Forgame Holdings Limited
雲遊控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 484)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Forgame Holdings Limited (the "**Company**" or "**Forgame**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2020.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

OVERVIEW AND OUTLOOK

Overview

In 2020, the sudden outbreak of COVID-19 pandemic struck a heavy blow to the production and operation of various industries, as well as to the global economy. Since the second half of 2020, the onset of waves of the pandemic has once again cast a shadow over the prospects of the global economy. According to the recent World Economic Outlook Update issued by the International Monetary Fund, the global economy growth contraction for 2020 is estimated at -3.5%.

This year has not been easy for Forgame. Faced with the rapidly changing market environment and the complicated situation of rising risks and challenges at home and abroad, the Board and the management have resisted the pressure with great courage and determination and made the right decision to overcome these difficulties. In 2020, the Group established the corporate governance committee and the investment committee under the Board, in an effort to improve its corporate governance, promote efficient strategy execution and clear business decision-making, and drive the Group's business adjustment and transformation.

Thanks to the successful strategic reorganization, the Group significantly improved its financial performance during the year ended 31 December 2020. In 2020, the Group recorded revenue of approximately RMB60.4 million. Due to the successful business restructuring and operating adjustments, the Group significantly reduced its losses for the year ended 31 December 2020 to approximately RMB55.1 million from approximately RMB260.3 million for the year ended 31 December 2019.

Outlook

"A time will come for one to ride the wind and cleave the waves, and he shall set the cloud-white sail and cross the sea which raves." Looking forward to 2021, the internal and external situations will remain complicated and tough. Adopting the long-term perspective, the Group will actively seek opportunities for business upgrades and expansions while reinforcing its business model built on the Internet technology, online gaming and financial technology businesses in an environment where the global digitization continues to deepen and the next generation information technology continues to upgrade. By integrating internal and external resources to explore and innovate, the Group will continue to drive its business development in a bid to create ideal returns for the shareholders of the Company (the "**Shareholders**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the Group endeavoured to meet the huge challenges caused by a changing global political and economic landscape as a result of the pandemic. On the basis of efforts to maintain the stability of existing businesses, the Group actively looked for business upgrade opportunities, explored new business areas, and identified new investment opportunities. The Group diversified the industry risks facing individual business with a diverse business portfolio, so as to actively respond to the pressure on existing businesses caused by the pandemic and dramatic changes in global economic and political conditions.

Hit by the pandemic, the offline virtual reality (VR) game business operated by Beijing Xigua Huyu Technology Co., Ltd. (北京西瓜互娛科技有限責任公司) ("**Beijing Xigua**"), which was previously owned by the Group, deteriorated significantly. The Group adopted decisive and proactive measures to successfully divest the loss-making offline VR game business during last year. This aimed to improve the Group's financial position and enhance the value of its core assets, enabling the Group to focus its resources and strategies on other business areas with growth potential.

In terms of online games, the Group continued to focus on optimizing the return on investment in its online game business. Through outsourcing cooperation with external professional teams, we will continue to maintain the operations of existing online games. This cooperation model will help us to improve the cost efficiency of online games while maintaining the scale of revenue.

In terms of the internet micro-credit business, taking into account the experience and lessons learnt from the past, combined with a series of adjustments and changes in China's domestic policy environment and the increasingly tightening regulatory measures, the Group has adjusted the internet micro-credit business, halted the release of new loans, and proceeded to recover outstanding loans through active commercial and legal channels where the judgements of the related cases are in favour of the Group.

The Group successfully acquired Shenzhen Xingyun Data Technology Co., Ltd. (深圳市行雲數據技術有限公司) ("**Shenzhen Xingyun**") during the year to further expand its business scope. Shenzhen Xingyun has been operating in the electronic device and semiconductor memory distribution and service industries for many years. Through providing customers with customized products and services in the hardware and software fields for semiconductor storage and other electronic devices, as well as integrated solutions supporting channel distribution, warehousing and logistics management, technical services, supply chain finance, etc., Shenzhen Xingyun has achieved sustained and stable business development. Supported by the fast growing electronic information industry and the rising semiconductor industry in China, Shenzhen Xingyun has developed rapidly in recent years, and is expected to continue to grow steadily driven by innovation and improvement of integrated service capabilities.

The following table sets forth the Group's income statement for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019.

	Year Ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000*	*%*
		(Restated)	
Continuing operations			
Revenue	**60,440**	98,283	-38.5%
Cost of revenue	**(40,600)**	(23,838)	70.3%
Gross profit	**19,840**	74,445	-73.3%
Selling and marketing expenses	**(4,782)**	(9,093)	-47.4%
Administrative expenses	**(60,151)**	(41,014)	46.7%
Research and development expenses	**(473)**	(21,583)	-97.8%
Other income	**8,670**	23,831	-63.6%
Other gains/(losses) – net	**2,409**	(5,294)	NM
Finance cost	**(93)**	(184)	-49.5%
Share of (loss)/profits of associates	**(6,043)**	16,918	NM
Impairment of financial assets measured at amortised cost	**(10,298)**	(137,935)	-92.5%
Loss before income tax	**(50,921)**	(99,909)	-49.0%
Income tax (expense)/credit	**(357)**	3,977	NM
Loss from continuing operations	**(51,278)**	(95,932)	-46.5%
Discontinued operations			
Loss from discontinued operations	**(3,862)**	(164,328)	-97.6%
Loss for the year	**(55,140)**	(260,260)	-78.8%

Note: NM-Not meaningful.

Continuing Operations

Revenue. Revenue decreased by approximately 38.5% to RMB60.4 million for the year ended 31 December 2020 from RMB98.3 million for the year ended 31 December 2019. The following table sets forth the revenue of the Group by segment for the years ended 31 December 2020 and 2019, respectively:

	Year Ended 31 December			
	2020		2019	
	(RMB'000)	***(% of Total Revenue)***	*(RMB'000) (Restated)*	*(% of Total Revenue)*
Revenue by Segment				
– Game business	**29,781**	**49.3**	57,582	58.6
– Internet micro-credit business	**6,880**	**11.4**	40,701	41.4
– Electronic device and semiconductor business	**23,779**	**39.3**	–	–
Total Revenue	**60,440**	**100.0**	98,283	100.0

– Revenue generated from the Group's game business decreased by approximately 48.3% to RMB29.8 million for the year ended 31 December 2020 from RMB57.6 million for the year ended 31 December 2019. Revenue generated from the online games decreased mainly due to the fact that some of the Group's key games such as the game "Liberators", have entered into the mature stage of their lifecycles and generated less revenue than the previous year.

– Revenue generated from the Group's internet micro-credit business decreased by approximately 83.1% to RMB6.9 million for the year ended 31 December 2020 from RMB40.7 million for the year ended 31 December 2019. Such decrease was mainly due to the Company's transitional strategy to temporarily suspend the registration of new loans and recover the existing outstanding loans in order to reduce the overall risks associated with the internet micro-credit business for the year ended 31 December 2020.

– Revenue generated from the Group's electronic device and semiconductor business was RMB23.8 million for the year ended 31 December 2020. The Group completed the acquisition of Shenzhen Xingyun on 18 November 2020. The revenue of Shenzhen Xingyun mainly consisted of revenue generated from products and services offered to retail customers in the amount of RMB3.9 million, and revenue generated from products and services offered to business and industrial customers in the amount of RMB19.9 million for the year ended 31 December 2020.

Adjusted EBITDA. Adjusted EBITDA was negative RMB49.3 million for the year ended 31 December 2020 while adjusted EBITDA was negative RMB74.3 million for the year ended 31 December 2019. The following table sets forth the adjusted EBITDA of the Group by segment for the years ended 31 December 2020 and 2019:

	Year ended 31 December		
	2020	2019	Change
	RMB'000	*RMB'000* (Restated)	%
Adjusted EBITDA by Segment			
Game business	**(28,105)**	(2,998)	837.1%
Internet micro-credit business	**(16,949)**	(88,184)	-80.8%
Electronic device and semiconductor business	**1,003**	–	NM

Note: The difference between the sum of adjusted EBITDA of the Group's game business, internet micro-credit business and electronic device and semiconductor business above and the total adjusted EBITDA of the Group is derived from gain/(loss) on dilution of investments in an associate and share of (loss)/profits of associates.

Note: NM-Not meaningful.

– Adjusted EBITDA in respect of the Group's game business decreased to negative RMB28.1 million for the year ended 31 December 2020 from negative RMB3.0 million for the year ended 31 December 2019. The enlarged loss was primarily due to the decrease in game revenue and gross profit as some of the Group's online games have entered into the mature stage of their lifecycles.

– Adjusted EBITDA in respect of the Group's internet micro-credit business was negative RMB16.9 million for the year ended 31 December 2020 as compared to negative RMB88.2 million for the year ended 31 December 2019. The improvement of adjusted EBITDA generated from the internet micro-credit business was mainly due to the substantially reduced impairment loss associated with the outstanding loan receivables, and partially offset by the decreased revenue of the internet micro-credit business.

– Adjusted EBITDA in respect of the Group's electronic device and semiconductor business was RMB1.0 million for the year ended 31 December 2020, which was recognised during the period from 19 November 2020 to 31 December 2020.

Cost of revenue. Cost of revenue increased by approximately 70.3% to RMB40.6 million for the year ended 31 December 2020 from RMB23.8 million for the year ended 31 December 2019. The increase was primarily attributable to the consolidation of Shenzhen Xingyun into the Group's business. Such increase was partially offset by the decrease in cost of revenue of the Group's online games business in line with its revenue decrease. For the year ended 31 December 2020, the percentage of cost of revenue to total revenue increased to 67.2% (2019: 24.3%).

Selling and marketing expenses. Selling and marketing expenses decreased by approximately 47.4% to RMB4.8 million for the year ended 31 December 2020 from RMB9.1 million for the year ended 31 December 2019. Such decrease was in line with the decrease of revenue generated from the Group's online game business.

Administrative expenses. Administrative expenses increased by approximately 46.7% to RMB60.2 million for the year ended 31 December 2020 from RMB41.0 million for the year ended 31 December 2019. Such increase was primarily due to the reclassification of the business of Beijing Xigua as discontinued operations, which resulted in a decrease of the restated administrative expenses recognised in the continuing operations for the year ended 31 December 2019.

Research and development expenses. Research and development expenses decreased from RMB21.6 million for the year ended 31 December 2019 to RMB0.5 million for the year ended 31 December 2020. Such decrease was primarily due to a decrease in the number of employees for the research and development department.

Other income. Other income was RMB8.7 million for the year ended 31 December 2020 as compared to RMB23.8 million for the year ended 31 December 2019. Such decrease was primarily because no dividend was received from one of the companies invested by the Group for the year ended 31 December 2020.

Other gains/(losses) – net. The Group recognized other gains-net in the amount of RMB2.4 million for the year ended 31 December 2020, as compared to other losses-net in the amount of RMB5.3 million for the year ended 31 December 2019. Such change was primarily due to the change of fair value of investment at fair value through profit or loss.

Share of (loss)/profits of associates. Share of loss of associates was RMB6.0 million for the year ended 31 December 2020, while share of profits of associates was RMB16.9 million for the year ended 31 December 2019. Such change was primarily due to the loss on investment generated from associated companies.

Impairment of financial assets measured at amortised cost. Impairment of financial assets measured at amortised cost for the year ended 31 December 2020 was RMB10.3 million, as compared to RMB137.9 million for the year ended 31 December 2019. Such decrease was due to: (i) the impairment loss associated with the outstanding loan receivables of the internet micro-credit business was substantially reduced; and (ii) there was no impairment of proceeds receivables recorded from the disposal of the equity interest in JLC Inc. and its subsidiaries during the year ended 31 December 2020.

Income tax (expense)/credit. The Group recognised income tax expense in the amount of RMB0.4 million for the year ended 31 December 2020, while the income tax credit was RMB4.0 million for the year ended 31 December 2019. The income tax credit for the year ended 31 December 2019 was mainly associated with the deferred tax assets from one of the PRC subsidiaries of the Group recognised in 2019.

Loss from continuing operations. The Group recognised loss from continuing operations in the amount of RMB51.3 million for the year ended 31 December 2020, as compared to RMB95.9 million for the year ended 31 December 2019. The reduced loss was primarily attributable to the decrease in impairment of financial assets measured at amortised cost.

Discontinued Operations

Loss from discontinued operations. The Group recognized loss from discontinued operations in the amount of RMB3.9 million for the year ended 31 December 2020, as compared to RMB164.3 million for the year ended 31 December 2019. The large reduction in loss from discontinued operations was primarily due to the fact that the discontinued operations for the year ended 31 December 2019 included the financial results of Jlc Inc. and its subsidiaries, which had been disposed of by the Group during 2019, as well as the financial results of Beijing Xigua, which had been disposed of by the Group in 2020. In contrast, the discontinued operations for the year ended 31 December 2020 only included the financial results of Beijing Xigua.

NON-IFRSs MEASURES – EBITDA AND ADJUSTED EBITDA

To supplement the consolidated results of the Group which are prepared in accordance with IFRSs, certain non-IFRSs measures, including EBITDA and adjusted EBITDA, have been presented. These non-IFRSs financial measures should be considered in addition to, and not as a substitute for, the measures of the Group's financial performance which have been prepared in accordance with IFRSs. The Group's management believes that these non-IFRSs financial measures provide investors with useful supplementary information to assess the performance of its core operations by excluding certain non-cash and non-recurring items. The EBITDA and adjusted EBITDA are unaudited figures.

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the years ended 31 December 2020 and 2019, respectively, to the nearest measures prepared in accordance with IFRSs:

	Year Ended 31 December	
	2020	2019
	(RMB'000)	*(RMB'000)*
		(Restated)
Loss from continuing operations for the year	**(51,278)**	(95,932)
Add:		
Depreciation and amortization	**8,256**	4,768
Net interest income	**(6,589)**	(4,001)
Income tax expense/(credit)	**357**	(3,977)
EBITDA (unaudited)	**(49,254)**	(99,142)
Add:		
Share-based compensation	**696**	2,430
Impairment of other receivables arising from disposal of investment in a subsidiary	**–**	33,203
Changes in the value of investments at fair value through profit or loss	**(383)**	4,715
Loss on transfer of investment in an associate to equity investments at fair value through other comprehensive income	**–**	158
Loss on disposal of financial assets at fair value through profit or loss	**1,132**	–
Loss on deregistration of subsidiaries	**–**	355
Fair value change of share consideration payable	**(1,470)**	–
Dividends received from equity investments at fair value through other comprehensive income	**–**	(16,000)
Adjusted EBITDA (unaudited)	**(49,279)**	(74,281)

FINANCIAL POSITION

As at 31 December 2020, the total equity of the Group amounted to RMB612.0 million as compared to that of RMB664.0 million as at 31 December 2019. Such decrease was primarily due to the operating loss recognised for the year ended 31 December 2020.

The Group's net current assets amounted to RMB497.2 million as at 31 December 2020 as compared to that of RMB536.8 million as at 31 December 2019. The decrease in net current assets was a mixed effect of the decrease in current assets and the decrease in current liabilities, which was mainly due to the disposal of the VR game business operated by Beijing Xigua.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Cash at bank and on hand	**309,912**	315,285
Cash at other financial institutions	**75,604**	2,674
Short-term deposits	**–**	68,862
Total	**385,516**	386,821

The Group's total cash, cash equivalent and short-term deposits amounted to RMB385.5 million as at 31 December 2020 as compared to that of RMB386.8 million as at 31 December 2019. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the cost of funding, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, followed by USD.

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

FOREIGN EXCHANGE RISK

As at 31 December 2020, RMB50.0 million of the financial resources of the Group (as at 31 December 2019: RMB45.7 million) was held as deposits denominated in non-RMB currencies. The Group will continue to actively manage its exposure to various foreign currencies and monitor its foreign exchange risk exposure to better preserve the Group's cash value.

CAPITAL EXPENDITURES

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Capital expenditures		
– Purchase of property and equipment	**2,285**	16,709
– Purchase of intangible asset	**583**	2,189
Total	**2,868**	18,898

Capital expenditures (excluding business combination) comprise the purchase of property and equipment, such as office equipment and leasehold improvement, and the purchase of intangible assets such as VR game licensing fee.

PLEDGE OF ASSETS

As at 31 December 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 31 December 2020, the Group did not have any significant unrecorded contingent liabilities (as at 31 December 2019: nil).

Significant Investments

During 2020, the Group held significant investments detailed as follows:

Company name	Date of incorporation	Carrying amount as at 31 December 2020 *RMB'000*	Investment Cost *RMB'000*	Registered capital *RMB'000*	Percentage of ownership interest attributable to the Group as at 31 December 2020	2019
北京分享時代科技股份有限公司	23 February 2011	44,386	4,000	24,240.864	10.31%	10.38%
成都小夥伴股權投資基金合夥企業（有限合夥）	9 December 2013	38,868	64,000	85,000	75.30%	75.30%

北京分享時代科技股份有限公司 (translated as Beijing Share Times Technology Co., Limited, "**Share Times**") is a company that develops and operates intellectual properties ("**IPs**") of celebrities including design, promotion, and sales of IPs. Share Times was recognized as investments in associates. In 2020, the Group recognised share of loss of associates of approximately RMB5.7 million and gain on dilution of investment in an associate of approximately RMB0.8 million from Share Times. The Group will continue to support the business development of Share Times, and seek synergy between Share Times and other investments of the Group to maximize their performances.

成都小夥伴股權投資基金合夥企業(有限合夥) (translated as Chengdu Partnership Equity Investment Fund Partnership (Limited Partnership), "**Chengdu Partnership**") is an investment holding company. The investment in Chengdu Partnership was recognized as equity investments at fair value through other comprehensive income in the Group's financial position.

HUMAN RESOURCES

As at 31 December 2020, the Group had 46 full-time employees (as at 31 December 2019: 615), the vast majority of whom are based in the PRC.

Details of the Group's remuneration policies and training schemes, share option schemes and restricted share unit scheme will be set out in the annual report of the Company for the year ended 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL

Disposal of 69.84% equity interest in Beijing Xigua

References are made to the announcements of the Company dated 24 April 2019, 24 May 2019, 26 June 2019, 21 November 2019, 11 December 2019, 10 March 2020, 19 March 2020, 8 May 2020, 22 October 2020, 23 October 2020, 12 November 2020, 24 December 2020 and 19 February 2021 (collectively, the "**Disposal Announcements**") and the circular of the Company dated 2 December 2020 (the "**Circular**") in relation to the acquisition of Beijing Xigua, the non-fulfilment of the Profit Guarantee and the follow up actions taken by the Company. Unless otherwise stated herein, capitalized terms used in this section shall have the same meanings as those defined in the Disposal Announcements.

On 24 April 2019, the Company entered into the Investment Agreement with Shanghai Dacheng, KongZhong and other relevant parties for the acquisition of 69.84% equity interest in Beijing Xigua in the form of the Subscription and the Equity Transfer. Pursuant to the Investment Agreement, the consideration for the acquisition was RMB20,000,000 in cash for the Subscription and a combination of RMB130,152,857 in cash and the allotment and issuance of 22,268,908 new Shares of the Company ("**Consideration Shares**") for the Equity Transfer. Under the Investment Agreement, Shanghai Dacheng, KongZhong and Beijing Xigua jointly and severally guaranteed and undertook to the Investor that the Actual Net Profits of Beijing Xigua for the guarantee periods would not be less than RMB43,000,000, RMB52,000,000 and RMB62,000,000. Completion of the acquisition took place on 26 June 2019.

In addition, subsequent to completion of the acquisition, Guangzhou Feidong (a wholly owned subsidiary of the Company) granted a loan in the total amount of RMB32,300,000 to Beijing Xigua for the purpose of supporting its business. The loan was partially repaid in the sum of RMB4,222,200 by the other shareholders of Beijing Xigua, and Beijing Xigua was then still indebted to Guangzhou Feidong for the Outstanding Sum.

The non-fulfillment of the Profit Guarantee and the Transfer Agreement

Subsequently, due to the deteriorating operational performance of Beijing Xigua, it recorded an unaudited cumulative loss for the period from 1 June 2019 to 31 December 2019, and thus did not meet the Thresholds for such period of RMB43,000,000. As such, the Company originally elected to request for the Full Cash Compensation from Shanghai Dacheng, KongZhong and Beijing Xigua. The Company also requested repayment of the Outstanding Sum from Beijing Xigua. However, after multiple rounds of negotiations and discussions, during which the Company fully assessed the financial positions of Beijing Xigua and other relevant parties, the Company became aware of the difficulties in realizing the Full Cash Compensation. After careful and due deliberation and in an effort to protect and maximize the interests of the Company and the Shareholders as a whole, on 12 November 2020, the Company eventually entered into the Transfer Agreement, which involved the disposal of the 69.84% equity interest in Beijing Xigua in return for RMB20,000,000 in cash and 22,268,908 Consideration Shares to be repurchased and cancelled by the Company (i.e., the Equity Disposal and the Share Buy-back), and the assignment of the Outstanding Sum to KongZhong China in return for RMB5,519,280 in cash (i.e., the Loan Assignment).

The proposed resolutions in relation to the Transfer Agreement was duly passed by the Independent Shareholders by way of poll during the EGM of the Company convened on 24 December 2020. Upon completion of the Equity Disposal in December 2020, Beijing Xigua has ceased to be a subsidiary of the Company and the Company no longer held any issues shares of Beijing Xigua.

Acquisition of the Target Company and Shenzhen Xingyun

References are made to the announcements of the Company dated 22 October 2020, 13 November 2020, 18 November 2020 and 20 January 2021 in relation to the acquisition of the Target Company and Shenzhen Xingyun (collectively, the "**Acquisition Announcements**"). Unless otherwise stated herein, capitalized terms used in this section shall have the same meanings as those defined in the Acquisition Announcements.

On 22 October 2020, the Company announced the acquisition of the Target Company and Shenzhen Xingyun through its wholly-owned subsidiary Foga Tech Limited, the Consideration of the Acquisition was RMB24,000,000. On 13 November 2020 (after trading hours), the Company announced that the relevant parties have entered into the Supplemental SPA pursuant to which the payment terms shall be amended as a combination of cash payment in the amount of RMB6,000,000 and the remaining payment by allotment and issuance of 9,614,760 Consideration Shares under the General Mandate. The Issue Price of the Consideration Shares was HK$2.19 per Consideration Share.

On 18 November 2020, the Company announced the Completion of the Acquisition as all conditions precedent under the Sale and Purchase Agreement have been fulfilled. The Target Company and Shenzhen Xingyun have thus become indirect wholly-owned subsidiaries of the Company.

Shenzhen Xingyun is engaged in the sales of digital storage devices to corporate and individual users in the PRC. Despite the adverse impact from the COVID-19 pandemic, Shenzhen Xingyun reported growth in 2020 driven by the steady demand for digital storage devices in the PRC and its increasingly stable business partnership with leading e-commerce providers. Upon Completion of the Acquisition, the Company took the opportunity to tap into the digital storage devices business in the PRC, which is expected to benefit the Group in diversifying its business portfolio and contributing to the financial performance of the Group on a long-term perspective.

POST BALANCE SHEET EVENTS

References are made to the Acquisition Announcements. On 20 January 2021, the Company announced the completion of the allotment and issuance of the Consideration Shares under the General Mandate, as well as the payment of the Cash Consideration in the amount of RMB6,000,000, in relation to the Acquisition of the Target Company and Shenzhen Xingyun.

References are made to the Disposal Announcements. On 19 February 2021, the Company announced the completion of off-market Share Buy-back in relation to the disposal of the 69.84% equity interest in Beijing Xigua.

RISKS AND HURDLES

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

As to its established online legacy game business, the Group is mainly exposed to the following types of risks: (i) the risk of declines in current game revenue and profitability. Due to the life cycle of online games, changes in player preferences may cause uncertainties around the Company's future business performance; (ii) the risk of loss of core talents. The loss of key management members and technical personnel may adversely affect the Company's operations; (iii) industry regulatory risks. China has strict regulations and policy controls on games, and the online game industry is subject to the supervision of various authorities. Any failure of the Company to consistently obtain its licence from the authorities may have an adverse impact on its business operations; and (iv) platform and technology risks, which may hamper the Group's ability to collect fees and data and update games.

As to the electronic device and semiconductor business of Shenzhen Xingyun, the Group is mainly exposed to the following types of risks: (i) exchange risk. Since the Group's operations involve settlement in US dollars, it is exposed to the risk of fluctuations in exchange rates of the currency; and (ii) inventory management risk. Due to the high value of semiconductor memory products, their prices are volatile and vulnerable to macroeconomic cyclicity. Improper inventory management may cause capital occupancy, leading to financial risks.

The main risks associated with the remaining internet micro-credit business of the Group are: (i) the credit risk of loans becoming unrecoverable; and (ii) the collapse of real estate market or other markets causing the decrease in the value of the collaterals granted to the Group.

All of the above may have an adverse effect on the Group's performance. In addition, the Group is exposed to risks such as impairment loss due to invested companies' under-performance or contract party becoming insolvent, other unexpected one-off restructuring costs, and failures of certain material litigations or arbitrations, all of which will have an adverse effect on the Group's performance.

FUTURE PLANS

Since the start of 2020, the sudden outbreak of COVID-19 pandemic has struck a heavy blow to the growth of global economy, and of all industries. Under the new normal shaped by the pandemic, in order to better cope with the risks brought by the economic downturn to its business, the Group has made a series of operating adjustments and successfully divested the offline VR game business operated by Beijing Xigua. As to the internet micro-credit business, the Group accelerated loan collection and ceased to release new loans in response to the changing environment and industry in China, while focusing its resources on other business areas with greater growth potential.

Looking ahead, the Group will ride on the changing environment and market trends, continue to steadily develop existing businesses, improve operating efficiency, practice cost control and improve cost management, so as to comprehensively improve the return on its assets. At the same time, the Group will keep an eye on the development of the market and the industry, and explore a development model suitable for it with an open mind and innovative thinking based on past experience and lessons.

The Group will actively seek to expand and transform its business, optimise its business structure and improve management efficiencies based on a perspective of sustainable development, in an effort to create ideal returns for its shareholders.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Continuing operations			
Revenue	3	**60,440**	98,283
Cost of revenue		**(40,600)**	(23,838)
Gross profit		**19,840**	74,445
Selling and marketing expenses		**(4,782)**	(9,093)
Administrative expenses		**(60,151)**	(41,014)
Research and development expenses		**(473)**	(21,583)
Other income		**8,670**	23,831
Other gains/(losses) – net		**2,409**	(5,294)
Finance cost		**(93)**	(184)
Share of (loss)/profits of associates		**(6,043)**	16,918
Impairment of financial assets measured at amortised cost		**(10,298)**	(137,935)
Loss before income tax		**(50,921)**	(99,909)
Income tax (expense)/credit	4	**(357)**	3,977
Loss from continuing operations		**(51,278)**	(95,932)
Discontinued operations			
Loss from discontinued operations	5	**(3,862)**	(164,328)
Loss for the year	6	**(55,140)**	(260,260)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income/(loss), net of tax		**15,385**	(12,744)
Currency translation differences		**(3,059)**	197
Other comprehensive income/(loss) for the year, net of tax		**12,326**	(12,547)
Total comprehensive loss for the year		**(42,814)**	(272,807)

	Notes	**2020**	2019
		RMB'000	*RMB'000*
			(Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(51,278)**	(95,913)
– Discontinued operations		**2,006**	(119,962)
		(49,272)	(215,875)
Non-controlling interests			
– Continuing operations		**–**	(19)
– Discontinued operations		**(5,868)**	(44,366)
		(5,868)	(44,385)
Loss for the year		**(55,140)**	(260,260)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(36,974)**	(228,428)
Non-controlling interests		**(5,840)**	(44,379)
		(42,814)	(272,807)
Basic and diluted loss per share (RMB)	*8*		
– Continuing and discontinued operations		**(0.32)**	(1.48)
– Continuing operations		**(0.33)**	(0.66)
– Discontinued operations		**0.01**	(0.82)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**2,195**	3,182
Intangible assets		**18,791**	5,123
Right-of-use assets		**3,544**	40,891
Investments in associates		**51,343**	56,571
Equity investments at fair value through other comprehensive income		**41,614**	38,895
Prepayments and other receivables		**897**	745
Deferred tax assets		**4,381**	4,381
		122,765	149,788
Current assets			
Inventories		**8,413**	–
Trade receivables	*9*	**4,878**	4,945
Loan receivables	*10*	**8,000**	155,394
Prepayments and other receivables		**33,112**	14,160
Investments at fair value through profit or loss		**75,855**	797
Equity investments at fair value through other comprehensive income		**38,868**	20,300
Derivative financial instrument	*11*	**–**	80,200
Restricted cash		**765**	953
Short-term deposits		**–**	68,862
Cash and cash equivalents		**385,516**	317,959
		555,407	663,570
Total assets		**678,172**	813,358

	Notes	2020 *RMB'000*	2019 *RMB'000*
EQUITY AND LIABILITIES			
Equity			
Share capital		**102**	102
Reserves		**612,945**	687,257
		613,047	687,359
Non-controlling interests		**(1,079)**	(23,396)
Total equity		**611,968**	663,963
Liabilities			
Non-current liabilities			
Deferred tax liabilities		**5,218**	116
Lease liabilities		**2,783**	22,498
		8,001	22,614
Current liabilities			
Trade payables	*12*	**12,068**	7,576
Other payables and accruals		**37,224**	76,128
Contract liabilities		**4,527**	9,275
Income tax liabilities		**3,614**	5,646
Lease liabilities		**770**	28,156
		58,203	126,781
Total liabilities		**66,204**	149,395
Total equity and liabilities		**678,172**	813,358
Net current assets		**497,204**	536,789
Total assets less current liabilities		**619,969**	686,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 was 16/F, Man Yee Building, 60-68 Des Voeux Road Central, Central, Hong Kong during the year ended 31 December 2020. Subsequent to end of the reporting period, its principal place of business has been changed to Unit 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong with effect from 19 February 2021. The address of the headquarters is Room 1106, Block A Phase I, Innovation Technology Plaza, Tianan Digital City, Chegongmiao, Futian District, Shenzhen, 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 (the "Game Business"), providing internet micro-credit service (the "Internet Micro-credit Business") and trading of electronic device and semiconductor (the "Electronic Device and Semiconductor Business" in the People's Republic of China (the "PRC").

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

3. REVENUE AND SEGMENT INFORMATION

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the Chief Operating Decision Maker ("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.

In 2020, the Group completed the acquisition of Shenzhen Xingyun Data Technology Co., Ltd. ("Shenzhen Xingyun"), and disposed of the subsidiary principally engaged in the provision of development and operation of virtual reality games and services. Information about the business combination and discontinued operations is set out in Notes 13 and 5, respectively. During the year, the CODM reassessed the performance and operation of the Group and concluded that the Group has three operating segments as follows:

– Game Business

– Internet Micro-credit Business

– Electronic Device and Semiconductor Business

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted earnings before interest expense, taxes, depreciation and amortisation ("adjusted EBITDA") excluding share of (loss)/profit of associates and gain/(loss) on dilution of investment in an associate, 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 effects of equity-settled share-based payments, changes in the value of investments at fair value through profit or loss and loss on disposal of financial assets at fair value through profit or loss, non-recurring event such as loss on transfer of investment in an associate to equity investments at fair value through other comprehensive income, loss on deregistration of subsidiaries, dividends received from equity investments at fair value through other comprehensive income, fair value change of share consideration payable and impairment of other receivables arising from disposal of investment in a subsidiary.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as 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 years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Revenue from continuing operations		
Game Business	**29,781**	57,582
Electronic Device and Semiconductor Business	**23,779**	–
Revenue from contracts with customers	**53,560**	57,582
Internet Micro-credit Business	**6,880**	40,701
Total revenue	**60,440**	98,283
Adjusted EBITDA from continuing operations		
Game Business	**(28,105)**	(2,998)
Internet Micro-credit Business	**(16,949)**	(88,184)
Electronic Device and Semiconductor Business	**1,003**	–
Share of (loss)/profits of associates	**(6,043)**	16,918
Gain/(loss) on dilution of investment in an associate	**815**	(17)
Total adjusted EBITDA from continuing operations	**(49,279)**	(74,281)
Adjusted EBITDA reconciles to loss before income tax from continuing operations as follows:		
Total adjusted EBITDA from continuing operations	**(49,279)**	(74,281)
Net interest income	**6,589**	4,001
Depreciation and amortisation	**(8,256)**	(4,768)
Share-based compensation	**(696)**	(2,430)
Changes in the value of investments at fair value through profit or loss	**383**	(4,715)
Loss on disposal of financial assets at fair value through profit or loss	**(1,132)**	–
Loss on transfer of investment in an associate to equity investments at fair value through other comprehensive income	**–**	(158)
Loss on deregistration of subsidiaries	**–**	(355)
Dividends received from equity investments at fair value through other comprehensive income	**–**	16,000
Fair value change of share consideration payable	**1,470**	–
Impairment of other receivables arising from disposal of investment in a subsidiary	**–**	(33,203)
Loss before income tax from continuing operations	**(50,921)**	(99,909)

Disaggregation of revenue from contracts with customers

Geographical information:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
PRC (excluding Hong Kong)	**46,010**	31,017
Other regions	**7,550**	26,565
	53,560	57,582
Discontinued operations		
PRC (excluding Hong Kong)	**3,827**	67,050
	57,387	124,632

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

Timing of revenue recognition:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
At a point in time	**38,227**	32,253
Over time	**15,333**	25,329
	53,560	57,582
Discontinued operations		
At a point in time	**3,827**	19,213
Over time	**–**	47,837
	3,827	67,050
	57,387	124,632

Revenue from major customers:

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

	2020	2019
	RMB'000	*RMB'000*
Customer A (sales of electronic device and semiconductor)	**7,827**	–

4. INCOME TAX (EXPENSE)/CREDIT

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Current tax – PRC and oversea enterprise income tax	**(357)**	(404)
Deferred tax	**–**	4,381
	(357)	3,977

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 based on the assessable profit for the years ended 31 December 2020 and 2019.

The income tax provision of the Group in respect of operations in Taiwan is provided at 19% on assessable profits (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 years ended 31 December 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) had renewed its qualification of "High and New Technology Enterprises" ("HNTEs") under the PRC Enterprise Income Tax Law ("EIT Law") in 2017 and its qualification was expired in 2019. Thus the applicable tax rate was 25% for the year ended 31 December 2020 (2019: 15%).

Shenzhen Xingyun 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 applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% PRC withholding tax ("WHT"). If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

No deferred income tax liability has been recognised in respect of WHT on the undistributed earnings of the subsidiaries incorporated in the PRC as those PRC subsidiaries with foreign immediate parent are all with accumulated losses (i.e. without any distributable earnings) as of 31 December 2020 and 2019.

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

	2020 ***RMB'000***	2019 *RMB'000* (Restated)
Loss before income tax	**(50,921)**	(99,909)
Tax calculated at statutory income tax rates applicable to losses of the consolidated entities in their respective jurisdictions	**(11,348)**	(21,701)
Tax effects of:		
Preferential income tax rates applicable to subsidiaries	**(312)**	3,500
Utilisation of previously unrecognised tax losses	**(984)**	(7,150)
Tax losses and timing differences for which no deferred income tax asset was recognised	**12,725**	25,381
Tax effect of expenses not deductible/(income not taxable), net	**276**	374
Tax losses and timing differences for which deferred income tax asset was recognised	**–**	(4,381)
Income tax expense/(credit)	**357**	(3,977)

5. DISCONTINUED OPERATIONS

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

	2020 *RMB'000*	2019 *RMB'000* (Restated)
Loss of discontinued operation – Beijing Xigua	**(28,096)**	(148,513)
Gain on disposal of discontinued operation -Beijing Xigua *(note 13(b))*	**24,234**	–
	(3,862)	(148,513)
Loss of discontinued operation – Jlc Inc.	**–**	(19,074)
Gain on disposal of discontinued operation – Jlc Inc.	**–**	3,259
	–	(15,815)
	(3,862)	(164,328)

(a) On 12 November 2020, the Company announced the disposal transaction on the Group's 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd. (北京西瓜互娛科技有限公司) ("Beijing Xigua"), at a cash consideration of RMB20,000,000 and share consideration of 22,268,908 shares. The disposal was completed in December 2020. As a result, the financial performance of Beijing Xigua was then classified as discontinued operation of the Group for the year ended 31 December 2020. The comparative figures of the financial performance for the year ended 31 December 2019 have been restated on such basis.

The results of the Beijing Xigua's discontinued operation for the period from 1 January 2020 to 24 December 2020, which have been included in consolidated profit or loss and other comprehensive income, are as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue	**3,827**	25,996
Cost of revenue	**(12,026)**	(70,024)
Expenses	**(13,387)**	(37,955)
Other income	**258**	3,029
Other gains/(losses) – net	**280**	(484)
Finance cost	**(1,053)**	(864)
(Loss)/gain on fair value change of derivative financial instrument	**(6,200)**	65,131
Reversal/(provision) of impairment of assets, net	**206**	(142,508)
Loss before income tax	**(28,095)**	(157,679)
Income tax (expense)/credit	**(1)**	9,166
Loss from discontinued operation	**(28,096)**	(148,513)
Net cash outflow from operating activities	**(8,857)**	(6,184)
Net cash outflow from investing activities	**(825)**	(16,857)
Net cash inflow from financing activities	**385**	28,496
Net cash (used in)/generated from the subsidiary	**(9,297)**	5,455

(b) On 26 April 2019, the Company announced the disposal transaction on the Group's 54.54% equity interest in Jlc Inc., at a cash consideration of RMB47,433,000 and the disposal was completed on 31 July 2019. As a result, the financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the seven months ended 31 July 2019.

The results of the Jlc Inc.'s discontinued operation for the period from 1 January 2019 to 31 July 2019, which have been included in consolidated profit or loss and other comprehensive income, are as follows:

	Seven months ended 31 July 2019 *RMB'000*
Revenue	41,054
Cost of revenue	(2,003)
Expenses	(63,603)
Other income	4,756
Other losses – net	(75)
Finance cost – net	(114)
Impairment of financial assets measured at amortised cost	(537)
Loss before income tax	(20,522)
Income tax credit	1,448
Loss from discontinued operation	(19,074)
Net cash outflow from operating activities	(96,328)
Net cash outflow from investing activities	(161)
Net cash outflow from financing activities	(1,731)
Net cash used in the subsidiary	(98,220)

No tax charge or credit arose on gain on disposal of the discontinued operations.

6. LOSS FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Amortisation of intangible assets	**3,413**	860
Depreciation of right-of-use assets	**3,045**	2,928
Depreciation of property and equipment	**1,798**	980
Auditor's remuneration		
– Audit services	**3,800**	3,800
– Non-audit services	**230**	–
– Audit services – former auditor	**–**	4,400
– Non-audit services – former auditor	**–**	168
Impairment of financial assets measured at amortised cost		
– provision/(reversal) of impairment for trade receivables, net	**725**	(761)
– provision of impairment for loan receivables, net	**9,590**	105,700
– (reversal)/provision of impairment for other receivables, net	**(17)**	32,996
	10,298	137,935
Staff costs including directors' emoluments		
– Fees, wages, salaries and bonus	**20,750**	41,642
– Pension costs – defined contribution plans	**136**	2,803
– Social security costs, housing benefits and other employee benefits	**1,568**	5,555
– Share-based compensation expenses	**696**	2,430
	23,150	52,430

7. DIVIDENDS

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

8. LOSS PER SHARE

Basic loss per share

The basic loss per share for the years ended 31 December 2020 and 2019 is calculated based on the loss attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2020	2019
	RMB'000	*RMB'000*
		(Restated)
Profit/(loss) attributable to owners of the Company:		
From continuing operations	**(51,278)**	(95,913)
From discontinued operations	**2,006**	(119,962)
	(49,272)	(215,875)

	2020	2019
Weighted average number of ordinary shares for the year ended 31 December	**155,517,486**	145,413,567

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2020 and 2019.

9. TRADE RECEIVABLES

Credit sales are derived from the Game Business and the Electronic Device and Semiconductor Business. The normal credit term of Game Business granted by the Group was from 30 to 180 days from respective transaction dates. The normal credit term of Electronic Device and Semiconductor Business granted by the Group was from 15 to 60 days from respective transaction dates.

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**19,890**	19,280
Provision for loss allowance	**(15,012)**	(14,335)
Carrying amount	**4,878**	4,945

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

	2020	2019
	RMB'000	*RMB'000*
0-30 days	**2,034**	2,199
31-60 days	**1,125**	1,152
61-90 days	**1,210**	387
91-180 days	**177**	666
181-365 days	**332**	151
Over 1 year	**–**	390
	4,878	4,945

10. LOAN RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Guaranteed loans	**99,700**	235,196
Collateralised loans	**23,590**	25,898
	123,290	261,094
Provision for loss allowance	**(115,290)**	(105,700)
Carrying amount	**8,000**	155,394

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 status are as follows:

	2020	2019
	RMB'000	*RMB'000*
Neither past due nor impaired	**–**	126,204
Overdue but not impaired	**–**	26,901
Individually impaired	**123,290**	107,989
	123,290	261,094
Less: Allowance for impairment losses	**(115,290)**	(105,700)
Net balance	**8,000**	155,394

Reconciliation of loss allowance for loan receivables:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**105,700**	–
Charge for the year:		
– Individually assessed, net	**9,590**	105,700
At 31 December	**115,290**	105,700

11. DERIVATIVE FINANCIAL INSTRUMENT

	2020	2019
	RMB'000	*RMB'000*
Profit guarantee of the Beijing Xigua	**–**	80,200

Pursuant to the investment agreement dated 24 April 2019, the Kongzhong Group, Shanghai Dacheng and Beijing Xigua jointly and severally guaranteed and undertook to the Investor that the net profit after tax of Beijing Xigua recognized by the auditor's report issued by the audit firm mutually confirmed and agreed by the KongZhong Group and the Company, excluding the non-recurring profits and losses in Beijing Xigua's consolidated financial statements and the service fees to be incurred by Beijing Xigua and its subsidiaries and the Company and its subsidiaries (the "Actual Net Profits"), which were to be jointly confirmed by the Company and the KongZhong Group, for the period from 1 June 2019 to 31 December 2019, the year ending 31 December 2020 and the year ending 31 December 2021 (the "Guarantee Periods") would not be less than RMB43,000,000, RMB52,000,000 and RMB62,000,000 ("Thresholds", and each of them a "Threshold") respectively (the "Profit Guarantee"). Completion of the acquisition of Beijing Xigua took place on 26 June 2019, pursuant to which the Investor, i.e. Guangzhou Yunmi Software Technology Co., Ltd. (廣州市雲米軟科技有限公司), paid a cash consideration of RMB20,000,000 to subscribe the new registered capital of Beijing Xigua and the Company allotted and issued a total of 22,268,908 new ordinary shares of the Company (the "Consideration Shares") to KongZhong at the issue price of HK$6.876 per Consideration Share, credited as fully paid, pursuant to the investment agreement. All the Consideration Shares issued were held under an escrow account designated by KongZhong and would be released to KongZhong in batches subject to the Profit Guarantee for the respective Guarantee Period being fulfilled.

In the event that the Actual Net Profits in any respective Guarantee Period stated above is lower than the relevant Threshold, Shanghai Dacheng, the Kongzhong Group and Beijing Xigua on a joint and several basis, shall, within thirty (30) business days after the audited financial statements for such financial period is made available, compensate for the shortfall by one of the following two options to be elected by the Company:

Option A: Compensated with cash and adjustments on Consideration Shares.

Option B: Compensated in the form of cash, determined by the shortfall of the Thresholds and the Actual Net Profits subject to a cap of RMB150,153,000, being the amount of the full cash compensation.

In the event that the Beijing Xigua fails to meet any of the Thresholds in any year(s) during the Guarantee Period, but the Actual Net Profits for the whole Guarantee Period in aggregate amount to or exceed RMB157,000,000, the Investor may at its discretion grant certain shares to the Vendor and/or entities designated by the Vendor as a reward based on the number of unreleased Consideration Shares and/or the amount of cash compensated to the Investor during the Guarantee Period.

The Actual Net Profits of Beijing Xigua for the period from 1 June 2019 to 31 December 2019 had fallen short of the Threshold of RMB43,000,000 and the Profit Guarantee for the period from 1 June 2019 to 31 December 2019 as contemplated under the investment agreement was not fulfilled.

The fair value of the Profit Guarantee of Beijing Xigua was RMB15,069,000 and RMB80,200,000 at date of acquisition (i.e. 26 June 2019) and 31 December 2019 respectively, based on valuation performed by Flagship Appraisals and Consulting Limited, an independent qualified professional valuer, by using income approach.

The Company completed disposal of Beijing Xigua in December 2020, details please refer to note 13(b).

12. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
0-30 days	**3,930**	2,672
31-60 days	**847**	231
61-90 days	**1,582**	125
91-180 days	**790**	364
181-365 days	**360**	94
Over 1 year	**4,559**	4,090
	12,068	7,576

13. BUSINESS COMBINATION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of a subsidiary

On 18 November 2020, the Group completed the acquisition of the entire equity interest in Shenzhen Xingyun, which is principally engaged in trading of electronic device and semiconductor.

The fair value of the identifiable assets and liabilities of Shenzhen Xingyun acquired as at its date of acquisition is as follows:

	Notes	***RMB'000***
Net assets acquired:		
Property and equipment		**3**
Inventories		**3,049**
Trade receivables	*(i)*	**528**
Prepayments and other receivables	*(i)*	**1,183**
Cash and cash equivalents		**13,589**
Trade payables		**(17)**
Other payables and accruals		**(112)**
Contract liabilities		**(11,627)**
Net identifiable assets acquired		**6,596**
Add: goodwill		**17,301**
		23,897
Satisfied by:		
Cash consideration payable		**6,000**
Issuance of ordinary shares	*(ii)*	**17,897**
		23,897
Net cash outflow arising on acquisition:		
Cash consideration paid		**–**
Cash and cash equivalents acquired		**13,589**
		13,589

Notes

(i) The fair value of the trade and other receivables acquired is RMB1,711,000.

(ii) Upon completion of the acquisition on 18 November 2020, the Group shall allot and issue 9,614,760 new ordinary shares at a fair value of HKD2.2 per share, being the closing price per the Company's ordinary share as quoted on The Stock Exchange of Hong Kong Limited on 18 November 2020. The fair value of the consideration of 9,614,760 new ordinary shares is approximately HKD21,152,000 (equivalent to approximately RMB17,897,000).

(b) Disposal of subsidiaries

As referred to in note 5 to the consolidated financial statements, on 24 December 2020 the Group discontinued its virtual reality game business at the time of the disposal of its subsidiary.

Net assets at the date of disposal were as follows:

	Notes	***RMB'000***
Trade receivables		**423**
Derivative financial instrument		**74,000**
Cash and cash equivalents		**575**
Trade payables		**(43)**
Other payables and accruals		**(42,834)**
Amount due to related parties		**(15,750)**
Contract liabilities		**(5,132)**
Net assets disposed of		**11,239**
Non-controlling interests		**28,157**
Gain on disposal of subsidiaries *(note 5)*		**24,234**
Total consideration		**63,630**
Satisfied by:		
Cash consideration receivable	*(i)*	**25,519**
Share consideration	*(ii)*	**38,111**
		63,630
Net cash inflow arising on disposal:		
Cash consideration received		**1,000**
Cash and cash equivalents disposed of		**(575)**
		425

Notes

(i) KongZhong China has agreed to pay the Company in cash in the amount of approximately RMB25,519,000, equivalent to the sum of consideration that the Company paid to subscribe for 9.30% equity interest in Beijing Xigua in the form of new registered capital under the investment agreement dated 24 April 2019, being RMB20,000,000, and the amount of payment by Kongzhong China for the assignment of the outstanding loan and accumulated interest to KongZhong China (or its designated this party) originally due to Guangzhou Feidong Software Technology Co., Ltd., being approximately RMB5,519,000.

(ii) On 24 December 2020, Shanghai Dacheng Network Technology Co., Ltd. (上海大承網絡技術有限公司) shall through Valuable Capital Limited (華盛資本證券有限公司) as the relevant escrow agent deliver 22,268,908 consideration shares to the Company for cancellation at a fair value of HKD2.03 per share, being the closing price per the Company's ordinary share as quoted on The Stock Exchange of Hong Kong Limited on 24 December 2020. The fair value of the consideration of 22,268,908 ordinary shares is approximately RMB38,111,000.

14. 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 Interactive Limited ("Mutant Box") and Guangzhou Feidong Software Technology Co., Ltd. ("GZ Feidong"), both being subsidiaries of the Company, alleging that Mutant Box and GZ Feidong 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.

On 12 October 2020, Mutant Box received a formal summons (the "Summons") and complaint (the "Complaint") filed by Ms. Gomez as plaintiff against, among others, Mutuant Box, GZ Feidong and the Company as defendants (the "Defendants") in the Supreme Court of California in respect of an action for violation of and conspiracy to violate statutory and common law right of publicity.

Accordingly, Ms. Gomez seeks damages and other relief against the Defendants, (including general damages for harm to reputation and loss of standing in the community in the amount of US$1 million and special damages for commercial value of the unauthorised use of Ms. Gomez's right of publicity in the amount of US$9 million). Ms. Gomez as the plaintiff also reserved her right to seek punitive damages in the amount of US$25,000,000.

(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 Jieyou Software Co., Ltd. (廣州捷游軟件有限公司), respectively, which are held by Mr. Wang Dongfeng ("Mr. Wang") (collectively defined as the "Frozen Shares") have been frozen by the Court due to lawsuits made 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 consent of the Court, and the Frozen Shares might also be demanded by the Court to be disposed of in order to settle any damages, as determined by the Court, arising from the lawsuits. Up to the date of this announcement, no refrozen information has been made available to the Company.

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

EXTRACT OF THE AUDITOR'S REPORT

The following is the extract of the independent auditor's report from ZHONGHUI ANDA CPA Limited on the Group's consolidated financial statements for the year ended 31 December 2020:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. *Limited accounting books and records of acquisition and disposal of Beijing Xigua*

   As disclosed in note 12 and 39(b) to the consolidated financial statements, the Group acquired a 69.84% equity interest in Beijing Xigua Huyu Technology Co., Ltd. and its subsidaries ("Beijing Xigua") on 26 June 2019. Ms. Li Luyi ("Ms. Li"), the former executive director and chief executive officer of the Company, was responsible for the management and operation of Beijing Xigua prior to her loss of contact from late October to early November 2019 and her resignation on 7 November 2019. On 12 November 2020, the Company announced the disposal transaction on the Group's 69.84% equity interest in Beijing Xigua. The disposal was completed in December 2020. Due to the insufficient supporting documents and relevant explanations on the accounting books and records in respect of Beijing Xigua and its operations, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the acquisition and disposal of Beijing Xigua and the income and expenses for the years ended 31 December 2020 and 2019 and the assets and liabilities as at 31 December 2019, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

   (a) Income and expenses:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss from discontinued operation	**3,862**	129,739

(b) Assets and liabilities:

	As at 31 December 2019 *RMB'000*
Property and equipment	835
Right-of-use assets	36,950
Trade receivables	1,126
Prepayments and other receivables	2,802
Derivative financial instrument	80,200
Trade payables	(95)
Other payables and accruals	(33,853)
Contract liabilities	(5,295)
Lease liabilities	(46,696)

(c) Commitments and contingent liabilities in relation to Beijing Xigua and its operations

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities in relation to Beijing Xigua and its operations as at 31 December 2019.

(d) Related party transactions and disclosures in relation to Beijing Xigua and its operations

No sufficient evidence has been provided to satisfy ourselves as to the existence, accuracy and completeness of the disclosures of the related party transactions for the year ended 31 December 2020 and 2019 and balances as at 31 December 2019 in relation to Beijing Xigua and its operations as required by International Accounting Standard 24 (Revised)"Related Party Disclosures".

2. *Limited accounting books and records of JLC*

As disclosed in note 12 to the consolidated financial statements, Jlc Inc. and its subsidaries ("JLC") have been disposed for the year ended 31 December 2019, of which we were unable to obtain the accounting books and records in respect of the JLC for the year ended 31 December 2019. Due to the insufficient supporting documents and relevant explanations on the accounting books and records in respect of the JLC, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the disposal of subsidiaries and the following income and expenses and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	For the year ended 31 December 2019 *RMB'000*
Income and expenses:	
Loss from discontinued operation	15,815

3. *Certain corporate loan receivables*

Corporate loan receivables of RMB99,700,000 in aggregate were granted in 2019 to certain corporate borrowers established in the PRC, against which full impairment loss of RMB99,700,000 had been made for the year ended 31 December 2019.

We were unable to obtain sufficient appropriate audit evidence and reasonable explanation to substantiate the commercial substance and nature of the relevant transactions and the relationship between the Group and these corporate borrowers.

Any adjustments to the figures as described from points 1 to 3 above might have a consequential effect on the Group's result and cashflows for the years ended 31 December 2020 and 2019, and the financial positions of the Group as at 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

BOARD'S VIEW ON THE AUDIT QUALIFICATIONS

1. Qualified opinion in relation to the income, expenses, assets and liabilities of Beijing Xigua which was acquired in June 2019 and disposed of in December 2020, and the commitments, contingent liabilities and related party transactions in relation to Beijing Xigua and its operations ("Xigua Qualification")

a. Evidence requested by the Auditors

The Auditors requested to perform full audit of Beijing Xigua for the period from 1 January 2020 to 24 December 2020 and 26 June 2019 to 31 December 2019. The requested information included but was not limited to the vouchers, invoices, bank statements and bank confirmations etc. in relation to Beijing Xigua. The Company had provided all available information to the Auditors.

However, Ms. Li Luyi (i.e. the former executive director and chief executive officer of the Company) ("Ms. Li") and her team, being the then management team of Beijing Xigua at the material times, resigned from the Group in November 2019 without proper handover. The Company tried with many attempts but failed to contact the former management of Beijing Xigua. Furthermore, a large number of stores of Beijing Xigua had been closed down and certain assets of Beijing Xigua had been disposed of, neither the Group nor the Auditors were able to perform any physical inspections in respect thereof. Last but not least, the Company had subsequently completed the disposal of Beijing Xigua during the year ended 31 December 2020. In view of the above, the Company was unable to provide sufficient evidence to the Auditors for the audit of Beijing Xigua and, accordingly, the Auditors considered that they were unable to obtain sufficient evidence and explanations to satisfy themselves for the completeness of the financial information of Beijing Xigua.

b. Board's view

To the Board's best knowledge and belief, the Board understood that the limitation of scope was due to the significant changes in management and executive staff of Beijing Xigua without proper handover, stores that had been closed down and the disposed assets of Beijing Xigua. As disclosed above, the Board had used their best endeavours but was unable to obtain the requested information for the Auditors. As such, the Board understood and agreed with the basis of the Xigua Qualification. Furthermore, as the Company had completed the disposal of Beijing Xigua during the year ended 31 December 2020, the Board expects the Xigua Qualification to be removed in the auditor's report for the year ended 31 December 2022 (as the financial results of Beijing Xigua for the year ended 31 December 2020 will be shown as corresponding figures in the 2021 auditor's report).

2. **Qualified opinion in relation to the income and expenses of JLC which was disposed in 2019 ("JLC Qualification")**

Board's view

Although the Company had completed the disposal of Jlc Inc. and its subsidiaries in 2019, the financial results of Jlc Inc. and its subsidiaries for the year ended 31 December 2019 are shown as corresponding figures in the 2020 auditor's report. The Board expects the JLC qualification to be removed in the next year's auditor's report.

3. **Qualified opinion in relation to the full impairment of certain corporate loan receivables of RMB99.7 million (the "Loan Receivables Qualification").**

Board's view

The Board understood that such qualification would have an impact for two consecutive years, i.e., the year ended 31 December 2019 and the year ended 31 December 2020, the Board expects such qualification to be removed in the auditor's report for the year ended 31 December 2021.

OTHER INFORMATION

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

Pursuant to the special resolution passed at an extraordinary general meeting of the Company held on 24 December 2020, the Company bought back 22,268,908 ordinary shares (the "**Consideration Shares**"), which had been transferred to the Company by Shanghai Dacheng Network Technology Co., Ltd. (上海大承網絡技術有限公司) through the designated escrow agent pursuant to the transfer agreement dated 12 November 2020 and subsequently cancelled on 19 February 2021.

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 5 May 2021 to Monday, 10 May 2021, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Monday, 10 May 2021. All transfers of the Company's shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Tuesday, 4 May 2021.

Audit and Compliance Committee

The audit and compliance committee of the Company has reviewed together with the Board and the external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value of the Group and accountability of the Board. The Company's corporate governance practices are based on the code provisions as set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**CG Code**").

Save as disclosed below, in the opinion of the Board, the Company has applied the principles and complied with the code provisions prescribed in the CG Code during the year ended 31 December 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.

During the year ended 31 December 2020, Mr. HAN Jun had served as the chairman of the Board and the chief executive officer of the Company until 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. As Mr. HAN Jun possesses extensive experience in the internet industry, 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 is conducive to strong and consistent leadership, and enables the Company to make and implement decisions promptly and efficiently. Further, the Board considered that there was a strong independent element on the Board which can effectively exercise independent judgment 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 relevant 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, was 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.

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 corporate governance practices from time to time to ensure compliance with the latest statutory requirements and professional standards.

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 Listing Rules. 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 year ended 31 December 2020.

Publication of the 2020 Annual Results and 2020 Annual Report

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company (www.forgame.com). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2021.

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, 19 March 2021

As at the date of this announcement, the executive Directors are Mr. HAN Jun, Mr. DIAO Guoxin and Mr. ZHU Liang; the non-executive Director is Mr. ZHANG Qiang; and the independent non-executive Directors are Mr. WANG Dong, Mr. WONG Chi Kin, Mr. CUI Yuzhi and Mr. LU Xiaoma.