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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 2024

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 2024 (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**”).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the global economy remained a sluggish growth due to the effect of multiple factors, including inflation, geopolitical tensions, and monetary policies in major economies. Nonetheless, there was a relatively robust economic recovery in some regions, particularly the emerging market countries in the Asia-Pacific region. Countries and enterprises were adapting to the new economic environment and trends and seeking new growth drivers. In a complex and volatile economic environment, the Group was faced with multiple challenges of uncertain market demand, difficulties in cost control and increased competition.

Under the continuous guidance of the Board, the Group strengthened risk management and market adaptability to actively respond to changes in the market competition, and stabilized and sustained the development of its online game business. The Group actively explored and expanded the development and distribution 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, pursue investment returns and promote innovative development.

In the first half of 2024, the Group recorded a total revenue of approximately RMB37.4 million, representing an increase of 60.1% compared to the same period of last year.

FIRST HALF OF 2024 COMPARED TO FIRST HALF OF 2023

The following table sets forth the Group's income statement for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023.

	Six Months Ended 30 June		Change %
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)	
Revenue	37,392	23,359	60.1%
Cost of revenue	<u>(34,452)</u>	<u>(16,899)</u>	<u>103.9%</u>
Gross profit	2,940	6,460	-54.5%
Selling and marketing expenses	(9,617)	(1,347)	614.0%
Administrative expenses	(18,591)	(13,943)	33.3%
Research and development expenses	(23,990)	(21,916)	9.5%
Other income	1,753	5,103	-65.6%
Other gains – net	45,709	18,039	153.4%
Finance cost	(80)	(166)	-51.8%
Share of profits of associates	–	4,633	NM
Provision of impairment of financial assets measured at amortised cost	<u>(1,872)</u>	<u>(142)</u>	<u>1,218.3%</u>
Loss before income tax	(3,748)	(3,279)	14.3%
Income tax expense	<u>–</u>	<u>(2)</u>	<u>NM</u>
Loss for the period	<u>(3,748)</u>	<u>(3,281)</u>	<u>14.2%</u>

Note: NM – not meaningful.

Revenue. Revenue increased by approximately 60.1% to RMB37.4 million for the six months ended 30 June 2024 from RMB23.4 million for the six months ended 30 June 2023. The following table sets forth the Group’s revenue by segment for the six months ended 30 June 2024 and 2023:

	Six Months Ended 30 June			
	2024			2023
	<i>RMB'000</i>	(% of Total	<i>RMB'000</i>	(% of Total
	(Unaudited)	Revenue)	(Unaudited)	Revenue)
Revenue by Segment				
– Game business	7,222	19.3	6,265	26.8
– Electronic device and semiconductor business	30,170	80.7	17,094	73.2
Total Revenue	<u>37,392</u>	<u>100.0</u>	<u>23,359</u>	<u>100.0</u>

- Revenue generated from the Group’s game business increased by approximately 15.3% to RMB7.2 million for the six months ended 30 June 2024 from RMB6.3 million for the six months ended 30 June 2023. Revenue increase generated from the games business was mainly attributable to the new games launched by the Group during the first half of 2024.
- Revenue generated from the Group’s electronic device and semiconductor business increased by approximately 76.5% to RMB30.2 million for the six months ended 30 June 2024 from RMB17.1 million for the six months ended 30 June 2023. Revenue increase generated from the electronic device and semiconductor business was mainly attributable to the sales growth of memories and hard disk drives.

Cost of revenue. Cost of revenue increased by approximately 103.9% to RMB34.5 million for the six months ended 30 June 2024 from RMB16.9 million for the six months ended 30 June 2023. The increase of cost of revenue was attributable to and was in line with the increase of revenue, especially revenue from sales of memories and hard disk drives.

Selling and marketing expenses. Selling and marketing expenses increased by approximately 614.0% to RMB9.6 million for the six months ended 30 June 2024 from RMB1.3 million for the six months ended 30 June 2023. Such increase was mainly due to the assembly of new game business team in the second half of 2023 resulted in higher employee benefit expenses and higher promotion and advertising expenses for the first half of 2024.

Administrative expenses. Administrative expenses increased by approximately 33.3% to RMB18.6 million for the six months ended 30 June 2024 from RMB13.9 million for the six months ended 30 June 2023. Such increase was primarily due to an increase of allowances for inventories.

Research and Development Expenses. Research and development expenses increased by approximately 9.5% to RMB24.0 million for the six months ended 30 June 2024 from RMB21.9 million for the six months ended 30 June 2023. Such increase was primarily due to the increased investment in game business.

Other income. Other income decreased by approximately 65.6% from RMB5.1 million for the six months ended 30 June 2023 to RMB1.8 million for the six months ended 30 June 2024. Such decrease was mainly due to a decrease of interest arising both from debt investments at fair value through other comprehensive income and from deposits.

Other gains – net. Other gains-net increased by approximately 153.4% from RMB18.0 million for six months ended 30 June 2023 to RMB45.7 million for six months ended 30 June 2024. Such increase was primarily due to an increase of gain from disposal of investments at fair value through profit or loss.

Provision of impairment of financial assets measured at amortised cost. Impairment provision of financial assets measured at amortised cost increased by approximately 1,218.3% from RMB0.1 million for the six months ended 30 June 2023 to RMB1.9 million for the six months ended 30 June 2024. The impairment amount recognized in the first half of 2024 was primarily consisted of the provision of impairment for receivables from previous equity disposal of a subsidiary.

Loss for the period. Loss for the period increased by approximately 14.2% to RMB3.7 million for the six months ended 30 June 2024 from RMB3.3 million for the six months ended 30 June 2023.

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 2024 and 2023, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(3,748)	(3,281)
Add:		
Depreciation and amortisation	18,510	16,567
Net interest income	(703)	(1,462)
Income tax expense	<u>–</u>	<u>2</u>
EBITDA (unaudited)	<u>14,059</u>	<u>11,826</u>
Add:		
Investment related (gain)/loss		
– Interest arising from debt investments at fair value through other comprehensive income	(983)	(3,440)
– Gain on disposal of investments at fair value through profit or loss	(57,345)	(28,933)
– Changes in the value of investments at fair value through profit or loss	13,520	22,720
– Dividends received from financial assets at fair value through profit or loss	(75)	(133)
– Gain on disposal of debt investments at fair value through other comprehensive income	<u>(2,006)</u>	<u>(2,548)</u>
Adjusted EBITDA (unaudited)	<u>(32,830)</u>	<u>(508)</u>

FINANCIAL POSITION

As at 30 June 2024, the total equity of the Group amounted to RMB576.2 million, as compared to that of RMB590.3 million as at 31 December 2023. Such decrease was primarily due to the changes in fair value of equity investments at fair value through other comprehensive income.

The Group's net current assets amounted to RMB375.4 million as at 30 June 2024, as compared to that of RMB390.2 million as at 31 December 2023. Such decrease was due to an increase of investments at fair value through other comprehensive income.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Cash at bank and on hand	86,464	114,054
Cash at other financial institutions	42,844	81,895
Net Cash	<u>129,308</u>	<u>195,949</u>

The Group's total cash and cash equivalents amounted to RMB129.3 million as at 30 June 2024 as compared to that of RMB195.9 million as at 31 December 2023. The decrease was primarily attributable to an increase in 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 other financial institutions and denominated mostly in USD, followed by RMB.

As at 30 June 2024, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0%(as at 31 December 2023: 0%), which means the Group did not have any bank borrowing balance as at 30 June 2024.

FOREIGN EXCHANGE RISK

As at 30 June 2024, RMB87.8 million of the financial resources of the Group (as at 31 December 2023: RMB137.9 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	<u>13</u>	<u>15</u>

Capital expenditures (excluding business combination) comprise the purchase of office equipment.

PLEDGE OF ASSETS

As at 30 June 2024, the Group did not have any pledge of assets (as at 31 December 2023: nil).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant unrecorded contingent liabilities (as at 31 December 2023: nil).

SIGNIFICANT INVESTMENT

As at 30 June 2024, the Group held one significant investment with a value of 5% or more of the Group's total assets detailed as follows:

Unaudited								
Company name	Investment cost	Registered capital	Percentage of ownership interest attributable to the Group as at 30 June 2024	Fair value as at 30 June 2024	Fair value as at 31 December 2023	Size as compared to the Group's total assets as at 30 June 2024	Realized/ Unrealized gain/(loss) during the six months ended 30 June 2024	Dividend received during the six months ended 30 June 2024
	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>
北京分享時代科技股份有限公司 Beijing Share Times Technology Co., Limited	4,000	28,241	8.85%	58,291	58,291	9.26%	–	–

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. Looking ahead, the value of significant investment Share Times might be affected by the overall industry market conditions and regulatory environment adjustment. 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 2024, the Group had 45 full-time employees (as at 31 December 2023: 58), the vast majority of whom are based in the PRC.

The remuneration for the Group’s employees includes salaries, bonus and allowances. 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 2024.

POST BALANCE SHEET EVENTS

There was no significant subsequent event during the period from 30 June 2024 to the approval date of the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 by the Board.

RISK AND HURDLES

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 changes in player behavior and needs may cause decline around the Company's future business performance; (iii) The risk of disproportionate research and development investment and output of games due to market saturation and intensified competition; (iv) The risk of technological dependence, updates and changes. New game technologies, platforms and devices are emerging, posing challenges to the traditional game distribution and operation model; and (v) Intellectual property risk. Intellectual property disputes and maintenance costs may arise during the game research and development process.

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 2024, the global economic situation will remain uncertain, and factors such as tightening monetary policy, geopolitical tensions, and energy market fluctuations will continue to affect global and Chinese economic growth. Despite the challenges, China is expected to intensify macro-policy regulation to promote economic recovery. In the second half of 2024, the Group will continue to enhance its existing game business, stimulate the potential and upgrade of game products, so as to stabilize and increase game revenue. The Group will steadily develop the electronic device and semiconductor business to ensure healthy cash flow, and leverage the diversified and regional trade development opportunities in the global supply chain to optimize supply chain management supporting services for relevant customers. In order to diversify its business, the Group will apply for Type 4 (advising on securities) and Type 9 (asset management) regulated activities licenses from the Securities and Futures Commission of Hong Kong to develop its financial services business. The Group will strictly control the budget, reduce operating costs, improve management efficiency, actively recover assets, diversify revenue with the risks under control, and enhance profitability.

The Group will continue to uphold the sustainable development idea, maintain a prudent and optimistic attitude, actively seek to expand and optimize business, enhance overall operation level, and continue to pursue and maintain a prudent and active investment approach to create value for and bring returns to shareholders.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	4	37,392	23,359
Cost of revenue		<u>(34,452)</u>	<u>(16,899)</u>
Gross profit		2,940	6,460
Selling and marketing expenses		(9,617)	(1,347)
Administrative expenses		(18,591)	(13,943)
Research and development expenses		(23,990)	(21,916)
Other income		1,753	5,103
Other gains – net	5	45,709	18,039
Finance cost		(80)	(166)
Share of profits of associates		–	4,633
Provision of impairment of financial assets measured at amortised cost		<u>(1,872)</u>	<u>(142)</u>
Loss before income tax		(3,748)	(3,279)
Income tax expense	6	<u>–</u>	<u>(2)</u>
Loss for the period attributable to the owners of the Company	7	<u>(3,748)</u>	<u>(3,281)</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		(10,316)	(2,372)
Currency translation differences		<u>2,556</u>	<u>6,081</u>
		<u>(7,760)</u>	<u>3,709</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		(768)	(27,838)
Reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income		<u>(1,793)</u>	<u>(2,135)</u>
		<u>(2,561)</u>	<u>(29,973)</u>
Other comprehensive loss for the period, net of tax		<u>(10,321)</u>	<u>(26,264)</u>
Total comprehensive loss for the period attributable to the owners of the Company		<u>(14,069)</u>	<u>(29,545)</u>
Basic and diluted loss per share (RMB)	9	<u>(0.03)</u>	<u>(0.02)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

		As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property and equipment		47,615	63,224
Intangible assets		40,602	32,986
Right-of-use assets		3,134	3,386
Investments at fair value through other comprehensive income		109,173	91,048
Prepayments and other receivables		1,322	10,679
		201,846	201,323
Current assets			
Inventories	<i>10</i>	13,773	16,245
Trade receivables	<i>11</i>	7,352	66,352
Prepayments and other receivables		35,402	37,443
Financial assets at fair value through profit or loss		216,341	124,999
Investments at fair value through other comprehensive income		25,221	13,454
Cash and cash equivalents		129,308	195,949
		427,397	454,442
Total assets		629,243	655,765

		As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital		93	93
Reserves		<u>576,112</u>	<u>590,181</u>
Total equity		<u>576,205</u>	<u>590,274</u>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>1,030</u>	<u>1,282</u>
		<u>1,030</u>	<u>1,282</u>
Current liabilities			
Trade payables	12	10,788	11,965
Other payables and accruals		23,370	44,881
Financial liabilities at fair value through profit or loss		9,453	1,938
Contract liabilities		5,889	3,017
Lease liabilities		<u>2,508</u>	<u>2,408</u>
		<u>52,008</u>	<u>64,209</u>
Total liabilities		<u>53,038</u>	<u>65,491</u>
Total equity and liabilities		<u>629,243</u>	<u>655,765</u>
Net current assets		<u>375,389</u>	<u>390,233</u>
Total assets less current liabilities		<u>577,235</u>	<u>591,556</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 shares in issue 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 2023 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 2023.

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 2024. 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 had 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”), 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 2024 and 2023 is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
<i>Revenue from contracts with customers</i>		
Game Business	7,222	6,265
Electronic Device and Semiconductor Business	<u>30,170</u>	<u>17,094</u>
 Total revenue	 <u><u>37,392</u></u>	 <u><u>23,359</u></u>
Adjusted EBITDA		
Game Business	(21,234)	(7,097)
Electronic Device and Semiconductor Business	(11,596)	1,956
Share of profits of associates	<u>–</u>	<u>4,633</u>
 Total adjusted EBITDA	 <u><u>(32,830)</u></u>	 <u><u>(508)</u></u>
Adjusted EBITDA reconciles to loss before income tax for the period is as follows:		
Total adjusted EBITDA	(32,830)	(508)
Net interest income	703	1,462
Depreciation and amortisation	(18,510)	(16,567)
Investment related gain/(loss)		
– Changes in the value of investments at fair value through profit or loss	(13,520)	(22,720)
– Gain on disposal of investments at fair value through profit or loss	57,345	28,933
– Gain on disposal of debt investments at fair value through other comprehensive income	2,006	2,548
– Dividends received from financial assets at fair value through profit or loss	75	133
– Interest arising from debt investments at fair value through other comprehensive income	<u>983</u>	<u>3,440</u>
 Loss before income tax	 <u><u>(3,748)</u></u>	 <u><u>(3,279)</u></u>

Disaggregation of revenue from contracts with customers

Geographical information:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
PRC (excluding Hong Kong)	27,254	15,874
Other regions	<u>10,138</u>	<u>7,485</u>
	<u>37,392</u>	<u>23,359</u>

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

	30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
	Non-current assets	
PRC (excluding Hong Kong)	62,463	65,543
Hong Kong	<u>30,210</u>	<u>44,732</u>
	<u>92,673</u>	<u>110,275</u>

Timing of revenue recognition:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
At a point in time	33,388	17,703
Over time	<u>4,004</u>	<u>5,656</u>
	<u>37,392</u>	<u>23,359</u>

Revenues from major customers:

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A (sales of electronic device and semiconductor) <i>(Note)</i>	11,715	–
Customer B (sales of electronic device and semiconductor)	5,783	–
Customer C (sales of electronic device and semiconductor)	3,744	3,741
Customer D (sales of electronic device and semiconductor)	–	2,625
	<u> </u>	<u> </u>

Note: Customer A did not meet the threshold of accounting for 10% or more of total revenue during the six months ended 30 June 2023.

5. OTHER GAINS – NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on disposal of investments at fair value through profit or loss	57,345	28,933
Gain on disposal of debt investments at fair value through other comprehensive income	2,006	2,548
Changes in the value of investments at fair value through profit or loss	(13,520)	(22,720)
Dividends received from financial assets at fair value through profit or loss	75	133
Loss on disposal of property and equipment	–	(12)
Gain on early termination of lease	31	–
Exchange (loss)/gain, net	<u>(228)</u>	<u>9,157</u>
	<u>45,709</u>	<u>18,039</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC and oversea enterprise income tax	<u>–</u>	<u>2</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 was 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 2024 and 2023.

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 2024 and 2023, based on the existing legislation, interpretations and practices in respect thereof.

Since Shenzhen Xingyun Data Technology Co., Ltd. (深圳市行雲數據技術有限公司), 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 2024 and 2023.

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 200% 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 2024 and 31 December 2023.

7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Amortisation of intangible assets	1,682	248
Allowance for inventories	6,035	1,555
Cost of inventories sold	28,726	11,964
Depreciation of right-of-use assets	1,301	849
Depreciation of property and equipment	15,527	15,470
Provision of impairment of financial assets measured at amortised cost		
– provision of impairment for trade receivables, net	76	142
– provision of impairment for other receivables	1,796	–
Staff costs including directors' emoluments	9,256	6,887

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2024, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2023: nil).

9. LOSS PER SHARE

Basic loss per share

The basic loss per share for the six months ended 30 June 2024 and 2023 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 period, calculated as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss attributable to the owners of the Company:	<u>(3,748)</u>	<u>(3,281)</u>
	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	<u>143,350,090</u>	<u>143,350,090</u>
Basic loss per share (RMB):	<u>(0.03)</u>	<u>(0.02)</u>

Diluted loss per share

The diluted loss per share equals to the basic loss per share, as the Company did not have any potential dilutive ordinary shares for the six months ended 30 June 2024 and 2023.

10. INVENTORIES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Finished goods	<u>13,773</u>	<u>16,245</u>

11. TRADE RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables		
– Supporting solution of Electronic Device and Semiconductor Business	–	63,650
– Game Business	18,695	16,611
– Trade of Electronic Device and Semiconductor	3,503	798
	<u>22,198</u>	<u>81,059</u>
Provision for loss allowance	(14,846)	(14,707)
Carrying amount	<u>7,352</u>	<u>66,352</u>

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0-30 days	3,533	30,177
31-60 days	1,068	35,673
61-90 days	681	154
91-180 days	1,582	176
181-365 days	488	172
	<u>7,352</u>	<u>66,352</u>

12. TRADE PAYABLES

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0-30 days	1,347	2,854
31-60 days	1,216	1,369
61-90 days	699	819
91-180 days	720	1,590
181-365 days	2,009	695
Over 1 year	4,797	4,638
	<u>10,788</u>	<u>11,965</u>

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 C3 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 2024.

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 C1 to the Listing Rules (the "**CG Code**"). The Company has applied the principles and complied with the code provisions prescribed in Part 2 of the CG Code during the six months ended 30 June 2024, other than code provisions C.1.8 and C.2.1.

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 director. 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 is of the opinion that with the current risk management and internal control systems in place 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.

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. As Mr. CUI Yuzhi serves as both the chairman of the Board and the chief executive officer, such practice deviates from the above code provision.

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.

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 2024, 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 2024.

Interim Dividend

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Publication of the Unaudited Consolidated Interim Results and 2024 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com.cn), and the 2024 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 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, 30 August 2024

As at the date of this announcement, the executive directors are Mr. CUI Yuzhi, Mr. ZHU Liang and Mr. ZHOU Xiaoyu; and the independent non-executive directors are Mr. WONG Chi Kin, Mr. LU Xiaoma and Mr. JI Yong.