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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: 00484)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Forgame Holdings Limited (the “**Company**” or “**Forgame**”) announces the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2020. The Interim Results have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and reviewed by the audit and compliance committee of the Company (the “**Audit and Compliance Committee**”).

## FINANCIAL PERFORMANCE HIGHLIGHTS

	<b>Six Months Ended 30 June</b>		
	<b>2020</b> <i>(RMB'000)</i> <b>(Unaudited)</b>	2019 <i>(RMB'000)</i> <b>(Unaudited)</b>	Change %
<b>Continuing Operations<sup>(1)</sup></b>			
Revenue	<b>28,927</b>	53,442	-45.9%
Gross profit	<b>9,402</b>	35,444	-73.5%
(Loss)/profit from continuing operations	<b>(28,361)</b>	27,403	-203.5%
<b>Non-IFRSs Measures</b>			
– (LBITDA)/EBITDA <sup>(1)</sup> for the period	<b>(27,330)</b>	27,891	-197.99%
– Adjusted (LBITDA)/EBITDA <sup>(2)</sup> for the period	<b>(20,570)</b>	13,683	-250.33%

### Notes:

- (1) Financial figures of continuing operations exclude relevant figures of the discontinued operation pursuant to the IFRS 5.
- (2) (LBITDA)/EBITDA means loss/earnings before interests, taxes, depreciation and amortisation.
- (3) The Group defines adjusted (LBITDA)/EBITDA as (LBITDA)/EBITDA excluding share-based compensation, net loss from changes in the value of investments at fair value through profit or loss, dividends received from equity investments at fair value through other comprehensive income and loss on fair value change of derivative financial instrument. For details of (LBITDA)/EBITDA and adjusted (LBITDA)/EBITDA, please refer to the section headed “Management Discussion and Analysis — Non-IFRSs Measures — EBITDA and Adjusted EBITDA” in this announcement.

## INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2020, the Group recorded a total revenue of approximately RMB28.9 million, decreasing by 45.9% from the same period of last year due to the decrease in online game business revenue and the average balance of loan of the internet micro-credit business in the first half of 2020.

The VR game business had gone through an operating adjustment in the first half of 2020. According to the announcement made on 10 March 2020, in view of the outbreak of the novel coronavirus disease (COVID-19) (the “**Epidemic**”) in the People’s Republic of China (the “**PRC**”) since January 2020, a number of provinces and municipalities in the PRC had activated level I response, being the highest-level response, to major public health emergencies and adopted various strict measures to curb the spread of the Epidemic, including postponing and imposing restriction on the date of resumption of work after the Lunar New Year holidays, enforcing quarantine and imposing ban on travel and logistics at provincial and/or municipal level.

Given that crowd gathering was restricted, offline services industry had borne the brunt of the Epidemic. Beijing Xigua’s physical stores under the Group were severely affected. As the Epidemic continued, the recovery of offline entertainment consumption remained uncertain. After prudent consideration of the business reduction plan, the Group had decided to retain not more than 10 best performing direct sales stores and close down other direct sales stores which are expected to record a significant decrease in revenue due to the Epidemic, so as to minimize the adverse impact of the Epidemic on the operations and financial position of the Company. As at 30 June 2020, the number of stores of our VR game business had decreased to 9.

The Group’s online game business continued to focus on the optimization of return on investment. We are continuing to maintain the existing online games through an outsourcing cooperation with external expert teams. This cooperative mode has enhanced the cost effectiveness for us to maintain our existing online games.

The Group has applied a prudent strategy in the fintech business during the first half of 2020. Due to the increasing market risks, our internet micro-credit business has maintained a controllable size of outstanding loans and taken cautions measures in originating new loans in the first half of 2020. According to the announcements of the Company dated 11 December 2019, 23 December 2019, 26 February 2020 and 7 May 2020, there are some risks on the recoverability of the outstanding loan receivables. Although certain borrowers had not resumed their normal working hours due to the outbreak of the Epidemic in the first half of 2020, the Group had tried its best to gather information available and conduct recoverability assessment. The Group had established the Corporate Governance Committee on 22 May 2020 to strengthen its risk management and internal control.

## Game Business

The following tables set forth certain operating statistics relating to the VR game business of the Group in the periods indicated:

	<b>As at 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>VR Game</b>		
Number of stores <sup>(1)</sup>	<b>9</b>	–
	<b>Six Months Ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
<b>VR Game</b>		
Average monthly paying members	<b>531</b>	–
Monthly average paying amount per paying member (RMB)	<b>473</b>	–

*Note:*

(1) Stores which generated revenue as of June 2020.

## Internet Micro-credit Business

The following table sets forth certain operating statistics relating to the Group's internet micro-credit business for the periods indicated or as at the dates indicated:

	<b>Six Months Ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
Average balance of outstanding performing loans (RMB in million) <sup>(1)</sup>	<b>159</b>	288
Average size of our loans (RMB) <sup>(2)</sup>	–	4,355
Number of loans originated <sup>(3)</sup>	–	208,763

*Notes:*

- (1) Calculated as the average balance of the principal amount of our outstanding performing loans at the end of each month for the period indicated.
- (2) Calculated as the total amount of loans divided by the total number of loans originated for the period.
- (3) Number of loans originated by our internet micro-credit business for the period indicated.

## FIRST HALF OF 2020 COMPARED TO FIRST HALF OF 2019

The following table sets forth the Group's income statement for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019:

	<b>Six Months Ended 30 June</b>		Change %
	<b>2020</b> <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	
<b>Continuing operations</b>			
Revenue	<b>28,927</b>	53,442	-45.9%
Cost of revenue	<b>(19,525)</b>	(17,998)	8.5%
<b>Gross profit</b>	<b>9,402</b>	35,444	-73.5%
Selling and marketing expenses	<b>(2,623)</b>	(4,111)	-36.2%
Administrative expenses	<b>(32,184)</b>	(20,478)	57.2%
Research and development expenses	<b>(3,673)</b>	(11,498)	-68.1%
Other income	<b>4,771</b>	21,571	-77.9%
Other gains/(losses) — net	<b>390</b>	(177)	-320.3%
Finance cost — net	<b>(558)</b>	(75)	644.0%
Net loss from changes in the value of investments at fair value through profit or loss	<b>(132)</b>	(149)	-11.4%
Loss on fair value change of derivative financial instrument	<b>(6,200)</b>	—	NM
Share of profits of associates	<b>3,660</b>	6,947	-47.3%
Impairment of intangible assets	<b>(41)</b>	—	NM
Impairment of right-of-use assets	<b>(311)</b>	—	NM
(Impairment)/reversal of financial assets measured at amortised cost	<b>(642)</b>	605	-206.1%
<b>(Loss)/profit before income tax</b>	<b>(28,141)</b>	28,079	-200.2%
Income tax expense	<b>(220)</b>	(676)	-67.5%
<b>(Loss)/profit from continuing operations</b>	<b>(28,361)</b>	27,403	-203.5%
<b>Discontinued operation</b>			
<b>Loss from discontinued operation</b>	<b>—</b>	(17,547)	NM
<b>(Loss)/profit for the period</b>	<b>(28,361)</b>	9,856	-387.8%

Note: NM — Not meaningful.

## Continuing Operations

**Revenue.** Revenue decreased by approximately 45.9% to RMB28.9 million for the six months ended 30 June 2020 from RMB53.4 million for the six months ended 30 June 2019. The following table sets forth the Group’s revenue by segment for the six months ended 30 June 2020 and 2019:

	Six Months Ended 30 June			
	2020		2019	
	(RMB'000) (Unaudited)	(% of Total Revenue)	(RMB'000) (Unaudited)	(% of Total Revenue)
<b>Revenue by Segment</b>				
— Game business	22,294	77.1	37,358	69.9
— Fintech business	6,633	22.9	16,084	30.1
<b>Total Revenue</b>	<b>28,927</b>	<b>100.0</b>	<b>53,442</b>	<b>100.0</b>

- Revenue generated from the Group’s game business decreased by approximately 40.3% to RMB22.3 million for the six months ended 30 June 2020 from RMB37.4 million for the six months ended 30 June 2019. This decrease was primarily due to the fact that some of the Group’s key games, including “Liberators”, 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 fintech business decreased by approximately 58.8% to RMB6.6 million for the six months ended 30 June 2020 from RMB16.1 million for the six months ended 30 June 2019. This decrease was due to the average balance of loans of the internet micro-credit business had decreased in the first half of 2020 compared to the same period last year.

**Adjusted (LBITDA)/EBITDA.** Adjusted LBITDA was RMB20.6 million for the six months ended 30 June 2020 compared to adjusted EBITDA of RMB13.7 million for the six months ended 30 June 2019. The following table sets forth the adjusted (LBITDA)/EBITDA of the Group by segment for the six months ended 30 June 2020 and 2019:

	Six Months Ended 30 June		
	2020	2019	Change
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	%
<b>Adjusted (LBITDA)/EBITDA by Segment</b>			
Game business	(20,072)	2,546	–888.4%
Fintech business	(4,158)	4,190	–199.2%

*Note:* The difference between the sum of adjusted (LBITDA)/EBITDA of the game and fintech businesses above and the total adjusted (LBITDA)/EBITDA of the Group is from the share of profits of associates.

- The Group’s game business recorded an adjusted LBITDA of RMB20.1 million for the six months ended 30 June 2020 compared to adjusted EBITDA of RMB2.5 million for the six months ended 30 June 2019. This decrease was mainly due to the decrease in game revenue and gross profit since the Group’s key games have entered into the mature stage of their lifecycles.
- Adjusted LBITDA in respect of the Group’s fintech business was RMB4.2 million for the six months ended 30 June 2020 compared to adjusted EBITDA of RMB4.2 million for the six months ended 30 June 2019. This decrease was mainly due to the revenue decrease in line with the average balance of loans of the internet micro-credit business decrease in the first half of 2020.

**Cost of revenue.** Cost of revenue increased by approximately 8.5% to RMB19.5 million for the six months ended 30 June 2020 from RMB18.0 million for the six months ended 30 June 2019. This increase was mainly attributable to the incremental labor cost of the offline stores of the VR game business. For the six months ended 30 June 2020, the percentage of cost of revenue to total revenue increased to 67.5% (six months ended 30 June 2019: 33.7%).

**Selling and marketing expenses.** Selling and marketing expenses decreased by approximately 36.2% to RMB2.6 million for the six months ended 30 June 2020 from RMB4.1 million for the six months ended 30 June 2019. This decrease was mainly attributable to the lower employee benefits expenses of the marketing department.

**Administrative expenses.** Administrative expenses increased by approximately 57.2% to RMB32.2 million for the six months ended 30 June 2020 from RMB20.5 million for the six months ended 30 June 2019. The lower administrative expenses in 2019 was mainly due to a portion of the Group’s administrative expenses was shared to JLC business and classified to discontinued business last year.

**Research and development expenses.** R&D expenses decreased by approximately 68.1% to RMB3.7 million for the six months ended 30 June 2020 from RMB11.5 million for the six months ended 30 June 2019. This decrease was primarily due to the lower employee benefits expenses of the R&D department and lower outsourcing design expenses of the online game business.

**Other income.** Other income decreased to RMB4.8 million for the six months ended 30 June 2020 from RMB21.6 million for the six months ended 30 June 2019. The higher other income last year was mainly resulted from the dividends from one of our investees.

**Other gains/(losses)-net.** The Group recognised other gains of RMB0.4 million for the six months ended 30 June 2020, compared to other losses of RMB0.2 million for the six months ended 30 June 2019. The other gains in 2020 was mainly from the foreign exchange rates impacts.

**Finance cost-net.** Finance cost-net for the six months ended 30 June 2020 was RMB0.6 million, as compared to finance cost-net of RMB0.1 million for the six months ended 30 June 2019. The increase in finance cost for the six months ended 30 June 2020 was mainly due to the increase in interest expense as a result of the adoption of IFRS 16 *Leases*.

**Net loss from changes in the value of investments at fair value through profit or loss.** Net loss from changes in the value of investments at fair value through profit or loss was recognised according to the fair value change of the Group's investments resulted from revaluation.

**Loss on fair value change of derivative financial instrument.** The Group recognized loss on fair value change of derivative financial instrument of RMB6.2 million for the six months ended 30 June 2020 due to the revaluation of the option arising from the non-fulfillment of profit guarantee of Xigua acquisition.

**Share of profits of associates.** The Group recognised share of profits of associates of RMB3.7 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB6.9 million). This income is related to the share of profits of our invested associated companies in the reporting period.

**Impairment of intangible assets.** Impairment of intangible assets for the six months ended 30 June 2020 was RMB0.04 million (six months ended 30 June 2019: Nil). The impairment loss for the six months ended 30 June 2020 was attributable to the impairment of intangible assets of our VR game business.

**Impairment of right-of-use assets.** Impairment of right-of-use assets for the six months ended 30 June 2020 was RMB0.3 million. This impairment was mainly from the impairment of right-of-use assets of the VR game business.

**(Impairment)/reversal of financial assets measured at amortised cost.** Impairment of financial assets measured at amortised cost for the six months ended 30 June 2020 was RMB0.6 million. The impairment was mainly from the allowance for receivables of our online game business.

**Income tax expense.** The Group recognised income tax expense of RMB0.2 million for the six months ended 30 June 2020 compared to RMB0.7 million for the six months ended 30 June 2019. The decrease in income tax expense was mainly from the profit decrease of the internet micro-credit business.

**(Loss)/profit from continuing operations.** Loss from continuing operations was RMB28.4 million for the six months ended 30 June 2020 while profit from continuing operations was RMB27.4 million for the six months ended 30 June 2019. The loss for the six months ended 30 June 2020 was mainly due to decrease in revenue and decrease in other income.



## NON-IFRSs MEASURES — (LBITDA)/EBITDA AND ADJUSTED (LBITDA)/EBITDA

To supplement the consolidated results of the Group which are prepared in accordance with IFRSs, certain non-IFRSs measures, including (LBITDA)/EBITDA and adjusted (LBITDA)/EBITDA, have been presented. These unaudited 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 (LBITDA)/EBITDA and adjusted (LBITDA)/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 2020 and 2019, to the nearest measures prepared in accordance with IFRSs:

	<b>Six Months Ended 30 June</b>	
	<b>2020</b>	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss)/Profit from continuing operations</b>	<b>(28,361)</b>	27,403
Add:		
Depreciation and amortisation	<b>4,304</b>	2,460
Net interest income	<b>(3,493)</b>	(2,648)
Income tax expense	<b>220</b>	676
	<u><b>(27,330)</b></u>	<u>27,891</u>
<b>(LBITDA)/EBITDA (unaudited)</b>		
Add:		
Share-based compensation	<b>428</b>	1,643
Net loss from changes in the value of investments at fair value through profit or loss	<b>132</b>	149
Dividends received from equity investments at fair value through other comprehensive income	–	(16,000)
Loss on fair value change of derivative financial instruments	<b>6,200</b>	–
	<u><b>6,200</b></u>	<u>–</u>
<b>Adjusted (LBITDA)/EBITDA (unaudited)</b>	<u><b>(20,570)</b></u>	<u>13,683</u>

## FINANCIAL POSITION

As at 30 June 2020, the total equity of the Group amounted to RMB632.9 million, compared to RMB664.0 million as at 31 December 2019. This decrease was mainly due to loss for the period.

The Group's net current assets amounted to RMB512.5 million as at 30 June 2020, compared to RMB536.8 million as at 31 December 2019. The net current assets as at both points in time were approximately at the same level.

## LIQUIDITY AND FINANCIAL RESOURCES

	<b>As at 30 June 2020 (RMB'000) (Unaudited)</b>	As at 31 December 2019 (RMB'000) (Audited)
Cash at bank and on hand	<b>450,208</b>	315,285
Cash at other financial institutions	<b>1,380</b>	2,674
Short-term deposits	<b>42,802</b>	68,862
<b>Total</b>	<b>494,390</b>	386,821

The Group's total cash, cash equivalent and short-term deposits amounted to RMB494.4 million as at 30 June 2020, as compared to RMB386.8 million as at 31 December 2019. The increase was primarily due to the Group's strategic adjustment of internet micro-credit business, which as a result lowered the balance of loan receivables and increased the cash balance.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of fundings, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, followed by USD.

As at 30 June 2020, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0% (as at 31 December 2019: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2020. The borrowing requirements of the Group are not subject to seasonality.

## FOREIGN EXCHANGE RISK

As at 30 June 2020, RMB44.2 million of the financial resources of the Group (as at 31 December 2019: RMB45.7 million) were held as deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the utilisation of the Group's bank deposits denominated in USD as working capital. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value.

## CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)
Capital expenditures		
— Purchase of property and equipment	58	133
— Purchase of intangible assets	41	7
<b>Total</b>	<b>99</b>	<b>140</b>

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as computers and leasehold improvement, and the purchase of intangible assets, such as IP adaptation rights and IP rights of games developed by third-party developers.

## PLEDGE OF ASSET

As at 30 June 2020, the Group had a pledge of assets of RMB0.8 million (as at 31 December 2019: RMB1.0 million) as restricted cash for corporate credit card deposits.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant unrecorded contingent liabilities.

## HUMAN RESOURCES

As at 30 June 2020, the Group had 52 full-time employees (as at 30 June 2019: 774), the vast majority of whom are based in Guangzhou and Beijing.

The remuneration for the Group's employees includes salaries, bonus, allowances and share-based compensation. The Group's remuneration policies are formulated according to the assessment of individual performance and are periodically reviewed. The Group also provides various training programs to its staff to enhance their professional development, such as assigning experienced employees as mentors in relevant teams or departments to provide regular on-the-job guidance and trainings. The Group has also adopted the Pre-IPO Share Option Scheme, the Post-IPO Share Option Scheme and the Restricted Share Unit Scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises. Details of the share option schemes and the restricted share unit scheme will be set out in the 2020 interim report of the Company.

## **POST BALANCE SHEET EVENT**

There were no significant subsequent events during the period from 30 June 2020 to the approval date of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020 by the Board.

## **RISKS AND HURDLES**

Although the Group has established its fintech business, there are certain risks that could adversely affect the Group's operations and financial results due to the immaturity of the fintech market in China. The major risks include (i) the implementation of new policies or any amendment to current policies by the governments in the PRC in relation to internet micro-credit regulations, (ii) the credit risk of loans becoming uncollectable, (iii) the inability of the main strategic business partners to provide sustainable services, (iv) the collapse of real estate market or other markets causing the decrease in the value of the collaterals granted to the Group, (v) new internet micro-credit products not being recognised by market, (vi) loss of key employees, and (vii) the financial risks resulting from inappropriate decision made by the management of the internet micro-credit business.

As to the established online legacy game business operated by the Group, the major risks may include (i) delay in game launches, (ii) mismatch between games developed and the market expectations, (iii) loss of key employees, (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, and (v) tight control in game related regulations and policies in the PRC all of which will have an adverse effect on the Group's performance.

The major hurdles for the VR game business may include (i) the recognition of VR concept by the market being lower than expectation, (ii) delays of game launches, (iii) games developed being unable to meet market expectations at their launch, (iv) the speed of opening stores being slower than expectation, (v) technical issues affecting user experience and existing VR games operation, (vi) damages of fixed assets including VR equipment caused by accidents which were not covered by the existing insurances, (vii) being unable to recruit sufficient well-trained VR sales and managers in the stores, (viii) departure of key employees, (ix) the market share being seized by our competitors, (x) the capital shortfall between the current cash level and the budget of the expanding stores business plan before the financing solution being implemented, and (xi) the operating stores shut down due to contagion.

In addition, the Group is exposed to risks such as fluctuation of foreign exchange, impairment loss due to invested companies' underperformance or contract party becoming insolvent, other unexpected one-off restructuring costs, and failures of certain material litigations or arbitrations, all of which will negatively impact the Group's performance.

Since 2014, the Group has made investments in the internet, media and technology industry in China with a remaining value of approximately RMB116.4 million post investment impairment and losses as at 30 June 2020, out of which approximately RMB60.2 million was classified as "investments in associates".

In the first half of 2020, the Group continued to focus on exploring potential opportunities in relevant industries to support the development of the Group's businesses, such as the emerging technologies on the internet. However, it is difficult to judge whether these investments could survive in the market with increasing competition or the technologies developed by these investments would be suitable to the application scenarios. Therefore, potential impairments or write-offs may occur.

## **FUTURE PLANS AND OUTLOOK**

In face of the impact of the Epidemic in January 2020, a number of provinces and cities in the PRC activated a level I response, which is the highest-level response that can be raised for major public health emergencies, and adopted various strict measures to curb the spread of the virus. After the Lunar New Year, all industries followed the guidelines from the Chinese government and postponed the date of resumption of work to combat the Epidemic. Strict requirements for epidemic prevention and control caused out-of-home consumption of the residents to fall significantly. Industries which are principally engaged in offering venues for offline crowd gathering have been most affected. While the online entertainment industry has benefitted from the fact that users are spending more time at home, other industries have been negatively affected to various degrees. In order to divert the pressure of operating costs, many SMEs resorted to redundancy and pay cuts as the contingency plan for survival.

The Group has not been immune to the severe national public health crisis and faces significant challenges ahead. (1) As the Group had shifted its business focus from online webgames to offline VR games in 2019, offline stores of Beijing Xigua under the Group were also severely affected by the Epidemic. Although the Group has formulated contingency measures to mitigate the impact of the Epidemic, the operating environment has been clouded by uncertainties at this stage. (2) In relation to the internet micro-credit business, "Yunke" had to address a number of overdue loans it lent out during its rapid development in the past. Taking into account the past experiences and lessons, the Group will operate the corporate loan business with even more prudent measures and strengthen its internal risk management in the future.

The Group is of the view that the Epidemic will inevitably have an adverse impact on the business performance of many industries in the future, and thus affecting the consumer confidence and consumer preferences for a long period of time. The business environment will become challenging for the next few years. In order to better cope with the risks to the Group's business (including internet micro-credit business) from economic downturn, the Group will make certain operating adjustments.

We will go through the long and arduous journey with determination and perseverance. Looking ahead, despite the uncertainties and difficult domestic and foreign environment, the Group will adhere to the principle of "striving for long-term robustness" while learn from past experiences. By exploring new development model for the Group with open mindedness and innovation, the Group will evaluate potential projects or investments in a prudent manner when opportunities arise. With an aim to achieve sustainable development, the Group will aggressively explore more revenue sources, thereby delivering fruitful returns to the Shareholders.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2020*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>			
Revenue	4	<b>28,927</b>	53,442
Cost of revenue		<b>(19,525)</b>	(17,998)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>9,402</b>	35,444
Selling and marketing expenses		<b>(2,623)</b>	(4,111)
Administrative expenses		<b>(32,184)</b>	(20,478)
Research and development expenses		<b>(3,673)</b>	(11,498)
Other income		<b>4,771</b>	21,571
Other gains/(losses) — net		<b>390</b>	(177)
Finance cost — net		<b>(558)</b>	(75)
Net loss from changes in the value of investments at fair value through profit or loss		<b>(132)</b>	(149)
Loss on fair value change of derivative financial instrument		<b>(6,200)</b>	—
Share of profits of associates		<b>3,660</b>	6,947
Impairment of intangible assets		<b>(41)</b>	—
Impairment of right-of-use assets		<b>(311)</b>	—
(Impairment)/reversal of financial assets measured at amortised cost		<b>(642)</b>	605
		<hr/>	<hr/>
<b>(Loss)/profit before income tax</b>		<b>(28,141)</b>	28,079
Income tax expense	5	<b>(220)</b>	(676)
		<hr/>	<hr/>
<b>(Loss)/profit from continuing operations</b>		<b>(28,361)</b>	27,403
		<hr/>	<hr/>
<b>Discontinued operation</b>			
Loss from discontinued operation		—	(17,547)
		<hr/>	<hr/>
<b>(Loss)/profit for the period</b>	6	<b>(28,361)</b>	9,856
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		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
<i>Notes</i>		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive loss:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax		<b>(3,528)</b>	(10,369)
Currency translation differences		<b>414</b>	128
<b>Other comprehensive loss for the period, net of tax</b>		<b>(3,114)</b>	(10,241)
<b>Total comprehensive loss for the period</b>		<b>(31,475)</b>	(385)
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company			
— Continuing operations		<b>(23,747)</b>	27,408
— Discontinued operation		—	(17,021)
		<b>(23,747)</b>	10,387
Non-controlling interests			
— Continuing operations		<b>(4,614)</b>	(5)
— Discontinued operation		—	(526)
		<b>(4,614)</b>	(531)
<b>(Loss)/profit for the period</b>		<b>(28,361)</b>	9,856
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		<b>(26,861)</b>	141
Non-controlling interests		<b>(4,614)</b>	(526)
		<b>(31,475)</b>	(385)
<b>Basic and diluted (loss)/earnings per share (RMB)</b>	<b>8</b>		
— Continuing and discontinued operations		<b>(0.15)</b>	0.08
— Continuing operations		<b>(0.15)</b>	0.20
— Discontinued operation		<b>N/A</b>	(0.12)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

		As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		1,432	3,182
Intangible assets		4,517	5,123
Right-of-use assets		21,752	40,891
Investments in associates		60,231	56,571
Equity investments at fair value through other comprehensive income		36,911	38,895
Prepayments and other receivables		–	745
Deferred tax assets		4,381	4,381
		<u>129,224</u>	<u>149,788</u>
<b>Current assets</b>			
Trade receivables	9	4,564	4,945
Loan receivables	10	15,413	155,394
Prepayments and other receivables		18,872	14,160
Investments at fair value through profit or loss		665	797
Equity investments at fair value through other comprehensive income		18,640	20,300
Derivative financial instrument		74,000	80,200
Restricted cash		830	953
Short-term deposits		42,802	68,862
Cash and cash equivalents		451,588	317,959
		<u>627,374</u>	<u>663,570</u>
<b>Total assets</b>		<u><u>756,598</u></u>	<u><u>813,358</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		102	102
Reserves		660,824	687,257
		<u>660,926</u>	687,359
Non-controlling interests		<u>(28,010)</u>	<u>(23,396)</u>
<b>Total equity</b>		<u><u>632,916</u></u>	<u><u>663,963</u></u>



		As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		–	116
Lease liabilities		<u>8,786</u>	<u>22,498</u>
		<u>8,786</u>	<u>22,614</u>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	9,165	7,576
Other payables and accruals		78,258	76,128
Contract liabilities		8,673	9,275
Income tax liabilities		4,274	5,646
Lease liabilities		<u>14,526</u>	<u>28,156</u>
		<u>114,896</u>	<u>126,781</u>
<b>Total liabilities</b>		<u>123,682</u>	<u>149,395</u>
<b>Total equity and liabilities</b>		<u>756,598</u>	<u>813,358</u>
<b>Net current assets</b>		<u>512,478</u>	<u>536,789</u>
<b>Total assets less current liabilities</b>		<u>641,702</u>	<u>686,577</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

## 1. GENERAL INFORMATION

Forgame Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 26 July 2011 as an exempted company with limited liability. The address of its registered office is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1-1209, Cayman Islands. The address of its principal place of business is 16/F, Man Yee Building, 60–68 Des Voeux Road Central, Central, Hong Kong. The address of the headquarters is Room 01–02, 60/F, International Metropolitan Plaza, 68 Huacheng Avenue, Guangzhou, China. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively the “**Group**”) are principally engaged in developing and publishing domestic and overseas webgames and mobile games as well as offering virtual reality game in physical stores (the “**Game Business**”) and providing internet micro-credit service (the “**Internet Micro-credit Business**”) in the People’s Republic of China (“**PRC**”).

On 3 October 2013, the Company completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited.

In December 2016, the Group obtained a license to carry out Internet Micro-credit Business from the government and thereafter commenced the operation of the Group’s Internet Micro-credit Business in the PRC. The license was expired in July 2020 and is subjected to renewal assessments by the government.

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 2019 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 2019.

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

In the current period, the Company and its subsidiaries (collectively referred to as 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 2020. 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 unaudited condensed consolidated financial statements and amounts reported for the current period and prior years.

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

### 4. REVENUE AND SEGMENT INFORMATION

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

During the six months ended 30 June 2020, the CODM reassessed the performance and operation of the Group and concluded that the Group has two operating segments as follows:

- Game Business
- Internet Micro-credit Business

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted (losses)/earnings before interest expense, taxes, depreciation and amortisation (“**adjusted EBITDA**”) excluding share of profit of associates, of each operating segment.

Specifically, the revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the assessment of operating segments’ results, primarily with respect to net loss from changes in the value of investments at fair value through profit or loss, dividends received from equity investments at fair value through other comprehensive income and loss on fair value change of derivative financial instrument. It also excludes the effects of equity-settled share-based payments.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these unaudited condensed consolidated financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

The segment information from continuing operations provided to the Group's CODM for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <i>RMB'000</i> <b>(unaudited)</b>	<b>2019</b> <i>RMB'000</i> <b>(unaudited)</b>
<b>Revenue from continuing operations</b>		
Game Business — revenue from contract customers	22,294	37,358
Internet Micro-credit Business	6,633	16,084
	<u>28,927</u>	<u>53,442</u>
<b>Adjusted (LBITDA)/EBITDA from continuing operations</b>		
Game Business	(20,072)	2,546
Internet Micro-credit Business	(4,158)	4,190
Share of profits of associates	3,660	6,947
	<u>(20,570)</u>	<u>13,683</u>
Adjusted (LBITDA)/EBITDA reconciles to (loss)/profit before income tax from continuing operations as follows:		
<b>Total adjusted (LBITDA)/EBITDA from continuing operations</b>	<b>(20,570)</b>	13,683
Net interest income	3,493	2,648
Depreciation and amortisation	(4,304)	(2,460)
Share-based compensation	(428)	(1,643)
Net loss from changes in the value of investments at fair value through profit or loss	(132)	(149)
Loss on fair value change of derivative financial instrument	(6,200)	—
Dividends received from equity investments at fair value through other comprehensive income	—	16,000
	<u>(28,141)</u>	<u>28,079</u>
(Loss)/profit before income tax from continuing operations	<b>(28,141)</b>	28,079
<b>Disaggregation of revenue from contracts with customers</b>		
<b>Geographical information:</b>		
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Continuing operations		
PRC (excluding Hong Kong)	15,149	21,885
Other regions	7,145	15,473
	<u>22,294</u>	<u>37,358</u>
Discontinued operations		
PRC (excluding Hong Kong)	—	35,816
	<u>22,294</u>	<u>73,174</u>

As at 30 June 2020 and 31 December 2019, majority of the non-current assets of the Group were located in the PRC.

**Timing of revenue recognition:**

	<b>Six months ended 30 June</b>	
	<b>2020</b> <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Continuing operations		
At a point in time	<b>13,627</b>	23,682
Over time	<b>8,667</b>	13,676
	<b>22,294</b>	37,358
Discontinued operations		
Over time	–	35,816
	<b>22,294</b>	73,174

**Revenue from major customers:**

No revenue is derived from any individual which amounted for over 10% of the Group's total revenue from continuing operations (for the six months ended 30 June 2019: nil).

**5. INCOME TAX EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2020</b> <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Current tax — PRC and oversea enterprise income tax	<b>220</b>	676

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

The income tax provision of the Group in respect of operations in Hong Kong is provided at 8.25% on assessable profits up to HK\$2,000,000, and the applicable tax rate is 16.5% on any part of assessable profits over HK\$2,000,000 (for the six months ended 30 June 2019: 16.5%) based on the assessable profit for the period.

The income tax provision of the Group in respect of operation in Taiwan is provided at 20% on assessable profits (for the six months ended 30 June 2019: 19%).

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 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, “**Feidong**”) has renewed its qualification of High and New Technology Enterprises (“**HNTes**”) under the PRC Enterprise Income Tax Law (“**EIT Law**”) in 2017, thus the applicable tax rate was 15% for the six months ended 30 June 2020 and 2019.

Beijing Xigua was qualified as HNTEs under the EIT Law in 2018, thus the applicable tax rate was 15% for the six months ended 30 June 2020.

Tianjin Wanke Technology Co., Ltd. (天津玩氩科技有限公司, “**Tianjin Wanke**”) is qualified as a small low-profit enterprise (“**SLPE**”). According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that became effective from 2019 onwards, the applicable tax rate was 20% for the SLPE. For the SLPE of annual taxable income less than or equal to RMB1,000,000, the effective taxable income is calculated based on 25% of the annual taxable income. For the SLPE of annual taxable income over RMB1,000,000 and less than or equal to RMB3,000,000, the effective taxable income is calculated based on 50% of the annual taxable income.

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 period (“**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% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

No deferred income tax liability has been recognised in respect of WHT on the undistributed earnings of the subsidiaries incorporated in the PRC as those PRC subsidiaries with foreign immediate parent are all with accumulated losses (i.e. without any distributable earnings) as at 30 June 2020 and 2019.

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

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB’000</b>	RMB’000
	<b>(unaudited)</b>	(unaudited)
Amortisation of intangible assets	<b>606</b>	512
Depreciation of right-of-use assets	<b>2,725</b>	1,459
Depreciation of property and equipment	<b>973</b>	489
Impairment of intangible assets	<b>41</b>	–
Impairment of right-of-use assets	<b>311</b>	–
Impairment of financial assets measured at amortised cost		
— provision/(reversal) of impairment for trade receivables, net	<b>844</b>	(1,008)
— provision of impairment for loan receivables	–	600
— reversal of impairment for other receivables, net	<b>(202)</b>	(197)
	<b>642</b>	(605)
Staff costs including directors’ emoluments	<b>27,778</b>	26,288

## 7. DIVIDENDS

No dividends was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2020, nor has any dividend been proposed at the end of the reporting period (for the six months ended 30 June 2019: nil).

## 8. (LOSS)/EARNINGS PER SHARE

### Basic (loss)/earnings per share

The basic (loss)/earnings per share for the six months ended 30 June 2020 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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company:		
From continuing operations	(23,747)	27,408
From discontinued operation	—	(17,021)
	<u>(23,747)</u>	<u>10,387</u>

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Weighted average number of ordinary shares	<u>156,754,237</u>	<u>134,888,637</u>

### Diluted (loss)/earnings per share

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	<u>(23,747)</u>	<u>10,387</u>
Weighted average number of ordinary shares in issue	156,754,237	134,888,637
Adjustments for calculation of diluted (loss)/earnings per share:		
— Adjustments for share options under pre-IPO Share Option Scheme	—	462,785
— Adjustments for awarded shares under Restricted Share Unit Scheme	—	247,270
	<u>—</u>	<u>247,270</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	<u>156,754,237</u>	<u>135,598,692</u>
Diluted (loss)/earnings per share (in RMB/share)	<u>(0.15)</u>	<u>0.08</u>

## 9. TRADE RECEIVABLES

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Trade receivables	<b>19,752</b>	19,280
Provision for loss allowance	<b>(15,188)</b>	(14,335)
	<hr/>	<hr/>
Carrying amount	<b><u>4,564</u></b>	<u>4,945</u>

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
0–30 days	<b>1,063</b>	2,220
31–60 days	<b>511</b>	1,166
61–90 days	<b>1,085</b>	395
91–180 days	<b>1,794</b>	680
181–365 days	<b>548</b>	156
Over 1 year	<b>14,751</b>	14,663
	<hr/>	<hr/>
	<b><u>19,752</u></b>	<u>19,280</u>

## 10. LOAN RECEIVABLES

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Guaranteed loans	<b>111,477</b>	235,196
Collateralised loans	<b>9,636</b>	25,898
	<hr/>	<hr/>
	<b>121,113</b>	261,094
Provision for loss allowance	<b>(105,700)</b>	(105,700)
	<hr/>	<hr/>
Carrying amount	<b><u>15,413</u></b>	<u>155,394</u>

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



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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
Neither past due nor impaired	<b>8,513</b>	126,204
Overdue but not impaired	<b>4,980</b>	26,901
Individually impaired	<b>107,620</b>	107,989
	<b>121,113</b>	261,094
Less: Allowance for impairment losses	<b>(105,700)</b>	(105,700)
Net balance	<b>15,413</b>	155,394

## 11. TRADE PAYABLES

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

	<b>30 June 2020 RMB'000 (unaudited)</b>	31 December 2019 RMB'000 (audited)
0–30 days	<b>1,170</b>	2,672
31–60 days	<b>738</b>	231
61–90 days	<b>431</b>	125
91–180 days	<b>1,788</b>	364
181–365 days	<b>468</b>	94
Over 1 year	<b>4,570</b>	4,090
	<b>9,165</b>	7,576

## 12. MATERIAL EVENTS

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

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

As at the date of this announcement, upon reasonable enquiry being made with the relevant personnel of Mutant Box and GZ Feidong, neither Mutant Box nor GZ Feidong had received any official documents and/or notice relating to the alleged Lawsuit.

Up to the date of these unaudited condensed consolidated financial statement, neither Mutant Box nor GZ Feidong had received any official notices or orders relating to the alleged lawsuit, the progress of the matter is uncertain in the future.

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

Pursuant to the requirements of a civil paper (Document 2019 Yue 0106 Caibao 43) issued by a court in the PRC (the “**Court**”), legal shares of 23.75% (representing paid up capital of RMB2,375,000), 23.75% (representing paid up capital of RMB2,375,000) and 20.94% (representing paid up capital of RMB2,094,000) of Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司), Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司) and Guangzhou Jiyou Software Co., Ltd. (廣州捷遊軟件有限公司), respectively, which are held by Mr. Wang Dongfeng (the “**Mr. Wang**”) (collective defined as the “**Frozen Shares**”) have been frozen by the Court due to lawsuits undertaken against Mr. Wang as a defendant. The frozen period is from 26 February 2019 to 25 February 2021. During the frozen period, the Frozen Shares cannot be transferred to other parties without the agreement of the Court, and the Frozen Shares might also be demanded by the Court to be disposed in order to settle any damages, as determined by the Court, arising from the lawsuits.

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

## **OTHER INFORMATION:**

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

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2020.

### **Corporate Governance Code**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2020.

Code provision A.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.

Mr. HAN Jun served as the chairman of the Board and the chief executive officer of the Company since 11 November 2019 up to 27 April 2020. In view of the ever-changing business environment in which the Group operates, the chairman of the Board and the chief executive officer of the Company must be proficient in IT knowledge and be sensitive to the fast and rapid market changes in the internet industry (such as the changes in the preference of users) in order to promote the businesses of the Group. The Board believed that the appointment of Mr. HAN Jun as both the chairman of the Board and the chief executive officer of the Company was conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently, given the extensive experience in the internet industry which Mr. HAN Jun possesses. The Board was of the view that the separation of the roles of the chairman and the chief executive may create unnecessary costs for the daily operations of the Group. Further, the Board considered that there was a strong independent element on the Board which can effectively exercise independent judgments in the course of decision-making. In addition, all major decisions in relation to the Company's matters were made in consultation with members of the Board and Board committees, as well as the senior management of the Company as appropriate.

On 27 April 2020, Mr. HAN Jun resigned as the chairman of the Board due to personal reasons, and Mr. ZHANG Qiang, a Non-Executive Director, has been appointed as the chairman of the Board in place of Mr. HAN Jun. Upon the above change of chairman of the Board, the roles of chairman and chief executive of the Company vest in Mr. ZHANG Qiang and Mr. HAN Jun respectively, and the Company has re-complied with code provision A.2.1 of the CG Code.

On 29 April 2020, each of Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason tendered their respective resignation as an Independent Non-executive Director with effect from 30 April 2020. Upon the effective date of their resignation, the Board comprised two Executive Directors, one Non-executive Director and two Independent Non-executive Directors and the Audit and Compliance Committee comprised a Non-executive Director as a member. Accordingly, the Company was unable to comply with Rule 3.10(1) and Rule 3.21 of the Listing Rules. Following the appointment of Mr. CUI Yuzhi as an Independent Non-executive Director and the change in composition of Board committees on 7 May 2020, the Company has re-complied with Rule 3.10(1), Rule 3.21 and the relevant requirements under the Listing Rules. Please refer to the announcements of the Company dated 3 May 2020 and 11 May 2020 for further details.

In addition, in order to better help the management of the Company to manage its daily governance issues, provide professional advice for major projects of the Company, and better review and monitor the implementation and compliance with the Company's corporate governance policies and practices, the Corporate Governance Committee was established on 22 May 2020 with written terms of reference published on 28 May 2020.

The Board will also continue to monitor and review the Company's current structure from time to time, make necessary changes at an appropriate time, and make relevant report to the Shareholders.

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

At the Company's annual general meeting held on 28 May 2019, the Shareholders granted a share buy-back mandate to the Board to buy back Shares (which should not exceed 10% of the issued share capital of the Company as at 28 May 2019) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held, or (iii) the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders in general meeting.

During the six months ended 30 June 2020, 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. As of 30 June 2020, the Audit and Compliance Committee consists of three independent non-executive Directors, being Mr. WONG Chi Kin, Mr. WANG Dong and Mr. CUI Yuzhi. The chairman of the Audit and Compliance Committee is Mr. WONG Chi Kin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee have reviewed the Group's unaudited interim financial results and interim report for the six months ended 30 June 2020.

## **Publication of the Unaudited Consolidated Interim Results and 2020 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 2020 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 2020.

### **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**  
**Zhang Qiang**  
*Chairman*

Hong Kong, 28 August 2020

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

\* *For identification purpose only*