period and the change in fair value of debt investments at fair value through other comprehensive income.

The Group's net current assets amounted to RMB362.9 million as at 30 June 2023, as compared to that of RMB378.4 million as at 31 December 2022. Such decrease was due to a decrease of working capital and an increase of investments.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Cash at bank and on hand	75,253	154,862
Cash at other financial institutions	71,114	69,761
Short-term deposits	<u>57,806</u>	<u>–</u>
	204,173	224,623
Bank borrowings	<u>(3,550)</u>	<u>(3,850)</u>
Net Cash	<u>200,623</u>	<u>220,773</u>

The Group's total cash and cash equivalents amounted to RMB204.2 million as at 30 June 2023 as compared to that of RMB224.6 million as at 31 December 2022. The decrease was primarily attributable to the increase in investments at fair value through profit or loss and through other comprehensive income, 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 USD, followed by RMB.

As at 30 June 2023, the Group's bank borrowings were repayable within 1 year and the interest rate is at one year Loan Prime Rate plus 0.7% (as at 31 December 2022: one year Loan Prime Rate plus 0.7%). As at 30 June 2023, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0.52%(as at 31 December 2022: 0.53%), which the Board believes is at an acceptable level.

FOREIGN EXCHANGE RISK

As at 30 June 2023, RMB165.5 million of the financial resources of the Group (as at 31 December 2022: RMB186.4 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	<u>15</u>	<u>116</u>

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 2023, the Group had nil pledge of assets (as at 31 December 2022: RMB0.1 million as restricted cash for corporate credit card deposits).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant unrecorded contingent liabilities (as at 31 December 2022: nil).

SIGNIFICANT INVESTMENT

As at 30 June 2023, the Group held a significant investment detailed as follows:

		Unaudited			Percentage of ownership interest attributable to the Group as at	
Company name	Date of incorporation	Carrying amount as at 30 June 2023 <i>RMB'000</i>	Investment cost <i>RMB'000</i>	Registered capital <i>RMB'000</i>	30 June 2023	31 December 2022
北京分享時代科技股份 有限公司	23 February 2011	67,542	4,000	26,982	9.27%	9.27%

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 2023, the Group recognised share of profit of an associate of approximately RMB4.6 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 2023, the Group had 41 full-time employees (as at 31 December 2022: 39), 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.

MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

UPDATE ON LEGAL PROCEEDING

Lawsuit relating to alleged violation of right of publicity

References are made to the announcements of the Company dated 2 September 2021, 13 October 2020 and 22 April 2020 (the “**U.S. Announcements**”) in relation to, among others, the Complaint filed by Ms. Gomez as plaintiff against, among others, the Company and its certain subsidiaries as defendants, in the Supreme Court of California in the US in respect of an action for violation of and conspiracy to violate statutory and common law right of publicity. Unless otherwise stated herein, capitalised terms used in this section shall have the same meanings as those defined in the U.S. Announcements.

The date of the jury trial of the above lawsuit has been postponed from 8 May 2023 to 2 October 2023 for hearing, subject to further developments. The Company is currently seeking legal advice, and will issue further announcement(s) for any material development of this matter as and where appropriate.

POST BALANCE SHEET EVENTS

There was no significant subsequent event during the period from 30 June 2023 to the approval date of the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 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 uncertainties in post-pandemic economic recovery. 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 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 decline around the Company's future business performance;
- (iii) The changes from webgames to mobile games may have an adverse impact on the Company's existing webpage business operations;
- (iv) The risk of disproportionate research and development investment and output of games due to the national policy or limited risk and out of rhythm in market preference; and
- (v) The switch from increasing players to maintaining existing players and the continuous entry of new game competitors may put pressure on the Company's current game players acquisition and thus lead to a decline in operating performance.

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

- (i) Exchange rate fluctuation risk. Since the Group's operations involve settlement in USD, it is exposed to the risk of fluctuations in exchange rate; 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.

FUTURE PLANS

In the second half of 2023, many uncertainties such as the Ukrainian crisis and inflationary pressure still exist, and both global and Chinese economic growth face many risks and challenges. China is expected to intensify macro-policy regulation and take more robust measures to promote a sustained economic recovery. In the second half of 2023, while maintaining its existing business, the Group will develop game upgrades, and stimulate the potential of game products, so as to stabilize and increase game revenue. The Group will take prudent and proactive measures in electronic device and semiconductor business to maintain healthy cash flow. At the same time, the Group will continue to control budgets and manage all cost expenditures. The Group will improve operational management ability, actively recover past assets, save energy and generate income.

The Group will continue to maintain a prudent and optimistic attitude from the perspective of sustainable development, actively seek to upgrade and expand the Group's business, optimize business structure, enhance management level, and continue to pursue and maintain a prudent but active investment approach to bring returns to shareholders.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	4	23,359	34,509
Cost of revenue		<u>(16,899)</u>	<u>(29,631)</u>
Gross profit		6,460	4,878
Selling and marketing expenses		(1,347)	(2,037)
Administrative expenses		(13,943)	(18,425)
Research and development expenses		(21,916)	(11,906)
Other income		5,103	437
Other gains – net	5	18,039	10,658
Finance cost		(166)	(209)
Share of profits of associates		4,633	6,083
Impairment (provision)/reversal of financial assets measured at amortised cost		<u>(142)</u>	<u>21,234</u>
(Loss)/profit before income tax		(3,279)	10,713
Income tax expense	6	<u>(2)</u>	<u>(88)</u>
(Loss)/profit for the period attributable to the owners of the Company	7	<u>(3,281)</u>	<u>10,625</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		(2,372)	(1,604)
Deferred tax effect arising from changes in fair value of equity investments at fair value through other comprehensive income		–	401
Currency translation differences		<u>6,081</u>	<u>10,855</u>
		<u>3,709</u>	<u>9,652</u>
<i>Items that may be reclassified to profit or loss:</i>			
Changes in fair value of debt investments at fair value through other comprehensive income		(27,838)	–
Reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income		<u>(2,135)</u>	<u>–</u>
		<u>(29,973)</u>	<u>–</u>
Other comprehensive (loss)/income for the period, net of tax		<u>(26,264)</u>	<u>9,652</u>
Total comprehensive (loss)/income for the period attributable to the owners of the Company		<u>(29,545)</u>	<u>20,277</u>
Basic and diluted (loss)/earnings per share (RMB)	9	<u>(0.02)</u>	<u>0.07</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property and equipment		79,668	93,108
Intangible assets		18,275	18,523
Right-of-use assets		4,013	3,461
Investments in associates		67,542	62,909
Investments at fair value through other comprehensive income		71,994	73,975
Prepayments and other receivables		11,662	15,291
		<u>253,154</u>	<u>267,267</u>
Current assets			
Inventories	<i>10</i>	29,104	35,396
Trade receivables	<i>11</i>	54,488	77,061
Prepayments and other receivables		23,400	16,359
Financial assets at fair value through profit or loss		108,666	83,726
Investments at fair value through other comprehensive income		14,803	18,565
Restricted cash		926	1,020
Short-term deposits		57,806	–
Cash and cash equivalents		146,367	224,623
		<u>435,560</u>	<u>456,750</u>
Total assets		<u>688,714</u>	<u>724,017</u>

		As at 30 June 2023 <i>RMB'000</i> (unaudited)	As at 31 December 2022 <i>RMB'000</i> (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		93	93
Reserves		<u>613,569</u>	<u>643,114</u>
Total equity		<u>613,662</u>	<u>643,207</u>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>2,342</u>	<u>2,498</u>
		<u>2,342</u>	<u>2,498</u>
Current liabilities			
Trade payables	12	16,190	11,399
Other payables and accruals		42,383	58,826
Financial liabilities at fair value through profit or loss		6,516	848
Bank borrowings		3,550	3,850
Contract liabilities		2,056	2,148
Lease liabilities		<u>2,015</u>	<u>1,241</u>
		<u>72,710</u>	<u>78,312</u>
Total liabilities		<u>75,052</u>	<u>80,810</u>
Total equity and liabilities		<u>688,714</u>	<u>724,017</u>
Net current assets		<u>362,850</u>	<u>378,438</u>
Total assets less current liabilities		<u>616,004</u>	<u>645,705</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 its headquarters is Room 1106, Block A Phase I, Innovation Technology Plaza, Tianan Digital City, Chegongmiao, Futian District, Shenzhen, China. The Company’s issued shares are listed and traded 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 2022 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 2022.

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 2023. 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.

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 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 provided to the Group's CODM for the reportable segments for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
<i>Revenue from contracts with customers</i>		
Game Business	6,265	7,926
Electronic Device and Semiconductor Business	<u>17,094</u>	<u>26,583</u>
Total revenue	<u><u>23,359</u></u>	<u><u>34,509</u></u>
Adjusted EBITDA		
Game Business	(7,097)	1,455
Electronic Device and Semiconductor Business	1,956	706
Share of profits of associates	4,633	6,083
Gain on dilution of investment in an associate	<u>–</u>	<u>8,126</u>
Total adjusted EBITDA	<u><u>(508)</u></u>	<u><u>16,370</u></u>
Adjusted EBITDA reconciles to (loss)/profit before income tax is as follows:		
Total adjusted EBITDA	(508)	16,370
Net interest income/(expense)	1,462	(1)
Depreciation and amortisation	(16,567)	(7,305)
Changes in the value of investments at fair value through profit or loss	(22,720)	(1,119)
Gain on disposal of investments at fair value through profit or loss	28,933	2,840
Gain on disposal of debt investments at fair value through other comprehensive income	2,548	–
Dividends arising from investments at fair value through profit or loss	133	187
Interest arising from debt investments at fair value through other comprehensive income	3,440	–
Loss on disposal of investment in an associate	<u>–</u>	<u>(259)</u>
(Loss)/profit before income tax	<u><u>(3,279)</u></u>	<u><u>10,713</u></u>

Disaggregation of revenue from contracts with customers

Geographical information:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC (excluding Hong Kong)	15,874	23,681
Other regions	7,485	10,828
	<u>23,359</u>	<u>34,509</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 and investments at fair value through other comprehensive income) is as follows:

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current assets		
PRC (excluding Hong Kong)	52,531	58,153
Hong Kong	61,087	72,230
	<u>113,618</u>	<u>130,383</u>

Timing of revenue recognition:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
At a point in time	17,703	30,250
Over time	5,656	4,259
	<u>23,359</u>	<u>34,509</u>

Revenue from major customers:

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A (sales of electronic device and semiconductor)	3,741	–
Customer B (sales of electronic device and semiconductor)	2,625	–
Customer C (sales of electronic device and semiconductor)(Note)	–	6,185
Customer D (sales of electronic device and semiconductor)(Note)	–	4,078

Note: Customers C and D did not meet the threshold of revenue over 10% for the six months ended 30 June 2023.

5. OTHER GAINS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of investments at fair value through profit or loss	28,933	2,840
Gain on disposal of debt investments at fair value through other comprehensive income	2,548	–
Changes in the value of investments at fair value through profit or loss	(22,720)	(1,119)
Dividends arising from investments at fair value through profit or loss	133	187
Loss on disposal of property and equipment	(12)	–
Gain on dilution of investment in an associate	–	8,126
Loss on disposal of investment in an associate	–	(259)
Exchange gain, net	9,157	883

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC and oversea enterprise income tax	<u>2</u>	<u>88</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands and accordingly, is exempted from the 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 HKD2,000,000, and the applicable tax rate is 16.5% on any part of assessable profits over HKD2,000,000 based on the assessable profit for the six months ended 30 June 2023 and 2022.

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 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

Since Shenzhen Xingyun Data Technology Co., Ltd. (深圳市行雲數據科技有限公司), a subsidiary of the Company, is qualified as a “High and New Technology Enterprise” under the PRC Enterprise Income Tax Law (the “EIT Law”), the applicable tax rate was 15% for six months ended 30 June 2023 and 2022.

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 WHT 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 2023 and 31 December 2022.

7. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	248	248
Allowance for inventories	1,555	6,480
Cost of inventories sold	11,964	23,380
Depreciation of right-of-use assets	849	613
Depreciation of property and equipment	15,470	6,444
Impairment provision/(reversal) 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	142	101
	<u>142</u>	<u>(21,234)</u>
Staff costs including directors' emoluments	<u>6,887</u>	<u>7,530</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. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2023, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2022: nil).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The basic (loss)/earnings per share for the six months ended 30 June 2023 and 2022 is calculated based on the (loss)/profit 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
(Loss)/profit attributable to the owners of the Company	<u>(3,281)</u>	<u>10,625</u>
	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	<u>143,350,090</u>	<u>143,350,090</u>
Basic (loss)/earnings per share (RMB)	<u>(0.02)</u>	<u>0.07</u>

Diluted (loss)/earnings per share

The diluted (loss)/earnings per share equals to the basic (loss)/earnings per share, as the Company did not have any potential dilutive ordinary shares for the six months ended 30 June 2023 and 2022.

10. INVENTORIES

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Finished goods	<u>29,104</u>	<u>35,396</u>

11. TRADE RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	69,742	92,152
Provision for loss allowance	<u>(15,254)</u>	<u>(15,091)</u>
Carrying amount	<u>54,488</u>	<u>77,061</u>

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0-30 days	26,588	60,811
31-60 days	22,455	14,011
61-90 days	822	1,114
91-180 days	1,678	907
181-365 days	<u>2,945</u>	<u>218</u>
	<u>54,488</u>	<u>77,061</u>

12. TRADE PAYABLES

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0-30 days	4,326	1,977
31-60 days	1,673	1,025
61-90 days	747	620
91-180 days	1,553	2,246
181-365 days	2,759	888
Over 1 year	<u>5,132</u>	<u>4,643</u>
	<u>16,190</u>	<u>11,399</u>

13. MATERIAL EVENT

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 “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 Defendants, including general damages for harm to reputation and loss of standing in the community in the amount of USD1 million and special damages for commercial value of the unauthorised use of Ms. Gomez’s right of publicity in the amount of USD9 million. Ms. Gomez as the plaintiff also reserved her right to seek punitive damages in the amount of USD25 million.

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 had complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2023.

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**"). The Company has applied the principles and complied with the code provisions prescribed in the CG Code during the six months ended 30 June 2023, other than code provision C.1.8 of CG Code.

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. As the Company needs time to consider proposals from various insurance underwriters, as at the date of this announcement, the Company has not yet taken out an insurance covering the Directors' liability arising from legal proceedings.

The Board will continue to monitor and review the Company's corporate governance practices from time to time to ensure compliance with the latest statutory requirements and professional standards.

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

During the six months ended 30 June 2023, 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 2023.

Publication of the Unaudited Consolidated Interim Results and 2023 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 2023 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 2023.

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 2023

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.