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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Forgame Holdings Limited (the “**Company**” or “**Forgame**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the year ended 31 December 2023.

OVERVIEW

Despite the end of the COVID-19 pandemic as a public health emergency, the world economy has still been suffering from a series of interacting shocks including a new round of the Palestinian-Israeli conflict, the protracted stalemate in the Russo-Ukrainian war and international energy crises, soaring inflation, tightening debt and climate emergency arising therefrom since 2023. The growth momentum of global economies, including the United States (“**U.S.**”), the European Union and other developed economies, has weakened, and China has also suffered multiple adverse effects, especially U.S. sanctions and supply chain disruptions. Due to the complex domestic economic environment and reduced demand, the Group’s business faced continuous challenges during the year ended 31 December 2023. The Board and the management reviewed the internal operation and management strategies on a regular basis and proactively dealt with past issues while continuously improving corporate governance. Under such circumstances, we continued to invest and develop the online gaming, mobile gaming and electronic device trading businesses, and improved our management and operation efficiency. In the year ended 31 December 2023, the Group recorded revenue of approximately RMB60.2 million, representing a decrease of 47.3% compared to last year. Such revenue is less than expected, but management is fully confident that operating revenues, particularly in the gaming business, will grow significantly and return to more favourable levels in 2024 and beyond. Due to the direct impact of the payback period of game research and the pricing cycle of electronic storage products, the Group recorded a loss of approximately RMB17.6 million during the year.

OUTLOOK

As an ancient Chinese poem goes, “The ocean is boundless for fish to leap at will, and the sky is unlimited for birds to fly at ease”. Looking ahead to 2024, the Group will face various opportunities and challenges. Although the pandemic situation in China has stabilized, there are still multiple challenges facing economic recovery, coupled with market instability factors, such as geopolitical tensions, international trade frictions and fluctuations or shrinkage of demand in the economic environment, which will continue to affect the Company’s development.

Under such circumstances, the Group will continue to strengthen internal management, improve efficiency, reduce costs and actively conduct business expansion. At the same time, the Group will continue to increase the proportion of the game business, combined with the introduction and application of new technologies such as AI, to improve product quality and technical standards and explore markets. In addition, the Group will also continue to improve long-term and stable investment channels, as well as optimize the business structure and promote business expansion in the gaming field to achieve stable and long-term sustainable development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, due to the increasingly intensified geopolitics, and affected by international situations such as wars and conflicts, sanctions imposed by the U.S. and supply chain disruptions, global economic growth was still slow, which has further fueled instability of global social and economic development. The business operations were under considerable pressure.

In light of such circumstances, the Group reviewed its business development and operations and carried out a systematic layout in terms of business strategy. On the one hand, the Group continued to maintain its operation in respect of the online game business and increase investment while ensuring the achievement of its established business objectives and subsequent development. On the other hand, the Group strengthened the development of its electronic device and semiconductor trading business as well as its supporting services, so as to utilise the advantages of its resources and platforms, enabling us to achieve joint development and enhanced long-term efficiency for the Group's businesses through accurate strategy positioning and continuous adjustment and optimization of operation management for each business segment. The Group recorded a total revenue of approximately RMB60.2 million in the year ended 31 December 2023, representing a decrease of 47.3% compared to last year.

In respect of the online game business, the Group's game business mainly consists of web games. The strategic focus on game business was mainly to optimise the return on investment of these businesses. By cooperation with professional teams to maintain continuous business operations of existing online games, the Group will continue to maintain the scale of game revenue, increase investment in games and related businesses as well as actively explore new cooperation models for game development, operation and distribution to improve the cost-effectiveness of game business and seek more returns from future game business.

In respect of the electronic device and semiconductor trading business, while maintaining a continuous, long-term and stable cooperation with major suppliers, the Group has expanded its overseas business scope. The Group has also continued to provide relevant customers with a full range of comprehensive supporting solutions such as supporting technical services and supply chain financial services. Meanwhile, the Group attached great importance to the operations management and fund utilization efficiency management of the electronic device and semiconductor trading business, thereby further improving its delicacy management capabilities. Due to the impact of the external environment such as international situation, the logistics of the electronic device and semiconductor trading business was disrupted, demand was sluggish, sales fell, inventory increased, and the expected revenue could not be achieved. In the face of challenges, the Group actively seeks and implements solutions.

The following table sets forth the Group's income statement for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022.

	Year Ended 31 December		Change %
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	
Revenue	60,172	114,116	-47.3%
Cost of revenue	(51,131)	(108,343)	-52.8%
Gross profit	9,041	5,773	56.6%
Selling and marketing expenses	(8,995)	(3,474)	158.9%
Administrative expenses	(27,165)	(31,060)	-12.5%
Research and development expenses	(26,619)	(31,586)	-15.7%
Other income	8,077	4,239	90.5%
Other gains – net	13,228	12,090	9.4%
Finance cost	(303)	(395)	-23.3%
Share of profit of associates	4,633	4,129	12.2%
Reversal of financial assets measured at amortised cost – net	10,488	20,002	-47.6%
Loss before income tax	(17,615)	(20,282)	-13.1%
Income tax (expense)/credit	(2)	175	NM
Loss for the year	(17,617)	(20,107)	-12.4%

Note: NM – Not meaningful.

Revenue. Revenue decreased by approximately 47.3% to RMB60.2 million for the year ended 31 December 2023 from RMB114.1 million for the year ended 31 December 2022. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2023 and 2022 respectively:

	Year Ended 31 December		Year Ended 31 December	
	2023		2022	
	<i>RMB'000</i>	<i>% of Total Revenue</i>	<i>RMB'000</i>	<i>% of Total Revenue</i>
Revenue by Segment				
– Game business	12,661	21.0	14,692	12.9
– Electronic device & semiconductor business	47,511	79.0	99,424	87.1
Total Revenue	60,172	100.0	114,116	100.0

- Revenue generated from the Group’s game business decreased by approximately 13.8% to RMB12.7 million for the year ended 31 December 2023 from RMB14.7 million for the year ended 31 December 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 previous year.
- Revenue generated from the Group’s electronic device and semiconductor business decreased by approximately 52.2% from RMB99.4 million for the year ended 31 December 2022 to RMB47.5 million for the year ended 31 December 2023. Revenue generated from the Group’s electronic device and semiconductor business decreased mainly because hard disk market prices continued to decline and the Company scaled down the business.

Cost of revenue. Cost of revenue decreased by approximately 52.8% to RMB51.1 million for the year ended 31 December 2023 from RMB108.3 million for the year ended 31 December 2022. Such decrease was in line with the decrease of revenue.

Selling and marketing expenses. Selling and marketing expenses increased by approximately 158.9% from RMB3.5 million for the year ended 31 December 2022 to RMB9.0 million for the year ended 31 December 2023. Such increase was mainly attributable to the assembly of the new game business team.

Administrative expenses. Administrative expenses decreased by approximately 12.5% to RMB27.2 million for the year ended 31 December 2023 from RMB31.1 million for year ended 31 December 2022. Such decrease was primarily due to a decrease of allowances for inventories.

Research and development expenses. Research and development expenses decreased by approximately 15.7% to RMB26.6 million for the year ended 31 December 2023 from RMB31.6 million for the year ended 31 December 2022. Such decrease was primarily due to the capitalisation of qualified development stage expenditure resulting in lower expenses.

Other income. Other income increased by approximately 90.5% from RMB4.2 million for the year ended 31 December 2022 to RMB8.1 million for the year ended 31 December 2023. Such increase was primarily due to an increase of interest income for the year ended 31 December 2023.

Other gains – net. Other gains – net increased by approximately 9.4% from RMB12.1 million for the year ended 31 December 2022 to RMB13.2 million for the year ended 31 December 2023. Such increase was primarily due to net increase of investment-related gains (net of fair value change) and partial offset by the gain on dilution of investment in an associate in 2022.

Reversal of financial assets measured at amortised cost – net. Reversal of financial assets measured at amortised cost – net decreased by approximately 47.6% from RMB20.0 million for year ended 31 December 2022 to RMB10.5 million for the year ended 31 December 2023. Such decrease was primarily due to a decrease of recovery of previously impaired corporate loans.

Loss for the year. As a result of the foregoing, the Group recognised loss in the amount of RMB17.6 million for the year ended 31 December 2023, as compared to a loss of RMB20.1 million for the year ended 31 December 2022.

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 years ended 31 December 2023 and 2022, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss from for the year	(17,617)	(20,107)
Add:		
Depreciation and amortisation	30,221	21,683
Net interest income	(2,939)	(598)
Income tax expense/(credit)	<u>2</u>	<u>(175)</u>
EBITDA (unaudited)	<u>9,667</u>	<u>803</u>
Add:		
Gain on disposal of investments at fair value through profit or loss	(53,799)	(6,574)
Changes in the fair value of investments at fair value through profit or loss	17,497	9,006
Dividends received from investments at fair value through profit or loss	(163)	(187)
Loss on disposal of debt investments at fair value through other comprehensive income	26,321	–
Interest arising from debt investments at fair value through other comprehensive income	(4,641)	(2,984)
Loss on deemed disposal/disposal of investment in an associate	<u>1,209</u>	<u>259</u>
Adjusted EBITDA (unaudited)	<u><u>(3,909)</u></u>	<u><u>323</u></u>

FINANCIAL POSITION

As at 31 December 2023, the total equity of the Group amounted to RMB590.3 million as compared to that of RMB643.2 million as at 31 December 2022. Such decrease was primarily due to the loss recognized for the year ended 31 December 2023 and decreased valuation of investments at fair value through other comprehensive income.

The Group's net current assets amounted to RMB390.2 million as at 31 December 2023 as compared to RMB378.4 million as at 31 December 2022. Such increase was the effect of normal business operation.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Cash at bank and on hand	114,054	154,862
Cash at other financial institutions	<u>81,895</u>	<u>69,761</u>
	195,949	224,623
Bank borrowings	<u>–</u>	<u>(3,850)</u>
Net Cash	<u>195,949</u>	<u>220,773</u>

The Group's total cash and cash equivalent amounted to RMB195.9 million as at 31 December 2023 as compared to that of RMB224.6 million as at 31 December 2022. The decrease was primarily attributable to an increase of investments, 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 denominated mostly in USD, followed by RMB.

As at 31 December 2023, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0% (as at 31 December 2022: 0.53%), which means the Group did not have any bank borrowing balance as at 31 December 2023.

FOREIGN EXCHANGE RISK

As at 31 December 2023, RMB137.9 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. Such decrease was the result of the increased foreign financial investments. 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

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditures		
– Purchase of property and equipment	485	122
– Purchase of intangible asset	<u>136</u>	<u>–</u>
Total	<u>621</u>	<u>122</u>

Capital expenditures (excluding business combination) comprise the purchase of office equipment, an upgrade of operation system and leasehold improvement.

PLEDGE OF ASSETS

As at 31 December 2023, the Group did not have any pledge of assets (as at 31 December 2022: pledge of RMB0.1 million, as restricted cash for corporate credit card deposits).

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENT

During the year ended 31 December 2023, the Group held a significant investment at fair value through other comprehensive income detailed as follows:

Company name	Date of incorporation	Carrying amount as at 31 December 2023	Investment Cost	Registered capital	Percentage of ownership interest attributable to the Group as at 31 December	
		RMB'000	RMB'000	RMB'000	2023	2022
北京分享時代科技股份有限公司	23 February 2011	58,291	4,000	28,241	8.85%	9.27%

北京分享時代科技股份有限公司 (transliterated as Beijing Share Times Technology Co., Limited, “Share Times”) is a company that develops and operates intellectual properties (“IPs”) of celebrities, including design, promotion, and sales of IPs. Share Times was recognized as investments in associates for the first half of 2023. In the second half of 2023, the Group resigned as director from Share Times’ board; as such, it was transferred to investments at fair value through other comprehensive income. In 2023, the Group recognised share of profit of associates of approximately RMB4.6 million and loss on deemed disposal of investment in an associate of approximately RMB1.2 million. The Group will continue supporting the business development of Share Times, and seek synergy between Share Times and other investments of the Group to maximize their performance.

HUMAN RESOURCES

As at 31 December 2023, the Group had 58 full-time employees (as at 31 December 2022: 39), the vast majority of whom are based in the PRC.

Details of the Group’s remuneration policies and training schemes will be set out in the annual report of the Company for the year ended 31 December 2023.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2023.

DISMISSAL OF ALLEGED LAWSUIT

References are made to the announcements of the Company dated 29 December 2023, 2 September 2021, 13 October 2020 and 22 April 2020 (the “**U.S. Announcements**”) in relation to, among others, the complaint filed by Ms. Selena Gomez as plaintiff against, among others, the Company and its certain subsidiaries as defendants, in the Supreme Court of California in the U.S. in respect of an action for violation of and conspiracy to violate statutory and common law right of publicity. The Company was notified by its U.S. legal advisors on 15 December 2023 that the plaintiff had filed the request for dismissal of the entire action with prejudice. Having made all reasonable enquiries and having obtained legal advice, the Company confirmed that the dismissal of the lawsuit action was entered on 9 November 2023.

RISKS AND HURDLES

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

As to the 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 or regulatory bodies could affect the market, and as the online game industry is subject to the supervision of various relevant authorities, this 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’s 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) research and development investment is subject to time lag and uncertainty risks arising from the input-output cycle.

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

- (i) policy impact. The structural changes in the supply chain caused by the severe impact of U.S. sanctions;
- (ii) exchange risk. Since the Group's operations involve settlement in USD, it is exposed to the risk of fluctuations in exchange rates of the currency;
- (iii) inventory management risk. Due to the high value of electronic device and semiconductor products, their market prices are volatile and vulnerable to external influences, including macroeconomic cycles and force majeure, which may cause inventory backlogs and capital occupancy, increasing financial and operational risks; and
- (iv) accounts receivable risk. Customer's delayed payment or inability to pay on time after the sale of electronic device and semiconductor products or the provision of related supporting service can incur potential loss.

All of the above may have an adverse effect on the Group's performance. In addition, the Group is exposed to risks such as research and development cost recovery efficiency and impairment loss due to invested companies' under-performance or contract party becoming insolvent, all of which will have an adverse effect on the Group's performance.

FUTURE PLANS

Looking ahead to 2024, the Group will still face many pressures, such as U.S. sanctions, economic downturn inertia influence, industry competition, accelerated product update and stricter policy supervision in the game industry. The Group will continue to maintain active responses, optimize long-term and stable investment channels and moderately carry out investment business, expand new areas of existing business, invest in and operate games and explore new artificial intelligence technologies. The Group will convert emerging technologies and new market into new business growth points. The Group will actively explore expansion opportunities for business areas and implement various business strategies formulated. The Group will continue to increase income sources, enhance operating efficiency, improve cost control and strengthen cost management, so as to improve the return on its assets.

As an ancient Chinese poem goes, "The road ahead is long and has no ending; yet high and low I will search with my will unbending". The Group will continue to actively seek to expand and optimize its business, innovate its business structure and improve management efficiencies based on a perspective of sustainable development and a prudent, optimistic and positive attitude, in an effort to deliver value for our stakeholders and shareholders ("**Shareholders**") in the long run.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the year ended 31 December 2023 and up to the date of this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	3	60,172	114,116
Cost of revenue		<u>(51,131)</u>	<u>(108,343)</u>
Gross profit		9,041	5,773
Selling and marketing expenses		(8,995)	(3,474)
Administrative expenses		(27,165)	(31,060)
Research and development expenses		(26,619)	(31,586)
Other income		8,077	4,239
Other gains – net	4	13,228	12,090
Finance cost		(303)	(395)
Share of profit of associates		4,633	4,129
Reversal of financial assets measured at amortised cost – net	6	<u>10,488</u>	<u>20,002</u>
Loss before income tax		(17,615)	(20,282)
Income tax (expense)/credit	5	<u>(2)</u>	<u>175</u>
Loss for the year attributable to the owners of the Company	6	<u>(17,617)</u>	<u>(20,107)</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		(12,654)	(9,756)
Deferred tax effect arising from changes in fair value of equity investments at fair value through other comprehensive income		–	2,012
Currency translation differences		<u>2,819</u>	<u>18,316</u>
		<u>(9,835)</u>	<u>10,572</u>

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
<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		(11,688)	16,086
Reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income		<u>(13,793)</u>	<u>—</u>
		<u>(25,481)</u>	<u>16,086</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(35,316)</u>	<u>26,658</u>
Total comprehensive (loss)/income for the year attributable to the owners of the Company		<u>(52,933)</u>	<u>6,551</u>
Basic and diluted loss per share (RMB)	8	<u>(0.12)</u>	<u>(0.14)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property and equipment		63,224	93,108
Intangible assets		32,986	18,523
Right-of-use assets		3,386	3,461
Investments in associates		–	62,909
Investments at fair value through other comprehensive income		91,048	73,975
Prepayments and other receivables		10,679	15,291
		201,323	267,267
Current assets			
Inventories	9	16,245	35,396
Trade receivables	10	66,352	77,061
Prepayments and other receivables		37,443	16,359
Financial assets at fair value through profit or loss		124,999	83,726
Investments at fair value through other comprehensive income		13,454	18,565
Restricted cash		–	1,020
Cash and cash equivalents		195,949	224,623
		454,442	456,750
Total assets		655,765	724,017

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
EQUITY AND LIABILITIES			
Equity			
Share capital		93	93
Reserves		<u>590,181</u>	<u>643,114</u>
Total equity		<u>590,274</u>	<u>643,207</u>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>1,282</u>	<u>2,498</u>
Current liabilities			
Trade payables	<i>11</i>	11,965	11,399
Other payables and accruals		44,881	58,826
Financial liabilities at fair value through profit or loss		1,938	848
Bank borrowings		–	3,850
Contract liabilities		3,017	2,148
Lease liabilities		<u>2,408</u>	<u>1,241</u>
		<u>64,209</u>	<u>78,312</u>
Total liabilities		<u>65,491</u>	<u>80,810</u>
Total equity and liabilities		<u>655,765</u>	<u>724,017</u>
Net current assets		<u>390,233</u>	<u>378,438</u>
Total assets less current liabilities		<u>591,556</u>	<u>645,705</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 shares (the “Shares”) in issue 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”).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“IFRS”); 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 consolidated financial statements and amounts reported for the current year 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.

3. 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 year, the CODM reassessed the performance and operations 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 profit 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-current event.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these 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 CODM for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
	RMB'000	RMB'000
Revenue		
<i>Revenue from contracts with customers</i>		
Game Business	12,661	14,692
Electronic Device and Semiconductor Business	47,511	99,424
	<hr/>	<hr/>
Total revenue	60,172	114,116
	<hr/> <hr/>	<hr/> <hr/>
Adjusted EBITDA		
Game Business	(3,864)	(7,132)
Electronic Device and Semiconductor Business	(4,678)	(4,800)
Share of profit of associates	4,633	4,129
Gain on dilution of investment in an associate	–	8,126
	<hr/>	<hr/>
Total adjusted EBITDA	(3,909)	323
	<hr/> <hr/>	<hr/> <hr/>
Adjusted EBITDA reconciles to loss before income tax is as follows:		
Total adjusted EBITDA	(3,909)	323
Net interest income	2,939	598
Depreciation and amortisation	(30,221)	(21,683)
Gain on disposal of investments at fair value through profit or loss	53,799	6,574
Dividends received from investments at fair value through profit or loss	163	187
Changes in the fair value of investments at fair value through profit or loss	(17,497)	(9,006)
Loss on disposal of debt investments at fair value through other comprehensive income	(26,321)	–
Interest arising from debt investments at fair value through other comprehensive income	4,641	2,984
Loss on deemed disposal/disposal of investment in an associate	(1,209)	(259)
	<hr/>	<hr/>
Loss before income tax	(17,615)	(20,282)
	<hr/> <hr/>	<hr/> <hr/>

Disaggregation of revenue from contracts with customers

Geographical information:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC (excluding Hong Kong)	32,437	80,071
Other regions	<u>27,735</u>	<u>34,045</u>
	<u><u>60,172</u></u>	<u><u>114,116</u></u>

The Group also conducts operations in Hong Kong and other regions. 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets		
PRC (excluding Hong Kong)	65,543	58,153
Hong Kong	<u>44,732</u>	<u>72,230</u>
	<u><u>110,275</u></u>	<u><u>130,383</u></u>

Timing of revenue recognition:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At a point in time	48,920	100,519
Over time	<u>11,252</u>	<u>13,597</u>
	<u><u>60,172</u></u>	<u><u>114,116</u></u>

Revenue from major customers:

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A (sales of electronic device and semiconductor)	7,403	–
Customer B (sales of electronic device and semiconductor) (<i>Note</i>)	6,998	–
Customer C (sales of electronic device and semiconductor)	–	41,848
Customer D (sales of electronic device and semiconductor) (<i>Note</i>)	–	26,145
	<u> </u>	<u> </u>

Note: Customer B did not meet the threshold of accounting for 10% or more of total revenue during the year ended 31 December 2022. Customer D did not meet the threshold of accounting for 10% or more of total revenue during the year ended 31 December 2023.

4. OTHER GAINS – NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Gain on disposal of investments at fair value through profit or loss	53,799	6,574
Dividends received from investments at fair value through profit or loss	163	187
Changes in the fair value of investments at fair value through profit or loss	(17,497)	(9,006)
Loss on disposal of investments at fair value through other comprehensive income	(26,321)	–
Loss on deemed disposal/disposal of investment in an associate	(1,209)	(259)
Gain on dilution of investment in an associate	–	8,126
Loss on disposals of property and equipment	(12)	–
Litigation settlement related to right of publicity	(6,698)	–
Others	5,994	–
Exchange gain, net	5,009	6,468
	<u> </u>	<u> </u>
	<u>13,228</u>	<u>12,090</u>

5. INCOME TAX EXPENSE/(CREDIT)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax – PRC and oversea enterprise income tax		
Provision for the year	2	4
Over-provision in prior years	–	(4,560)
	<u>2</u>	<u>(4,556)</u>
Deferred tax	–	4,381
	<u>2</u>	<u>(175)</u>

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

The income tax provision of the Group in respect of operations in Hong Kong was 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 years ended 31 December 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 years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

Shenzhen Xingyun Data Technology Co., Ltd. (深圳市行雲數據技術有限公司) was qualified as High and New Technology Enterprises” under PRC Enterprise Income Tax Law (“EIT Law”) in 2020. Thus, the applicable tax rate was 15% for the years ended 31 December 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 (“Super Deduction”).

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 of 31 December 2023 and 2022.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss before income tax	<u>(17,615)</u>	<u>(20,282)</u>
Tax calculated at statutory income tax rates applicable to loss of the consolidated entities in their respective jurisdictions	(4,600)	(4,149)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	(69)	3,113
Utilisation of previously unrecognised tax losses	(1,731)	(15,697)
Tax losses and timing differences for which no deferred income tax asset was recognised	9,148	11,613
Tax effect of (income not taxable)/expenses not deductible, net	(2,208)	5,523
Tax losses previously recognised and reversed	-	4,381
Over-provision in prior years	-	(4,560)
Super Deduction	(538)	(399)
Income tax expense/(credit)	<u><u>2</u></u>	<u><u>(175)</u></u>

6. LOSS FOR THE YEAR

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Amortisation of intangible assets	1,059	496
Allowance for inventories	1,993	6,532
Cost of inventories sold	41,704	96,922
Depreciation of right-of-use assets	1,476	1,226
Depreciation of property and equipment	27,686	19,961
Auditor's remuneration		
– Audit services	1,650	1,820
– Non-audit services	220	200
Reversal of financial assets measured at amortised cost – net		
– (Reversal)/provision of impairment for trade receivables, net	(394)	84
– Provision of impairment for other receivables	4,956	1,249
– Reversal of impairment for loan receivables	(15,050)	(21,335)
	<u>(10,488)</u>	<u>(20,002)</u>
Staff costs including directors' emoluments		
– Fees, wages, salaries and bonus	11,266	13,133
– Pension costs – defined contribution plans	573	673
– Social security costs, housing benefits and other employee benefits	533	520
	<u>12,372</u>	<u>14,326</u>

7. DIVIDENDS

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

8. LOSS PER SHARE

Basic loss per share

The basic loss per share for the years ended 31 December 2023 and 2022 is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss attributable to the owners of the Company	<u>(17,617)</u>	<u>(20,107)</u>
	2023	2022
Weighted average number of ordinary shares for the year ended 31 December	<u>143,350,090</u>	<u>143,350,090</u>
Basic loss per share (RMB)	<u>(0.12)</u>	<u>(0.14)</u>

Diluted loss per share

The diluted loss per share equals to the basic loss per share, as the Company did not have any dilutive potential ordinary sharing for the years ended 31 December 2023 and 2022.

9. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Finished goods	<u>16,245</u>	<u>35,396</u>

10. TRADE RECEIVABLES

Credit sales are mainly derived from the electronic device and semiconductor business and the normal credit term was from 15 to 90 days from respective transaction dates.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
– Supporting solution of Electronic Device and Semiconductor Business	63,650	73,458
– Game Business	16,611	18,142
– Trade of Electronic Device and Semiconductor Business	<u>798</u>	<u>552</u>
	81,059	92,152
Provision for loss allowance	<u>(14,707)</u>	<u>(15,091)</u>
Carrying amount	<u>66,352</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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	30,177	60,811
31-60 days	35,673	14,011
61-90 days	154	1,114
91-180 days	176	907
181-365 days	172	218
	<u>66,352</u>	<u>77,061</u>

11. TRADE PAYABLES

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	2,854	1,977
31-60 days	1,369	1,025
61-90 days	819	620
91-180 days	1,590	2,246
181-365 days	695	888
Over 1 year	4,638	4,643
	<u>11,965</u>	<u>11,399</u>

OTHER INFORMATION

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 16 May 2024. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 9 May 2024.

Audit and Compliance Committee

The audit and compliance committee of the Company has reviewed together with the Board and the external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Scope of Work of ZHONGHUI ANDA CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value of the Group and accountability of the Board. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**CG Code**"). The Directors consider that the Company has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2023, other than code provisions C.1.8 and C.2.1 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 hasn't found an appropriate insurance proposal, as at the date of this announcement, the Company has not taken out insurance covering the Directors' liability arising from legal proceedings yet.

The Board is of the opinion that with the current risk management and internal control systems in place and the close supervision of the management, and considering that the previous legal proceedings of the Company have concluded, the Directors' risk of being involved in litigation in their capacity as directors of the Company is relatively low. The Board will continue to consider and assess insurance proposals and, if suitable, arrange for appropriate cover for the Directors in the forthcoming year.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 8 December 2023, Mr. DENG Ge resigned as the chief executive officer of the Company, and Mr. CUI Yuzhi, chairman of the board and an executive Director was appointed as the chief executive officer. As Mr. Cui Yuzhi serves as both the chairman of the Board and the chief executive officer, such practice deviates from code provision C.2.1 of the CG Code.

The Board considers that vesting the roles of both the chairman of the Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Company. The Board believes that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and efficiently. The Board shall nevertheless review the structure from time to time and it will consider the appropriate move to take should suitable circumstances arise.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct and procedures governing Directors' securities transactions (the "**Securities Code**") in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they had complied with the Securities Code during the year ended 31 December 2023.

Publication of the 2023 Annual Results and 2023 Annual Report

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.forgame.com.cn). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2024.

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, 28 March 2024

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