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 2019

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 2019. The Interim Results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers, 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**").

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2019	2018	Change
	(RMB'000)	*(RMB'000)*	%
	(Unaudited)	(Unaudited and restated)	
Continuing Operations[(1)]			
Revenue	**53,442**	73,024	–26.8%
Gross profit	**35,444**	49,574	–28.5%
Profit from continuing operations	**27,403**	22,648	21.0%
Non-IFRSs Measures			
– EBITDA[(2)] for the period	**27,891**	20,080	38.9%
– Adjusted EBITDA[(3)] for the period	**13,683**	21,457	–36.2%

Notes:

(1) Financial figures of continuing operations exclude relevant figures of the discontinued operation pursuant to the IFRS 5. Details are disclosed in note 13 of the financial information.

(2) EBITDA means earnings before interests, taxes, depreciation and amortisation.

(3) The Group defines adjusted EBITDA as EBITDA excluding share-based compensation, changes in the value of financial assets at fair value through profit or loss and distribution of profit from financial assets at fair value through other comprehensive income. For details of EBITDA and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis — Non-IFRSs Measures — EBITDA and Adjusted EBITDA" in this announcement.

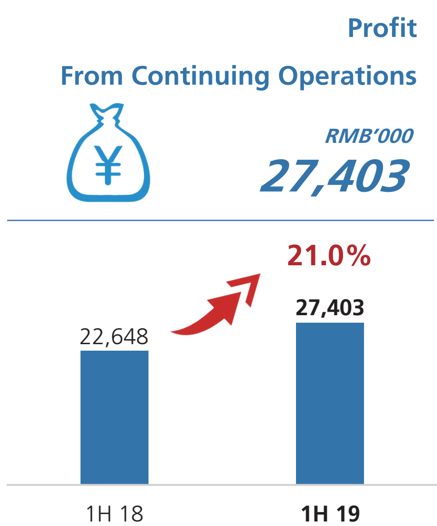
INTERIM DIVIDEND

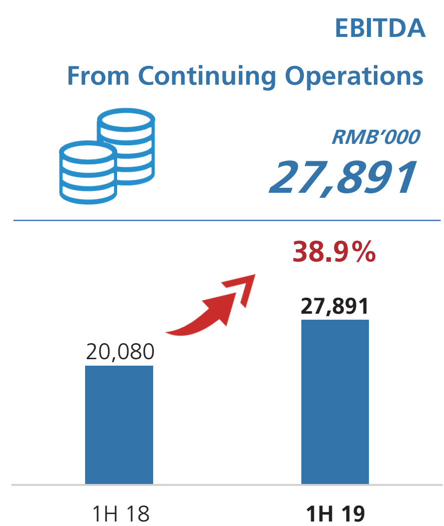
The Board does not declare the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

OVERVIEW AND OUTLOOK

OVERVIEW

We are pleased to announce that with the concerted efforts of our management and staff, we were able to record substantial improvements in our financial results in the first half of 2019. We posted profit of RMB27.4 million and EBITDA of RMB27.9 million from the continuing operations, representing increases of 21.0% and 38.9%, respectively, year-over-year.





In the past six months, the macroeconomic environment in China has witnessed increasing challenges amid the US-China trade tensions and other growing uncertainties. In addition, the game and fintech industries have been subject to additional complications posed by tightening regulations. Despite such a backdrop, we still managed to increase profits from continuing operations under the leadership of our management, which reflects our strong ability to create value for the shareholders by unlocking opportunities and adapting our business for the changing environment.

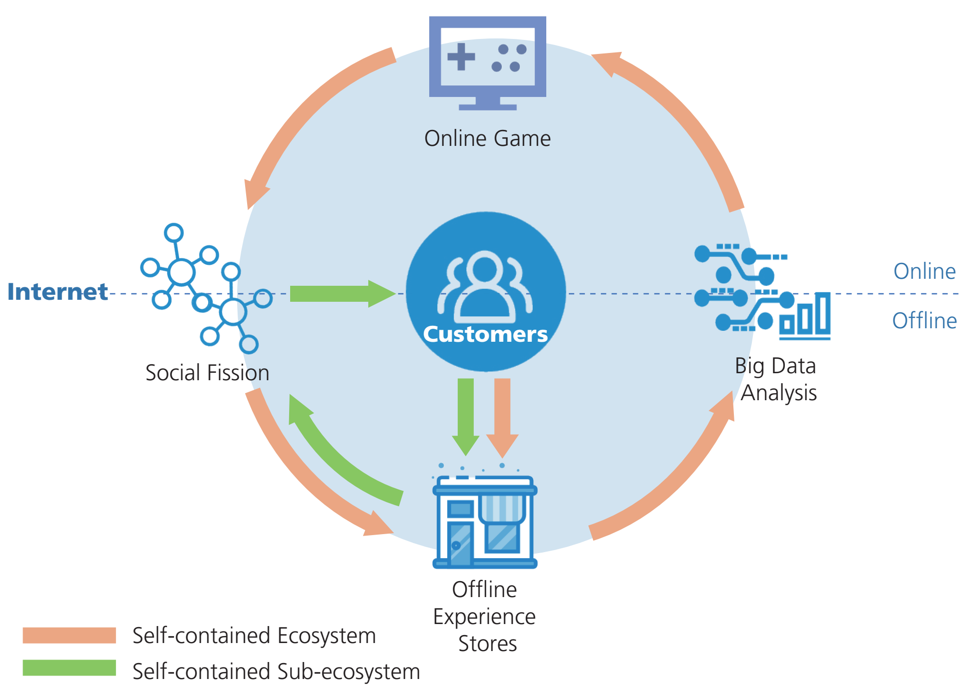
STRATEGY IMPLEMENTATION

For our game business, we have maintained our strategic focus on "quality games". Although many of our games have entered their mature stages, we still managed to achieve a higher average revenue per paying user. This reflects the significant loyalty that we have managed to engender among players of our games. In addition, "Liberators", our self-operated overseas flagship game, has contributed over RMB160 million cumulatively to our revenue since its launch in 2016, which clearly places it in the top-tier of online games with accumulated gross billings of over RMB100 million in our Group. Given the continued solid performance of the game, we believe that we will be able to take our experience with "Liberators" and successfully replicate it with other upcoming games that are set to be launched overseas.

Turning to our fintech business, we adopted "stable growth" strategy in the face of the challenging market environment and the increasingly tightening regulations. In the first half of 2019, "Yunke", our licensed internet micro-credit brand delivered performance that has been jointly driven by both compliance and technology. In the first half of 2019, the total micro-loan volume facilitated by "Yunke" was approximately RMB905.0 million, and the number of loans was over 200,000, contributing roughly 30% to our continuing operations revenue during the period. In the future, "Yunke" may operate with leverage at an appropriate time in an effort to serve more premium users. In July 2019, our shareholders approved the proposed disposal of the entire equity interest we held in "Jianlicai", our another fintech brand. This strategy has helped to strengthen the positions of our two core game and internet micro-credit businesses, which should help to lay a solid foundation for our Company's sustainable development in the future.

UPGRADE OF GAME BUSINESS

As described in our 2018 annual report, we anticipated that the e-sports and virtual reality ("**VR**") industries would become key new growth drivers for the internet industry. In particular, as 5G technology starts rolling out and becomes commercialized, VR technology will receive a further boost, and many other related industries could see exponential growth. According to independent third-party research reports, compound annual growth rate (CAGR) of VR market would exceed 80%. China is expected to be the world's largest VR market by 2021, with a total market value of RMB79.02 billion[(1)]. Meanwhile, it is expected that the annual number of visits to offline VR stores will exceed 1 billion by 2023[(2)]. As such, in the first half of 2019, we completed the acquisition of 69.84% equity interest in "Player No.1", China's leading large-space VR experience store brand. This represents a significant upgrade of our core game business, and will enable synergies as we look to integrate our online and offline channels.



Notes:

(1) iResearch: "China's VR Industry Report — Market Data"

(2) IDC: "Ten Forecasts of VR/AR Market in 2019"

In our self-contained ecosystem, consumers receive membership as long as they visit our offline stores and experience our games. By building up a database of member profiles, we can process big data analysis and send the results to our online game team. They can then use the results to improve user retention or attract more new users to our stores by leveraging our strong capabilities in online game development and operations that have been accumulated over the years, and by conducting innovative marketing initiatives such as social fission.

Within self-contained sub-ecosystem, our VR games provide players fascinating content, a high degree of immersion and enjoyable social interaction, which make it easy for the games to go viral among gamers and help convert more online traffic into visitors to our VR stores, creating a virtuous circle within our ecosystem.

OUTLOOK

Looking ahead, we will continue to focus on enhancing our core competencies by leveraging our traffic acquisition, VR technology, content development and distribution capabilities. We have already launched both self-operated and franchised stores in provinces and municipalities across the nation as well as core cities overseas as a part of our efforts to generate high-quality traffic for our VR business. In terms of technology, our industry-leading proprietary Infinite Multi-Target Positioning System enables multiple players to compete smoothly in the large virtual world at the same time. In addition, we also have excellent VR content development and distribution capabilities. At present, we have launched four self-developed and two third-party large-space VR games[1]. Leveraging our strong research and development capabilities, publishing speed and diverse portfolio, we have effectively shored up our competitiveness in the industry.

Stores in Operation and in Preparation

We have over 100 self-operated and franchised stores in operation or in preparation in 28 provinces (including autonomous regions and municipalities) across the country, and we expect this number to continue to increase over time. We also have stores in operation or in preparation in Canada, Singapore and Indonesia to expand our overseas presence and brand influence[1].

Note:

(1) Data statistics as at 9 August 2019.

Our strength and proven capabilities with advanced technologies have attracted interest from a host of elite industry players who want to cooperate with us, including hardware manufacturers, content creators, game publishers and tournament operators. Going forward, guided by our slogan “VR One, We Are One”, we will actively explore other development opportunities in fields such as sports competition, education & training and simulation drills, which we believe will serve as a solid foundation for our efforts to become a premium platform and a pivotal bridge connecting the entire VR industry value chain.

Amid the rapidly changing global landscape, we have always stayed true to our mission of “bringing joy to our users”. In recent years, leveraging our astute market insights and strong data analysis capabilities, we have managed to identify and capitalize on almost every major trend in the internet industry. During this period of great achievements and frustrating setbacks, our management team has remained firmly committed to our mission and managed to empower enterprise development by leveraging our visionary leadership and professional expertise. Moving ahead, we will continue to uphold our mission to bring joy and fortune to the masses and spare no efforts in creating greater enterprise and social value over the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In order to better report the continuing operations of our business, the Group had restated its income statement for the six months ended 30 June 2018. The financial performance of the Jianlicai business, which is classified as assets or liabilities held for sale, is separated and recorded as “Loss from discontinued operation” in the restated income statement.

On 24 April 2019, the Group announced the acquisition of 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd.* (北京西瓜互娛科技有限責任公司) (“**Xigua Huyu**”), which is mainly engaged in VR game business in the People’s Republic of China (“**China**” or the “**PRC**”). On 26 April 2019, the Company announced the proposed disposal of 54.54% of the entire issued share capital of Jlc Inc. (being the entire equity interest held by the Group), which is principally engaged in financial information service business in the PRC through the operations of websites and mobile phone applications under the Jianlicai brand (“**Jianlicai**”). These strategic adjustments have helped us focus on our core businesses in developing and publishing domestic and overseas webgames and mobile games and providing internet micro-credit service, and have laid a solid foundation for business upgrade and future sustainable development.

In the first half of 2019, the Group recorded a total revenue of approximately RMB53.4 million from continuing operations, decreased by 26.8% from the restated revenue from continuing operations of the same period last year. This decrease was primarily due to the decrease in revenue from both the game business and the internet micro-credit business of the Group.

The Group has made progress in diversifying the structure of the internet micro-credit business during the first half of 2019. Other than continuingly providing individual customers underserved by traditional financial institutions in the PRC with practical and flexible short-term financing solutions, we also provide corporate loans as a supplement to our existing product portfolio. The Group's internet micro-credit business generates substantially all of its income through interests accrued on the loans extended to its customers. Despite the continuing challenging regulatory environment, we had originated RMB905.0 million of loans during the six months ended 30 June 2019.

The Group's game business continued to focus on the execution of the overseas market strategy in the first half of 2019. "Liberators", one of the Group's key games, has proven its success in overseas market and we can leverage the sophisticated operational experience developed by the operation team of "Liberators" to launch new games targeting overseas markets. Specifically, the Group is in the process of developing and optimising several casual mobile games and simulation games targeting overseas markets. These new games are developed and operated by the same team of "Liberators".

Game Business

The following table sets forth certain operating statistics relating to the game business of the Group in the periods presented:

	Six Months Ended 30 June	
	2019	2018
Game		
Average MPUs (in thousand) (1) (2)	**15**	31
Monthly ARPPU (RMB)	**424**	255

Notes:

(1) The MPUs numbers eliminate the duplication in paying users of self-developed games published on the Group's own platforms.

(2) The numbers do not include the MPUs of negligible console mobile games.

— **MPUs**. The average monthly paying users ("**MPUs**") for the game business decreased to approximately 15 thousand for the six months ended 30 June 2019 from approximately 31 thousand for the six months ended 30 June 2018. This decrease was primarily due to the fact that several key games, such as "Liberators" and "Beauty Box", have entered into the mature stages of their lifecycles resulting in fewer paying users in these games.

— **ARPPU**. Monthly average revenue per paying user ("**ARPPU**") level of game business increased to approximately RMB424 for the six months ended 30 June 2019 as compared with RMB255 for the six months ended 30 June 2018. This increase was primarily attributable to the higher ARPPU level of several key games, such as "Liberators". When a game enters into the mature stage of its lifecycle, it usually enjoys higher ARPPU level under our effective operation.

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:

	Six Months Ended 30 June	
	2019	2018
Average balance of outstanding performing loans (RMB in million)[(1)]	**288**	383
Average size of our loans (RMB)[(2)]	**4,335**	2,837
Number of loans originated[(3)]	**208,763**	569,089

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 indicated.

(3) Number of loans originated by our internet micro-credit business for the period indicated.

The Group provides two types of loans through the internet micro-credit service, namely, guaranteed loans and collateralised loans, to its customers in the PRC. The Group considers a number of factors in determining the applicable interest rate of a loan, including (i) the relevant customer's background and credit history, (ii) whether the loan is secured or guaranteed, (iii) the value of the collaterals, if any, and (iv) the use and term of the loan.

The domestic financial regulatory environment faced continuing uncertainties at the end of last year and the beginning of this year. The Group remained in close communication with the regulatory authorities to ensure that the internet micro-credit business is compliant with regulations. At the beginning of this year, the Group adopted a more prudent strategy by slowing down the pace of loan origination, which caused the outstanding loan balance to decline earlier this year. However, the pace of loan origination returned to a normal level and the loan balance increased steadily since the second quarter this year.

As mentioned earlier, the internet micro-credit business has made significant progress in terms of structural diversification. In addition to the existing personal loan business, the Group also ventured into the corporate loan market to diversify its existing product portfolio. The loan size of our premium corporate clients is generally larger than that of individual clients, which increased the overall average loan sizes of the Group to some extent.

The decline in the number of loans was mainly due to the following factors: (i) the adjustment of the loan pace at the beginning of the year, (ii) the increase in average loan sizes, and (iii) the longer loan term, which caused a decline in repeat borrowing frequency.

FIRST HALF OF 2019 COMPARED TO FIRST HALF OF 2018

The following table sets forth the Group's income statement for the six months ended 30 June 2019 as compared to the six months ended 30 June 2018:

	Six Months Ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited and restated)	
Continuing operations			
Revenue	**53,442**	73,024	–26.8%
Cost of revenue	**(17,998)**	(23,450)	–23.2%
Gross profit	**35,444**	49,574	–28.5%
Selling and marketing expenses	**(4,111)**	(5,123)	–19.8%
Administrative expenses	**(20,478)**	(22,030)	–7.0%
Research and development expenses	**(11,498)**	(12,942)	–11.2%
Other income	**21,571**	6,800	217.2%
Other losses – net	**(326)**	(357)	–8.7%
Finance (cost)/income – net	**(75)**	865	–108.7%
Share of income of investments accounted for using the equity method	**6,947**	3,525	97.1%
Gain on dilution of investments accounted for using the equity method	**–**	7,148	NM
Impairment loss reversed/(charged) of financial assets measured at amortised cost	**605**	(3,764)	NM
Profit before income tax	**28,079**	23,696	18.5%
Income tax expense	**(676)**	(1,048)	–35.5%
Profit from continuing operations	**27,403**	22,648	21.0%
Discontinued operation			
Loss from discontinued operation	**(17,547)**	(309,322)	–94.3%
Profit/(Loss) for the period	**9,856**	(286,674)	NM

Note: NM — Not meaningful.

Continuing Operations

Revenue. Revenue decreased by approximately 26.8% to RMB53.4 million for the six months ended 30 June 2019 from RMB73.0 million for the six months ended 30 June 2018. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2019 and 2018:

	Six Months Ended 30 June			
	2019		2018	
	***(RMB'000)* (Unaudited)**	**(% of Total Revenue)**	*(RMB'000)* (Unaudited and restated)	(% of Total Revenue)
Revenue by Segment				
— Game business	**37,358**	**69.9**	46,928	64.3
— Internet micro-credit business	**16,084**	**30.1**	26,096	35.7
Total Revenue	**53,442**	**100.0**	73,024	100.0

— Revenue generated from the Group's game business decreased by approximately 20.4% to RMB37.4 million for the six months ended 30 June 2019 from RMB46.9 million for the six months ended 30 June 2018. This decrease was primarily due to the fact that some of the Group's key games, such as "Liberators" and "Beauty Box", 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 internet micro-credit business decreased by approximately 38.4% to RMB16.1 million for the six months ended 30 June 2019 from RMB26.1 million for the six months ended 30 June 2018. This decrease was due to the fact that the average balance of outstanding loans for the six months ended 30 June 2019 was lower than that for the six months ended 30 June 2018. We made these operational adjustments due to the continuing challenging regulatory environment at the beginning of 2019 in China.

Adjusted EBITDA. Adjusted EBITDA decreased to RMB13.7 million for the six months ended 30 June 2019 from RMB21.5 million for the six months ended 30 June 2018. The following table sets forth the adjusted EBITDA of the Group by segment for the six months ended 30 June 2019 and 2018:

	Six Months Ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited and restated)	
Adjusted EBITDA by Segment			
Game business	**2,546**	(962)	NM
Internet micro-credit business	**4,190**	11,746	–64.3%

Note:

(1) The difference between the sum of adjusted EBITDA of the game and internet micro-credit business above and the total adjusted EBITDA of the Group is from gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method.

(2) NM — Not meaningful.

— The Group's game business recorded an adjusted EBITDA of RMB2.5 million for the six months ended 30 June 2019 compared to a negative adjusted EBITDA of RMB1.0 million for the six months ended 30 June 2018. This increase was primarily due to the fact that the Group's game business recorded an operating profit for the six months ended 30 June 2019. Although the key games of the Group have entered into the mature stage of their lifecycles, the Group had optimized the deployment of its operational resources and managed the expenses of its game business effectively.

— Adjusted EBITDA in respect of the Group's internet micro-credit business decreased to RMB4.2 million for the six months ended 30 June 2019 from RMB11.7 million for the six months ended 30 June 2018. This decrease was resulted from the lower revenue and operating profit of the Group's internet micro-credit business.

Cost of revenue. Cost of revenue decreased by approximately 23.2% to RMB18.0 million for the six months ended 30 June 2019 from RMB23.5 million for the six months ended 30 June 2018. This decrease was mainly attributable to lower revenue sharing costs of the Group's self-developed games and lower server cost, which was in line with revenue decrease of such games. For the six months ended 30 June 2019, the percentage of cost of revenue to total revenue was 33.7% (six months ended 30 June 2018: 32.1%).

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 19.8% to RMB4.1 million for the six months ended 30 June 2019 from RMB5.1 million for the six months ended 30 June 2018. This decrease was mainly attributable to lower promotion and marketing expenses incurred by one of our self-developed mobile games, "Clothes Forever", which targets overseas markets.

Administrative expenses. Administrative expenses decreased by approximately 7.0% to RMB20.5 million for the six months ended 30 June 2019 from RMB22.0 million for the six months ended 30 June 2018. The decrease in administrative expenses was mainly because the number of administrative employees and relative administrative expenses we deployed to our continuing operations decreased.

Research and development ("R&D") expenses. R&D expenses decreased by approximately 11.2% to RMB11.5 million for the six months ended 30 June 2019 from RMB12.9 million for the six months ended 30 June 2018. This decrease was primarily due to lower employee benefit expenses for the R&D department as we optimized the organization structure of R&D team according to our strategies.

Other income. Other income increased to RMB21.6 million for the six months ended 30 June 2019 from RMB6.8 million for the six months ended 30 June 2018. Such increase was mainly due to the distribution of profit from one of our investee companies during the first half of 2019.

Other losses – net. Other losses – net decreased to RMB0.3 million for the six months ended 30 June 2019 from RMB0.4 million for the six months ended 30 June 2018. The decrease was primarily due to lower loss on disposal of property and equipment, partially offset by higher foreign exchange losses.

Finance (cost)/income – net. Finance cost – net for the six months ended 30 June 2019 was RMB0.1 million, as compared to finance income-net of RMB0.9 million for the six months ended 30 June 2018. The finance cost for the six months ended 30 June 2019 was mainly due to the increase in interest expense as a result of the newly adoption of IFRS 16 *Leases*.

Share of income of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB6.9 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB3.5 million). This income is related to the share of profits of our invested associated companies in the first half of 2019, during which our invested associated companies achieved better financial performances than the same period of last year.

Impairment loss reversed/(charged) of financial assets measured at amortised cost. Impairment loss reversed of financial assets measured at amortised cost for the six months ended 30 June 2019 was RMB0.6 million, as compared to impairment loss charged of financial assets measured at amortised cost of RMB3.8 million for the six months ended 30 June 2019. The reversal of impairment loss was mainly because (i) we implemented effective risk management strategy which lowered the delinquency risk level of our internet micro-credit loans and reduced the allowance for impairment loss for outstanding loans, and (ii) we exercised effective management of account receivables and we have collected the revenue sharing of our mobile games, which reduced the bad debt risk.

Income tax expense. The Group recognised income tax expense of RMB0.7 million for the six months ended 30 June 2019 while the income tax expense was RMB1.0 million for the six months ended 30 June 2018. The decrease in income tax expense was in line with the lower profit generated from the Group's internet micro-credit business.

Profit from continuing operations. Profit from continuing operations increased to RMB27.4 million for the six months ended 30 June 2019 from RMB22.6 million for the six months ended 30 June 2018. Although there were challenges as to the revenue growth of the Group's game and internet micro-credit businesses, the Group managed to deploy its resources effectively and optimized the expenses structure during the first half of 2019. Besides, our invested associated companies achieved better financial performance during the first half of 2019 which brought positive impact on our profit from continuing operations.

Discontinued Operation

Loss from discontinued operation. Loss from discontinued operation is the operating results of the Jianlicai business. Loss from discontinued operation was RMB17.5 million for the six months ended 30 June 2019 and RMB309.3 million for the six months ended 30 June 2018. This loss was mainly due to the operational difficulties in the Jianlicai business. As stated in the section headed "Letter from the Board — Reasons and Benefits for the Disposal — Operational Difficulties Faced by Jianlicai" of the circular of the Company dated 12 July 2019, management of the Jianlicai business comprehensively adjusted its business model in order to embrace the spirit of regulations. As a result of such change, "wealth management plan", the base of Jianlicai's valuation on goodwill and identifiable intangible assets, had ceased and will not be re-launched in the foreseeable future. As stated in the announcement of the Company dated 17 August 2018, an after-tax impairment of RMB320.5 million has been made on Jianlicai's goodwill and identifiable intangible assets.

NON-IFRSs MEASURES — EBITDA AND ADJUSTED EBITDA

To supplement the consolidated results of the Group which are prepared in accordance with IFRSs, certain non-IFRSs measures, including EBITDA and adjusted EBITDA, have been presented. These 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 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 2019 and 2018, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2019	2018
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited and restated)
Profit from continuing operations	**27,403**	22,648
Add:		
Depreciation and amortisation	**2,460**	1,443
Net interest income	**(2,648)**	(5,059)
Income tax expense	**676**	1,048
EBITDA (unaudited)	**27,891**	20,080
Add:		
Share-based compensation	**1,643**	1,377
Changes in the value of financial assets at fair value through profit or loss	**149**	–
Distribution of profit from financial assets at fair value through other comprehensive income	**(16,000)**	–
Adjusted EBITDA (unaudited)	**13,683**	21,457

FINANCIAL POSITION

As at 30 June 2019, the total equity of the Group amounted to RMB971.4 million, compared to RMB847.7 million as at 31 December 2018. This increase was mainly due to the increase in share premium as a result of the allotment and issue of new shares as part of the consideration of the acquisition of Xigua Huyu.

The Group's net current assets amounted to RMB683.6 million as at 30 June 2019, compared to RMB745.3 million as at 31 December 2018. This decrease was mainly due to the payment for several investments recorded as financial assets at fair value through other comprehensive income and the lease liabilities recorded due to the new adoption of IFRS 16 *Leases*.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2019 ***(RMB'000)*** **(Unaudited)**	As at 31 December 2018 *(RMB'000)* (Audited)
Cash at bank and on hand	**328,025**	751,356
Cash at other financial institutions	**11,144**	5,662
Short-term deposits	**–**	41,534
Total	**339,169**	798,552

The Group's total cash, cash equivalent and short-term deposits amounted to RMB339.2 million as at 30 June 2019, as compared to RMB798.6 million as at 31 December 2018. The decrease was primarily due to the development of internet micro-credit business, which as a result lowered the cash balance and increased the balance of loan receivables.

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 Renminbi ("**RMB**"), followed by United States dollars ("**USD**").

As at 30 June 2019, the Group's gearing ratio (calculated as bank borrowing divided by total assets) was 0% (as at 31 December 2018: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2019. The borrowing requirements of the Group are not subject to seasonality.

MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed below, during the six months ended 30 June 2019, the Group did not perform any material acquisition or disposal.

Acquisition of 69.84% equity interest in Xigua Huyu

On 24 April 2019, the Group announced the acquisition of 69.84% equity interest in Xigua Huyu (the "**Acquisition of Xigua Huyu**") which is principally engaged in the research, development and operation of large space VR technologies and VR games. The completion of the Acquisition of Xigua Huyu took place on 26 June 2019. The consideration has been settled through (i) subscription in the registered capital in cash of RMB20,000,000 by the Group, and (ii) as to transfer the equity interest in Xigua Huyu, the Company allotting and issuing 22,268,908 new ordinary shares to the entity(ies) designated by the vendor. For details of this transaction, please refer to the announcements of the Company dated 9 April 2019, 24 April 2019, 24 May 2019 and 26 June 2019.

Disposal of 54.54% equity interest in Jlc Inc.

On 26 April 2019, the Group announced the disposal of 54.54% of the entire issued share capital of Jlc Inc., which was the entire equity interest held by the Company (the "**Disposal of JLC**"). Jlc Inc. is principally engaged in financial information service in the PRC through the operations of websites and mobile phone applications under the "Jianlicai" brand. The completion of the Disposal of JLC had not taken place as at 30 June 2019. The consideration will be settled through collection in cash of RMB47,433,000. For details of this disposal, please refer to the announcements of the Company dated 26 April 2019 and 9 July 2019, the circular of the Company dated 12 July 2019 and the poll results of the extraordinary general meeting held on 29 July 2019.

FOREIGN EXCHANGE RISK

As at 30 June 2019, RMB49.2 million of the financial resources of the Group (as at 31 December 2018: RMB39.1 million) were held as deposits denominated in non-RMB currencies. The increase in the deposits denominated in non-RMB currencies was due to an active exchange exposure management in view of the rising value of USD against RMB. The Group will continue to monitor its foreign exchange risk exposure to better preserve the Group's cash value.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2019	2018
	(RMB'000)	*(RMB'000)*
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**133**	378
– Purchase of intangible assets	**7**	–
Total	**140**	378

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 a promotion tool on WeChat platform.

PLEDGE OF ASSET

As at 30 June 2019, the Group had pledged assets of RMB0.9 million (as at 31 December 2018: RMB0.9 million) as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2019, the Group had 774 full-time employees (as at 30 June 2018: 452), the vast majority of whom are based in mainland China.

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 2019 interim report of the Company.

POST BALANCE SHEET EVENT

Saved as disclosed in the section headed "Management Discussion and Analysis — Material Acquisition and Disposal" in this interim results announcement, there were no other significant subsequent events during the period from 30 June 2019 to the approval date of the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019 by the Board.

RISKS AND HURDLES

Although the Group has successfully 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 hurdles may include (i) new policies or any amendment to current policies in relation to fintech regulation, (ii) the liquidity imbalance between the fintech investing users funding and the financial assets, (iii) main strategic business partners not able to provide sustainable services, (iv) collapse of real estate market or other markets causing our collaterals not to be able to cover our loan exposures, (v) new fintech products not recognised by market, (vi) departure of key employees, and (vii) the financial risks which may be caused by the wrong judgement of key decision makers of the Group's business segment.

In our established game business, the major hurdles may include (i) delays of game launches, (ii) games developed being unable to meet market expectations at their launch, (iii) departure of key employees, and (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, all of which will negatively affect the Group's performance.

On 26 June 2019, the Group completed the Acquisition of Xigua Huyu, which had strengthened our game business mainly through providing VR games in stores across the PRC. The major hurdles 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, and (x) the capital shortfall between the current cash level and the budget of the expanding stores business plan before the financing solution being implemented.

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, and other unexpected one-off restructuring costs, 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 RMB111.4 million post investment impairment and losses as at 30 June 2019, out of which approximately RMB54.5 million was classified as "investments in associates".

In the first half of 2019, some of the Group's investments achieved higher profits compared to the same period of last year. Along with the better performance of these investments, the Group can focus more on exploring potential opportunities in relevant industries to support the development of the Group's business, 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

The Group expects that the strengthening regulation in fintech business in the PRC will eliminate illegal or insufficiently-funded fintech companies, which will create greater opportunity for the Group's licensed and technology-supported fintech business. The Group will continue to adjust its current business models to maintain its full compliance with the regulatory requirements as updated from time to time and develop core technologies in preparation for the new regulated fintech industry.

On the other hand, the Group will continue to explore overseas expansion for its game business. The business model of the game "Liberators" has proven successful, and the Group has developed a sustainable overseas game publishing and operating capability based on the considerable players' data accumulated. Such capability is expected to be replicable in future games.

For the newly acquired Xigua Huyu business, the Group intends to assist Xigua Huyu to launch stores in provinces and municipalities across the nation as well as core cities overseas as a part of our efforts to generate high quality traffic for our VR business. Going forward, the Group will further attract offline traffic, and endeavor to diversify the revenue structure. Besides providing supreme VR experience to individual customers, we will develop long term strategic cooperation with our premium corporate customers by providing a platform which integrates the complementary advantages and resources of each party. In the long term, the Group will devote itself into building an eco-system attracting elite VR industry players and connecting the entire VR industry value chain.

The Group plans to explore investment opportunities across various sectors of the internet, media, and technology industry with the aim of upgrading the Group's current business models. Along with technology development and social network development, the game and fintech businesses have presented their new forms in respective industries. For example, the emergence of e-sports has brought social and sport elements to games. Although new forms/technologies are far from maturity, investing in the future is necessary in order to adapt to the needs of tomorrow. After the completion of the Acquisition of Xigua Huyu, the Group will continue to pay close attention to new game and/or fintech technologies including but not limited to VR and blockchain to ensure the Group will maintain leading position in future internet industry.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Note	Six Months Ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited and restated)
Continuing operations			
Revenue	4	**53,442**	73,024
Cost of revenue		**(17,998)**	(23,450)
Gross Profit		**35,444**	49,574
Selling and marketing expenses		**(4,111)**	(5,123)
Administrative expenses		**(20,478)**	(22,030)
Research and development expenses		**(11,498)**	(12,942)
Other income		**21,571**	6,800
Other losses – net		**(326)**	(357)
Finance (cost)/income – net		**(75)**	865
Share of income of investments accounted for using the equity method		**6,947**	3,525
Gain on dilution of investments accounted for using the equity method		**–**	7,148
Impairment loss reversed/(charged) of financial assets measured at amortised cost		**605**	(3,764)
Profit before income tax	5	**28,079**	23,696
Income tax expense	6	**(676)**	(1,048)
Profit from continuing operations		**27,403**	22,648
Discontinued operation			
Loss from discontinued operation	13	**(17,547)**	(309,322)
Profit/(Loss) for the period		**9,856**	(286,674)
Profit/(Loss) attributable to:			
– Owners of the Company		**10,387**	(245,473)
– Non-controlling interests		**(531)**	(41,201)
		9,856	(286,674)
Earnings per share for profit from continuing operations attributable to the owners of the Company: (expressed in RMB per share)			
– Basic	7	**0.20**	0.17
– Diluted	7	**0.20**	0.16

	Note	Six Months Ended 30 June **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited and restated)
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company: (expressed in RMB per share)			
– Basic	*7*	**0.08**	(1.79)
– Diluted	*7*	**0.08**	(1.79)
Profit/(Loss) for the period		**9,856**	(286,674)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
– Currency translation differences		**128**	598
– Change in fair value of financial assets at fair value through other comprehensive income		**(10,369)**	(1,000)
Other comprehensive loss for the period, net of tax		**(10,241)**	(402)
Total comprehensive loss for the period		**(385)**	(287,076)
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		**141**	(245,875)
– Non-controlling interests		**(526)**	(41,201)
		(385)	(287,076)
Total comprehensive income/(loss) attributable to owners of the Company arises from:			
– Continuing operations		**17,162**	22,251
– Discontinued operation		**(17,021)**	(268,126)
		141	(245,875)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property and equipment		**20,186**	8,155
Intangible assets		**137,353**	8,124
Right-of-use assets		**44,033**	–
Investments accounted for using the equity method		**54,514**	47,567
Financial assets at fair value through profit or loss		**5,363**	5,512
Financial assets at fair value through other comprehensive income		**51,513**	30,804
Prepayments and other receivables		**5,558**	2,767
		318,520	102,929
Current assets			
Trade receivables	*9*	**12,706**	23,100
Loan receivables	*10*	**432,550**	46,512
Prepayments and other receivables		**14,800**	17,618
Restricted cash		**933**	929
Short-term deposits		**–**	41,534
Cash and cash equivalents		**339,169**	757,018
		800,158	886,711
Assets classified as held for sale	*13*	**50,575**	–
		850,733	886,711
Total assets		**1,169,253**	989,640

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**102**	86
Shares held for Restricted Share Units Scheme		**(28,900)**	(28,900)
Share premium		**2,165,486**	2,066,360
Reserves		**(61,168)**	(55,028)
Accumulated losses		**(1,162,890)**	(1,173,277)
		912,630	809,241
Non-controlling interests		**58,776**	38,446
Total equity		**971,406**	847,687
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**9,346**	459
Deferred revenue		**–**	122
Lease liabilities		**21,385**	–
		30,731	581
Current liabilities			
Trade payables	*11*	**16,388**	29,153
Other payables and accruals		**91,865**	97,550
Income tax liabilities		**6,273**	8,247
Deferred revenue		**6,397**	6,422
Lease liabilities		**21,453**	–
		142,376	141,372
Liabilities directly associated with assets classified as held for sale	*13*	**24,740**	–
		167,116	141,372
Total liabilities		**197,847**	141,953
Total equity and liabilities		**1,169,253**	989,640

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 under the Companies Law (as revised) of the Cayman Islands. The address of the Company's 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 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, mobile games (the "**Game Business**") and providing virtual reality experience service as well as providing internet micro-credit service (the "**Internet Micro-credit Business**") in the People's Republic of China (the "**PRC**").

On 3 October 2013, the Company completed the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited (the "**IPO**").

On 26 April 2019, the Company announced the disposal of the Group's entire equity interest in Jlc Inc., representing 54.54% of equity interest held by the Group, at a cash consideration of RMB47,433,000. The Group was of the view that the disposal of Jlc Inc. was highly probable to take place within 1 year. As a result, assets and liabilities of Jlc Inc. were classified as held for sale as at 30 June 2019. The financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the six months ended 30 June 2019. The comparative figures of the financial performance for the six months ended 30 June 2018 have been restated on such basis. Details of the disposal are further disclosed in note 13.

On 26 June 2019, the Group completed the acquisition of 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd. (北京西瓜互娛科技有限責任公司, "**Xigua Huyu**"), which is principally engaged in offering self-developed games as well as licensed games in physical stores that are equipped with space positioning technology and virtual reality devices. Details of the acquisition are further disclosed in note 12.

The interim condensed consolidated balance sheet as at 30 June 2019, and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved for issue by the Board on 28 August 2019.

The Interim Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting. Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

3.1 Adjustments Recognised on Adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75% with reference to the base interest rate of loans stipulated by the People's Bank of China.

Impact upon the application of IFRS 16 as at 1 January 2019 are listed as follows:

	1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	14,935
Discounted using the lessee's incremental borrowing rate at the date of initial application	12,776
(Less): short-term leases recognised on a straight-line basis as expense	(576)
Lease liabilities recognised as at 1 January 2019	12,200
Of which are:	
Current lease liabilities	7,971
Non-current lease liabilities	4,229
	12,200

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 ***RMB'000***	1 January 2019 *RMB'000*
Properties	**44,033**	12,775

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Lease liabilities, increased by RMB12,200,000;
- Right-of-use assets, increased by RMB12,775,000.

The adoption of IFRS 16 had no impact on the Group's accumulated losses as at 1 January 2019.

3.1.1 Impact on Earnings Per Share

The adoption of IFRS 16 has no material impact on the earnings per share of the Group for the six months ended 30 June 2019.

3.1.2 Practical Expedients Applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 *Leases* and IFRS Interpretations Committee ("**IFRIC**") 4 *Determining Whether an Arrangement Contains a Lease*.

3.2 The Group's Leasing Activities and How These are Accounted for

The Group leases various stores and offices. Rental contracts are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

4 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.

The CODM assesses the performance of the Group organised into two operating segments as follows:

— Game Business

— Internet Micro-credit Business

One of the subsidiaries engaged in the financial information service was announced to be disposed in April 2019. Information about the discontinued segment is provided in note 13.

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted earnings/(loss) before interest expense, taxes, depreciation and amortisation ("**adjusted EBITDA**") excluding gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method 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 such as changes in the value of financial assets at fair value through profit or loss, non-recurring event such as distribution of profit from financial assets at fair value through other comprehensive income. It also excludes the effects of equity-settled share-based payments. Net interest income is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these 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 provided to the Group's CODM for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Revenue from continuing operations		
Game Business	**37,358**	46,928
Internet Micro-credit Business	**16,084**	26,096
	53,442	73,024
Adjusted EBITDA from continuing operations		
Game Business	**2,546**	(962)
Internet Micro-credit Business	**4,190**	11,746
Share of income of investments accounted for using the equity method	**6,947**	3,525
Gain on dilution of investments accounted for using the equity method	**–**	7,148
	13,683	21,457

The change in the accounting policy leads to the increases of RMB1,116,000 and RMB441,000 in the adjusted EBITDA of the segment of Game Business and Internet Micro-credit Business for the six months ended 30 June 2019, respectively.

A reconciliation of adjusted EBITDA to operating profit before income tax from continuing operations is provided as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Total adjusted EBITDA from continuing operations	**13,683**	21,457
Share-based compensation	**(1,643)**	(1,377)
Distribution of profit from financial assets at fair value through other comprehensive income	**16,000**	–
Changes in the value of financial assets at fair value through profit or loss	**(149)**	–
Depreciation and amortisation	**(2,460)**	(1,443)
Net interest income	**2,648**	5,059
Profit before income tax from continuing operations	**28,079**	23,696

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue for continuing operations provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2019 and 2018 is as follows:

	Unaudited Six Months Ended 30 June 2019		
	PRC (Excluding Hong Kong)	**Other Regions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**37,969**	**15,473**	**53,442**

	Unaudited and restated Six Months Ended 30 June 2018		
	PRC (Excluding Hong Kong)	Other Regions	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue	45,091	27,933	73,024

A breakdown of revenue derived from different forms during the six months ended 30 June 2019 and 2018 for continuing operations is as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Income from Game Business	**37,358**	46,928
Interest income	**16,084**	26,096
	53,442	73,024

As at 30 June 2019 and 31 December 2018, the majority of the non-current assets of the Group were located in the PRC.

5 PROFIT BEFORE INCOME TAX

An analysis of the amounts presented as charges/(credits) in the Interim Financial Information is given below.

	Six Months Ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Employee benefit expenses	**26,288**	28,993
Content cost, distribution cost and other outsourcing expenses	**13,594**	16,497
Bandwidth and server custody fees	**2,749**	5,275
Promotion and advertising expenses	**2,289**	3,533
Depreciation of right-of-use assets	**1,459**	–
Allowance for impairment loss charged on loan receivables	**600**	3,547
Amortisation of intangible assets	**512**	615
Depreciation of property and equipment	**489**	828
Distribution of profit from financial assets at fair value through other comprehensive income	**(16,000)**	–
Share of income of investments accounted for using the equity method	**(6,947)**	(3,525)
Interest income arising from cash and cash equivalents	**(2,723)**	(4,194)
Allowance for impairment loss (reversed)/charged on trade receivables	**(1,008)**	126
Gain on dilution of investments accounted for using the equity method	**–**	(7,148)

6 INCOME TAX EXPENSE

The income tax expense of the Group for the six months ended 30 June 2019 and 2018 are analysed as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Current income tax:		
– PRC and oversea enterprise income tax	**676**	524
Deferred income tax:		
– Decrease in deferred tax assets	**–**	524
Income tax expense	**676**	1,048

(a) Cayman Islands Income Tax

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.

(b) Hong Kong Profits Tax

Mutant Box Limited ("**MB**") is incorporated in Hong Kong, the applicable tax rate is 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.

(c) Taiwan business income tax

Forgame International Co., Ltd. (雲遊股份有限公司, "**Yunyou**") is incorporated in Taiwan, and the business income tax rate is 19% for the six months ended 30 June 2019 (30 June 2018: 18%).

(d) PRC Enterprise Income Tax ("EIT")

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 2019 and 2018, based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "**Weidong**") and Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "**Feiyin**") had renewed their qualification of "High and New Technology Enterprises" ("**HNTEs**") under the EIT Law in 2016 and their qualification were expired in 2018. Weidong and Feiyin have not renewed their qualification of HNTEs during the period ended 30 June 2019 yet.

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "**Feidong**") has renewed its qualification of HNTEs under the EIT Law in 2017, thus the applicable tax rate was 15% for the six months ended 30 June 2019 and 2018.

Xigua Huyu was qualified as HNTEs under the EIT Law in 2018, thus the applicable tax rate was 15% for the six months ended 30 June 2019.

Tianjin Wanke Technology Co., Ltd. (天津玩氪科技有限公司, "**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 below RMB1 million, the effective taxable income is calculated based on 25% of the annual taxable income. For the SLPE of annual taxable income between RMB1 million and RMB3 million, 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 year ("**Super Deduction**").

(e) PRC Withholding Tax ("WHT")

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%.

As at 30 June 2019, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2019.

7 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during each respective period.

Earnings per share for profit from continuing operations attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited and restated)
Profit from continuing operations attributable to owners of the Company (RMB'000)	**27,408**	22,653
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Basic earnings per share (in RMB/share)	**0.20**	0.17

Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	**10,387**	(245,473)
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Basic earnings/(loss) per share (in RMB/share)	**0.08**	(1.79)

(b) Diluted

For the six months ended 30 June 2019, the Company had two categories of dilutive potential ordinary shares: share options granted to employees under Pre-IPO Share Option Scheme and restricted share units granted to employees under Restricted Share Units Scheme.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted earnings/(loss) per share). No adjustment is made to earnings (numerator).

Diluted earnings per share for profit from continuing operations attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited and restated)
Profit from continuing operations attributable to owners of the Company (RMB'000)	**27,408**	22,653
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Adjustments for calculation of diluted earnings per share:		
– Adjustments for share options under Pre-IPO Share Option Scheme	**462,785**	555,049
– Adjustments for awarded shares under Restricted Share Units Scheme	**247,270**	657,756
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**135,598,692**	138,384,305
Diluted earnings per share (in RMB/share)	**0.20**	0.16

Diluted earnings/(loss) per share for profit/(loss) attributable to the owners of the Company are as follows:

	Six Months Ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	**10,387**	(245,473)
Weighted average number of ordinary shares in issue	**134,888,637**	137,171,500
Adjustments for calculation of diluted earnings/(loss) per share:		
– Adjustments for share options under Pre-IPO Share Option Scheme	**462,785**	–
– Adjustments for awarded shares under Restricted Share Units Scheme	**247,270**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**135,598,692**	137,171,500
Diluted earnings/(loss) per share (in RMB/share)	**0.08**	(1.79)

8 DIVIDENDS

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

9 TRADE RECEIVABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Third parties	**28,637**	40,801
Related parties	**18**	1,658
	28,655	42,459
Less: allowance for impairment	**(15,949)**	(19,359)
	12,706	23,100

Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
0–30 days	**8,838**	8,449
31–60 days	**1,880**	4,456
61–90 days	**1,097**	4,680
91–180 days	**186**	5,760
181–365 days	**391**	2,086
Over 1 year	**16,263**	17,028
	28,655	42,459

10 LOAN RECEIVABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Guaranteed loans	**394,779**	6,454
Collateralised loans	**38,371**	40,058
Gross loan receivables	**433,150**	46,512
Less: allowance for impairment losses, collectively assessed	**(600)**	–
Net loan receivables	**432,550**	46,512

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

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Neither past due nor impaired	**413,415**	41,646
Overdue but not impaired	**19,735**	4,866
	433,150	46,512
Less: allowance for impairment losses	**(600)**	–
Net balance	**432,550**	46,512

Movement of allowance for impairment losses are as follows:

	Six Months Ended 30 June	
	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Unaudited)
At beginning of period	**–**	3,510
Charge for the period		
— Collectively assessed	**600**	3,547
At end of period	**600**	7,057

Loans that are overdue but not impaired are loans less than 90 days past due and guaranteed by other enterprises.

11 TRADE PAYABLES

Trade payables primarily related to the purchase of services for server custody, content costs, agency fees and revenue to be shared and to be payable to game developers in Game Business.

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

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
0–30 days	**4,485**	3,485
31–60 days	**1,510**	2,809
61–90 days	**2,957**	2,885
91–180 days	**250**	11,571
181–365 days	**734**	2,169
over 1 years	**6,452**	6,234
	16,388	29,153

12 BUSINESS COMBINATION

On 26 June 2019 ("**the Acquisition Date**"), the Group completed the acquisition of 69.84% equity interest in Xigua Huyu, which is principally engaged in offering self-developed games as well as licensed games in the physical stores that are equipped with space positioning technology and virtual reality devices (the "**Acquisition**").

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid and payable	20,000
Issue of ordinary shares *(Note a)*	96,007
Total purchase consideration	116,007

(a) As at 26 June 2019, the Company issued 22,268,908 new ordinary shares at a fair value of HK$4.9 per share, being the closing price per the Company's ordinary share as quoted on The Stock Exchange of HongKong Limited on 26 June 2019. The fair value of the consideration of 22,268,908 new ordinary shares is RMB96,007,000.

The acquisition fell within the scope of IFRS 3 *Business Combinations* and therefore the acquired assets and liabilities as of the acquisition date were recognised at fair values.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value ***RMB'000***
Cash	4,415
Trade receivables	6,398
Prepayments and other receivables	23,673
Plant and equipment	16,580
Intangible assets: software licence	327
Intangible assets: technology	34,600
Intangible assets: backlog	29,900
Right-of -use assets	38,143
Lease liabilities	(36,827)
Other payables and accruals	(37,299)
Deferred revenue	(1,873)
Deferred income tax liabilities	(8,887)
Net identifiable assets acquired	69,150
Less: non-controlling interests *(i)*	(20,856)
Add: goodwill	67,713
Net assets acquired	116,007

(i) Non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Xigua Huyu, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The goodwill of RMB67,713,000 arising from the acquisition is attributable to the workforce and the high profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

The revenue and net loss to the Group from the acquired business for the period from the Acquisition Date to 30 June 2019 was immaterial.

13 DISCONTINUED OPERATION

On 26 April 2019, the Company announced the disposal transaction on the Group's entire 54.54% equity interest in Jlc Inc., at a cash consideration of RMB47,433,000. As at 30 June 2019, the disposal transaction had not been completed yet and the Group was of the view that the disposal of Jlc Inc. was highly probable to be taken place within 1 year. As a result, assets and liabilities of Jlc Inc. were classified as held for sale as at 30 June 2019. The financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the six months ended 30 June 2019. The comparative figures of the financial performance for the six months ended 30 June 2018 have been restated on such basis.

Financial information relating to the discontinued operation for the six months ended 30 June 2019 is set out below.

13.1 Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations of Jlc Inc. for the six months ended 30 June 2019 and 2018 respectively are as follows:

	Six Months Ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**35,816**	132,813
Cost of revenue	**(1,836)**	(33,494)
Expenses	**(57,597)**	(89,962)
Other income – net	**4,677**	528
Impairment of intangible assets	**–**	(349,126)
Finance cost – net	**(105)**	–
Loss before income tax	**(19,045)**	(339,241)
Income tax benefit	**1,498**	29,919
Loss from discontinued operation	**(17,547)**	(309,322)
Net cash (outflow)/inflow from operating activities	**(94,277)**	70,274
Net cash (outflow)/inflow from investing activities	**(161)**	69
Net cash outflow from financing activities	**(1,731)**	–
Net cash (used in)/generated from the subsidiary	**(96,169)**	70,343
Basic loss per share for loss attributable to owners of the Company from discontinued operation (expressed in RMB per share)	**(0.12)**	(1.96)
Diluted loss per share for loss attributable to owners of the Company from discontinued operation (expressed in RMB per share)	**(0.12)**	(1.96)

13.2 Assets and liabilities classified as held for sale

As at 30 June 2019, the assets and liabilities classified as held for sale are as follows:

	As at 30 June 2019 *RMB'000* **(Unaudited)**
ASSETS	
Non-current assets	
Property and equipment	2,492
Intangible assets	2,424
Right-of-use assets	2,982
Prepayments and other receivables	136
Current assets	
Trade receivables	18,079
Prepayments and other receivables	6,358
Cash and cash equivalents	18,104
Total assets	50,575
LIABILITIES	
Current liabilities	
Trade payables	9,500
Other payables and accruals	12,320
Income tax liabilities	544
Lease liabilities	2,376
Total liabilities	24,740

At the Company's extraordinary general meeting held on 29 July 2019, the shareholders approved the disposal transaction on the Group's entire 54.54% equity interest in Jlc Inc. at a consideration of RMB47,433,000.

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 2019.

Corporate Governance Code

The Group 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. 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 2019.

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. WANG Dongfeng serves as the chairman of the Board and the chief executive officer of the Company. In view of the ever-changing business environment in which the Group operates, the chairman and chief executive officer of the Company must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote different businesses of the Group. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Further, the Board considers that a separation of the roles of the chairman and chief executive officer may create unnecessary costs for the daily operations of the Group. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

The Board is therefore of the view that there are adequate balance of power and safeguards in place. Nevertheless, the Board will continue to monitor and review the Company's current structure from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

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

At the Company's annual general meeting held on 25 May 2018, the Shareholders granted a share buy-back mandate to the Board to buy-back shares of the Company ("**Shares**") (which should not exceed 10% of the issued share capital of the Company as at 25 May 2018) 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 of association of the Company (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. Pursuant to such mandate, the Company bought back a total of 3,053,800 Shares at a consideration of HK$14,578,273 on the Stock Exchange, all of which were cancelled as at 30 June 2019. The buy-backs were effected by the Directors for the enhancement of Shareholders' value. Details of the buy-backs as at 30 June 2019 are as follows:

Month of buy-backs	Total number of shares bought back (on the Stock Exchange)	Price per Share Highest	Lowest	Aggregate consideration
		(HK$)	*(HK$)*	*(HK$)*
August 2018	756,900	7.35	6.82	5,310,180
September 2018	248,900	7.5	6.22	1,765,296
October 2018	257,700	7.0	6.22	1,734,012
January 2019	1,790,300	3.3	3.15	5,768,785
	3,053,800			**14,578,273**

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.

Save as disclosed above, during the six months period ended 30 June 2019, 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 two independent non-executive Directors, being Mr. HOW Sze Ming and Mr. WAN Joseph Jason, and one non-executive Director, being Mr. ZHANG Qiang. The chairman of the Audit and Compliance Committee is Mr. HOW Sze Ming, 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 2019.

Publication of the Unaudited Consolidated Interim Results and 2019 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 2019 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 2019.

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
WANG Dongfeng
Chairman

Hong Kong, 28 August 2019

As at the date of this announcement, the executive Directors are Mr. WANG Dongfeng, Ms. LIANG Na and Ms. LI Luyi; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason.

* *For identification purpose only*