

Forgame Holdings Limited 雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00484

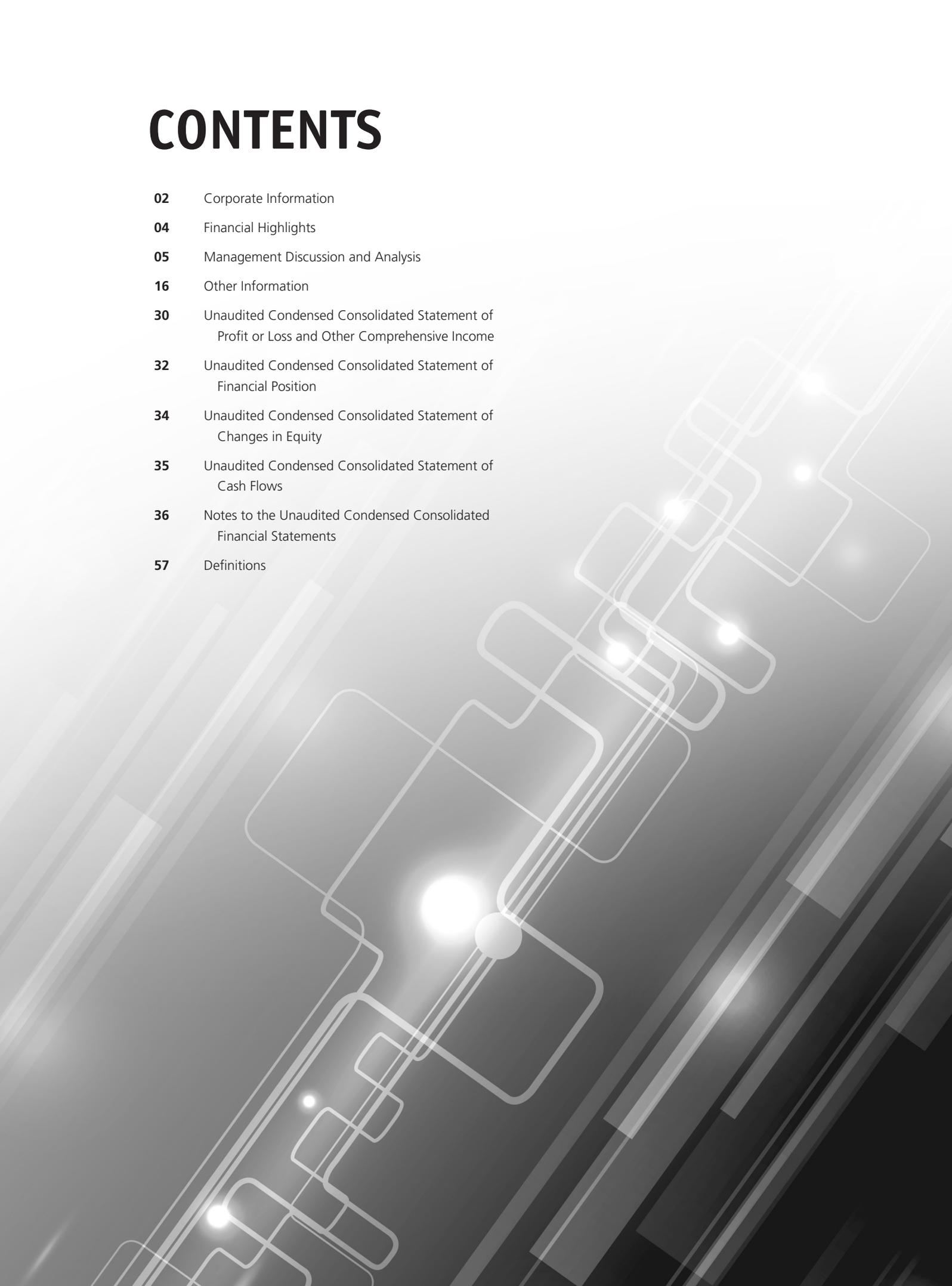


2020 Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. HAN Jun
(Chief Executive Officer)

Non-executive Directors

Mr. ZHANG Qiang (Chairman)
Ms. LIANG Na

Independent Non-executive Directors

Mr. WANG Dong
Mr. WONG Chi Kin
Mr. CUI Yuzhi

AUDIT AND COMPLIANCE COMMITTEE

Mr. WONG Chi Kin (Chairman)
Mr. WANG Dong
Mr. CUI Yuzhi

REMUNERATION COMMITTEE

Mr. WANG Dong (Chairman)
Mr. HAN Jun
Mr. WONG Chi Kin

NOMINATION COMMITTEE

Mr. ZHANG Qiang (Chairman)
Mr. CUI Yuzhi
Mr. WANG Dong

CORPORATE GOVERNANCE COMMITTEE

Mr. CUI Yuzhi (Chairman)
Mr. WONG Chi Kin
Mr. WANG Dong

AUTHORISED REPRESENTATIVES

Mr. ZHANG Qiang
Ms. LEE Ka Man

COMPANY SECRETARY

Ms. LEE Ka Man

LEGAL ADVISORS

As to Hong Kong law:
(in alphabetical order)

Davis Polk & Wardwell

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3A Chater Road
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As to Cayman Islands law:
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CORPORATE INFORMATION

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Causeway Bay
Hong Kong

REGISTERED OFFICE

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68 Huacheng Avenue
Guangzhou
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Central
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CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

(in alphabetical order)

China Citic Bank, Guangzhou branch
China Citic Bank, Jiujiang branch
China Merchants Bank, Guangzhou branch
China Merchants Bank, Hong Kong branch
Industrial Bank, Jiujiang branch
Shanghai Pudong Development Bank, Hong Kong branch

INVESTOR RELATIONS

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36 Hennessy Road
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Hong Kong

COMPANY'S WEBSITE

www.forgame.com

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

00484

FINANCIAL HIGHLIGHTS

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

	Six Months Ended 30 June		Change %
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)	
Continuing Operations⁽¹⁾			
Revenue	28,927	53,442	-45.9%
Gross profit	9,402	35,444	-73.5%
(Loss)/profit from continuing operations	(28,361)	27,403	-203.5%
Non-IFRSs Measures			
— (LBITDA)/EBITDA ⁽²⁾ for the period	(27,330)	27,891	-197.99%
— Adjusted (LBITDA)/EBITDA ⁽³⁾ for the period	(20,570)	13,683	-250.33%

Notes:

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2020 (RMB'000) (Unaudited)	As at 31 December 2019 (RMB'000) (Audited)	Change %
	Assets		
Non-current assets	129,224	149,788	-13.7%
Current assets	627,374	663,570	-5.5%
Total assets	756,598	813,358	-7.0%
Equity and liabilities			
Total Equity	632,916	663,963	-4.7%
Non-current liabilities	8,786	22,614	-61.1%
Current liabilities	114,896	126,781	-9.4%
Total liabilities	123,682	149,395	-17.2%
Total equity and liabilities	756,598	813,358	-7.0%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The VR game business had gone through an operating adjustment in the first half of 2020. As disclosed in the announcement made on 10 March 2020, in view of the Epidemic in late 2019, a number of provinces and municipalities in the PRC had activated level I response, being the highest-level response, to major public health emergencies and adopted various strict measures to curb the spread of the Epidemic, including postponing and imposing restriction on the date of resumption of work after the Lunar New Year holidays, enforcing quarantine and imposing ban on travel and logistics at provincial and/or municipal level.

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

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

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

Game Business

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

	As at 30 June	
	2020	2019
VR Game		
Number of stores ⁽¹⁾	9	–

MANAGEMENT DISCUSSION AND ANALYSIS

	Six Months Ended 30 June	
	2020	2019
VR Game		
Average monthly paying members	531	–
Monthly average paying amount per paying member (RMB)	473	–

Note:

- (1) Stores which generated revenue in June 2020.

Internet Micro-credit Business

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FIRST HALF OF 2020 COMPARED TO FIRST HALF OF 2019

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

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

Note: NM — Not meaningful.

MANAGEMENT DISCUSSION AND ANALYSIS

Continuing Operations

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2020 and 2019, to the nearest measures prepared in accordance with IFRSs:

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

FOREIGN EXCHANGE RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES

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

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

PLEDGE OF ASSET

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

CONTINGENT LIABILITIES

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

HUMAN RESOURCES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

POST BALANCE SHEET EVENT

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

RISKS AND HURDLES

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND OUTLOOK

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

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

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

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

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. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. Save for the deviation from code provision A.2.1 of the CG Code as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2020.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

As disclosed in the announcement of the Company dated 3 May 2020, with effect from 27 April 2020, Mr. HAN Jun resigned as the chairman of the Board due to personal reasons, and Mr. ZHANG Qiang, a Non-Executive Director, has been appointed as the chairman of the Board in place of Mr. HAN Jun. Upon the above change of chairman of the Board, the roles of chairman and chief executive of the Company vest in Mr. ZHANG Qiang and Mr. HAN Jun respectively, and the Company has re-complied with code provision A.2.1 of the CG Code.

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

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In addition, as disclosed in the announcement of the Company dated 28 May 2020, in order to improve the Company's level of corporate governance and to establish a more complete corporate governance mechanism, it had formed the Corporate Governance Committee on 22 May 2020 with written terms of reference published on 28 May 2020.

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

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the Directors and chief executives at the relevant time being in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director/ Chief Executive	Capacity/ Nature of Interest	Relevant Company	Relevant Class of Shares/Underlying Shares held	Approximate Percentage of Shareholding
ZHANG Qiang (張強) ⁽¹⁾	Beneficial Owner	The Company	93,333 Ordinary Shares (long position)	0.06%
LIANG Na (梁娜) ⁽²⁾	Beneficial Owner	The Company	1,212,222 Ordinary Shares (long position)	0.76%

Notes:

- (1) Mr. ZHANG Qiang was granted 100,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. He was further granted 50,000 RSUs under the Restricted Share Unit Scheme in 2018, 8,333 of which vested on 1 December 2018 and 41,667 of which were cancelled on 30 June 2019. Mr. ZHANG Qiang sold 75,000 Shares vested under the RSU Scheme on 17 January 2019. The Company further granted 60,000 RSUs to Mr. ZHANG Qiang under the Restricted Share Unit Scheme in 2019, 12,000 of which vested on 1 July 2019 and 12,000 vested on 1 January 2020.
- (2) Ms. LIANG Na was interested in the Pre-IPO Share Options to subscribe for 25,089 Shares as at 31 December 2019. Ms. LIANG Na was granted 820,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. Ms. LIANG Na sold 216,200 Shares vested under the RSU Scheme during the period from 18 July 2017 to 4 September 2018. She was further granted 200,000 RSUs under the Restricted Share Unit Scheme in 2018, 33,333 of which vested on 1 December 2018 and 166,667 of which were cancelled on 30 June 2019. The Company further granted 550,000 RSUs to Ms. LIANG Na under the Restricted Share Unit Scheme in 2019, 110,000 of which vested on 1 July 2019 and 110,000 vested on 1 January 2020.

Save as disclosed above, none of the Directors or chief executives of the Company at the relevant time had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2020.

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DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of the Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the six months ended 30 June 2020 and up to the Latest Practicable Date was the Company or any of its subsidiaries or holding company or any subsidiary of the Company's holding company, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following are the persons, other than the Directors or chief executives of the Company at the relevant time, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
Managecorp Limited ⁽¹⁾	Trustee	29,437,335 Ordinary Shares (long position)	18.47%
Foga Group ⁽¹⁾	Beneficial Owner	21,673,338 Ordinary Shares (long position)	13.60%
WANG Dongfeng	Founder of the Discretionary Trust Interest of Controlled Corporation ⁽¹⁾	21,673,338 Ordinary Shares (long position)	13.60%
	Beneficial Owner ⁽²⁾	1,650,800 Ordinary Shares (long position)	1.04%
YANG Tao	Interest of Controlled Corporation ⁽³⁾	7,785,700 Ordinary Shares (long position)	4.89%
	Beneficial Owner ⁽⁴⁾	1,340,000 Ordinary Shares (long position)	0.84%

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Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
KongZhong Corporation	Beneficial Owner ⁽⁵⁾	10,202,168 Ordinary Shares (long position)	6.40%
	Interest of Controlled Corporation ⁽⁶⁾	22,268,908 Ordinary Shares (long position)	13.97%
Linkedsee Group Limited ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
Linkedsee Limited ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
WANG Leilei ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
上海常匯互聯網科技有限公司 (Shanghai Changhui Internet Technology Co., Limited)* ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
北京五星融誠科技有限責任公司 (Beijing Wuxing Rongcheng Technology Co., Limited.)* ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
北京和諧欣榮投資中心(有限合夥) (Beijing Hexie Xinrong Investment Center (Limited Partnership))* ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
和諧天明投資管理(北京)有限公司 (Hexie Tianming Investment Management (Beijing) Co., Ltd.)* ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%
和諧成長二期(義烏)投資中心 (有限合夥) (Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership))* ⁽⁵⁾	Interest of Controlled Corporation	32,471,076 Ordinary Shares (long position)	20.37%

OTHER INFORMATION

Name	Capacity/Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding
空中(中國)有限公司 (KongZhong (China) Co., Ltd.)* ⁽⁶⁾	Interest of Controlled Corporation	22,268,908 Ordinary Shares (long position)	13.97%
上海大承網絡技術有限公司 (Shanghai Dacheng Network Technology Co., Ltd.*)	Beneficial Owner	22,268,908 Ordinary Shares (long position)	13.97%
China Create Capital Limited	Beneficial Owner	9,584,000 Ordinary Shares (long position)	6.01%

Notes:

- (1) Foga Group is wholly owned by Managecorp Limited as the trustee of Wang Trust. Wang Trust is a discretionary trust set up by Mr. WANG Dongfeng, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary objects of Wang Trust include Mr. WANG Dongfeng and certain of his family members. Mr. WANG Dongfeng and Managecorp Limited are taken to be interested in 21,673,338 Shares held by Foga Group. In addition, Foga Holdings is wholly owned by Managecorp Limited as the trustee of Hao Dong Trust. Hao Dong Trust is a discretionary trust set up by Mr. LIAO Dong, who is its settlor and protector, with Managecorp Limited as trustee on 15 March 2013. The beneficiary object of Hao Dong Trust is Mr. LIAO Dong himself. Mr. LIAO Dong and Managecorp Limited are taken to be interested in 7,763,997 Shares held by Foga Holdings.
- (2) Mr. WANG Dongfeng was granted 500,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018. Mr. WANG Dongfeng bought an aggregate of 850,800 Shares during the period from 26 June to 13 July 2017. He was further granted 300,000 RSUs under the Restricted Share Unit Scheme in 2018, 50,000 of which vested on 1 December 2018 and 250,000 of which were cancelled on 30 June 2019. The Company further granted 250,000 RSUs to Mr. WANG Dongfeng under the Restricted Share Unit Scheme in 2019, 50,000 of which vested on 1 July 2019 and 50,000 vested on 1 January 2020. Mr. WANG Dongfeng resigned as Executive Director with effect from 30 September 2019.
- (3) Foga Internet Development is wholly owned by Mr. YANG Tao. Mr. YANG Tao is taken to be interested in the 7,785,700 Shares held by Foga Internet Development Ltd.
- (4) Mr. YANG Tao was granted 1,340,000 RSUs under the Restricted Share Unit Scheme in 2016, all of which vested during the period from 1 December 2016 to 1 June 2018.
- (5) KongZhong Corporation is interested in 32,471,076 Shares, representing approximately 20.37% of the issued share capital of the Company. KongZhong Corporation is 100% owned by Linkedsee Limited, which in turn is 73.13% owned by Linkedsee Group Limited. Shanghai Changhui Internet Technology Co., Limited.* (上海常匯互聯網科技有限公司) holds 57.32% of equity interest of Linkedsee Group Limited. Beijing Wuxing Rongcheng Technology Co., Limited.* (北京五星融誠科技有限責任公司) holds 100% equity interest of Shanghai Changhui Internet Technology Co., Limited.* (上海常匯互聯網科技有限公司). Beijing Wuxing Rongcheng Technology Co., Ltd.* (北京五星融誠科技有限責任公司) is 51.11% owned by Mr. WANG Leilei and 40.89% owned by Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership)* (和諧成長二期(義烏)投資中心(有限合夥)). Hexie Chengzhang Phase II (YIWU) Investment Center (Limited Partnership)* (和諧成長二期(義烏)投資中心(有限合夥)) is 3% held by Beijing Hexie Xinrong Investment Center (Limited Partnership)* (北京和諧欣榮投資中心(有限合夥)). Beijing Hexie Xinrong Investment Center (Limited Partnership)* (北京和諧欣榮投資中心(有限合夥)) is 0.1% owned by Hexie Tianming Investment Management (Beijing) Co., Ltd.* (和諧天明投資管理(北京)有限公司).

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- (6) 上海大承網絡技術有限公司 (Shanghai Dacheng Network Technology Co., Ltd.*) is owned as to 98.54% by 空中(中國)有限公司 (KongZhong (China) Co., Ltd.*), which is in turn 100% owned by KongZhong Corporation. By virtue of the SFO, 空中(中國)有限公司 (KongZhong (China) Co., Ltd.*) and KongZhong Corporation are taken to be interested in the 22,268,908 Shares held by 上海大承網絡技術有限公司 (Shanghai Dacheng Network Technology Co., Ltd.*).

Save as disclosed above, as at 30 June 2020, the Company is not aware of any other person (other than the Directors or chief executives of the Company at the relevant time) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme by a resolution of its Shareholders on 31 October 2012, which was amended on 1 September 2013. The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme does not involve the grant of options by the Company to subscribe for Shares once the Company is a listed issuer. No further options will be granted under the Pre-IPO Share Option Scheme.

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted options to subscribe for 6,440,911 Shares to the Directors and employees of the Group.

OTHER INFORMATION

Set out below are details of the outstanding options granted to Directors and employees of the Group under the Pre-IPO Option Scheme as at 30 June 2020:

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2020	Exercise price	Exercised during period	Cancelled during period	Lapsed during period	Outstanding as at 30 June 2020
Directors										
LIANG Na	157,589 Ordinary shares	1 January 2013	3 October 2013 to 1 May 2016	10 years from the date of grant	25,089 Ordinary shares	Par value of the ordinary shares	-	-	-	25,089 Ordinary shares
Sub-Total	157,589 Ordinary shares				25,089 Ordinary shares	Par value of the ordinary shares	-	-	-	25,089 Ordinary shares
Three former Directors and 361 employees/ former employees	6,283,322 Ordinary shares	1 January 2013 to 1 September 2013	3 October 2013 to 1 July 2017	10 years from the date of grant	427,281 Ordinary Shares	Par value of the ordinary shares	-	-	-	427,281 Ordinary shares
Total	6,440,911 Ordinary shares				452,370 Ordinary shares	Par value of the ordinary shares	-	-	-	452,370 Ordinary shares

Note: The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK\$6.22 (equivalent to approximately RMB5.47) per share.

During the six months ended 30 June 2020, no options granted under the Pre-IPO Share Option Scheme was exercised or cancelled.

For further details of the Pre-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 16(a) to the Financial Statements.

POST-IPO SHARE OPTION SCHEME

The Company has approved and adopted the Post-IPO Share Option Scheme by a resolution of its Shareholders on 1 September 2013 and a resolution of the Board on 1 September 2013. The Post-IPO Share Option Scheme is subject to the requirements under Chapter 17 of the Listing Rules.

The Company has granted options to subscribe for (i) 1,908,000 Shares to employees of the Group on 2 January 2015 and (ii) 3,845,000 Shares to Directors and employees of the Group on 10 June 2015.

All outstanding share options have been lapsed as at 31 December 2019. There was no outstanding options since 1 January 2020.

OTHER INFORMATION

Set out below are details of the relevant details of the options granted to the Directors and employees of the Group under the Post-IPO Share Option Scheme as at 30 June 2020:

Name of grantee	Number and class of Shares under the options granted	Date of grant	Vesting period	Option year	Outstanding as at 1 January 2020	Exercise price	Exercised during period	Cancelled during period	Lapsed during period	Outstanding as at 30 June 2020
LIANG Na	329,000 Ordinary shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	-	HK\$14.61	-	-	-	-
14 employees	1,579,000 Ordinary shares	2 January 2015	2 July 2015 to 2 January 2017	4 years from the date of grant	-	HK\$14.61	-	-	-	-
LIANG Na	350,000 Ordinary shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	-	HK\$24.29	-	-	-	-
Four former Directors and 20 employees	3,495,000 Ordinary shares	10 June 2015	August 2016 to March 2018	4 years from the date of grant	-	HK\$24.29	-	-	-	-
Total	5,753,000 Ordinary shares				-		-	-	-	-

Note: The closing prices of the shares immediately before the dates on which the options were granted on 2 January 2015 and 10 June 2015 were HK\$14.70 and HK\$23.05 respectively.

The above options granted under the Post-IPO Share Option Scheme were exercised, lapsed or cancelled by the end of 2019.

For further details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information" in Appendix IV to the Prospectus and note 16(b) to the Financial Statements.

OTHER INFORMATION

SUMMARY OF THE SHARE OPTION SCHEMES

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
1. Purpose	For the purpose of providing incentives and rewards to eligible persons who contribute to the growth and development of the Group and the listing of the Shares on the Stock Exchange	To reward eligible participants for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group
2. Participants	(i) Any Director of any member of the Group from time to time, (ii) any employee or officer of any member of the Group and (iii) any advisers, consultants, distributors, contractors, contract manufacturers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group, who the Board considers, in its sole discretion, have contributed and will contribute to the Group	(i) The full-time employees, executives or officers (including Directors) of the Company, (ii) the full-time employees of any of the subsidiaries and/or PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Group and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Group
3. Maximum number of Shares	As at 30 June 2020 and the Latest Practicable Date, options to subscribe for an aggregate of 452,370 Shares and 452,370 Shares were outstanding respectively, representing approximately 0.28% and 0.28% of the issued share capital of the Company as at 30 June 2020 and the Latest Practicable Date, respectively No further option could be granted under the Pre-IPO Share Option Scheme	As at 30 June 2020 and the Latest Practicable Date, the maximum number of Shares available for issue in respect of which options may be granted or have been granted but have not been exercised under the Post-IPO Share Option Scheme was 13,694,591 Shares and 13,694,591 Shares respectively, representing approximately 8.59% and 8.59% of the issued share capital of the Company as at 30 June 2020 and the Latest Practicable Date, respectively The maximum number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other scheme of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time

OTHER INFORMATION

Details	Pre-IPO Share Option Scheme	Post-IPO Share Option Scheme
4. Maximum entitlement of each participant	The total number of Shares subject to the Pre- IPO Share Option Scheme shall not exceed 6% of the aggregate of the Shares in issue on 31 October 2012, the date of adoption of the Pre- IPO Share Option Scheme	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of the latest grant
5. Option year	Except as provided otherwise and subject to the terms and conditions upon which such option was granted, any option granted will vest over a total vesting year of four years commencing from the date of offer in equal proportions of 25% each on the expiry of the first, second, third and fourth anniversary of the Offer Date, respectively; provided that the year within which an option must be exercised shall not be more than ten years commencing on the date of grant	The option year is determined by the Board provided that it is no later than the tenth anniversary of the date of grant. There is no minimum year for which an option must be held before it can be exercised The Board may in its absolute discretion specify such conditions as to performance criteria to be satisfied by the participant and/or the Company and/or the Group which must be satisfied before an option can be exercised
6. Acceptance of offer	Options granted must be accepted within 28 days of the date of grant, upon payment of HK\$1.0 per grant	Options granted must be accepted within the date as stated in the notice of grant, upon payment of HK\$1.0 per grant
7. Exercise price	Exercise price shall be the par value of the Shares as amended as a result of any subdivision, consolidation, reclassification or reconstruction of the share capital of the Company from time to time. As at the date of the grant, the par value of the Shares was US\$0.0001	Exercise price shall be not less than the highest of (i) the nominal value of an ordinary share on the date of grant, (ii) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options and (iii) the average closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the grant
8. Remaining life of the scheme	It shall be valid and effective for ten years commencing on 31 October 2012	It shall be valid and effective for ten years commencing on 3 October 2013

THE RESTRICTED SHARE UNIT SCHEME

The Company has approved and adopted the RSU Scheme by a resolution of its Shareholders on 1 September 2013 and a resolution of the Board on 1 September 2013. The Company has appointed Computershare Hong Kong Trustees Limited as professional trustee to assist the administration and vesting of the RSUs. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

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The RSUs do not carry any right to vote at general meetings of the Company. No RSU grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an award of RSUs (“**Award**”) pursuant to the RSU Scheme. Notwithstanding the foregoing, if so specified by the Board in its entire discretion, the RSU may include rights to cash or non-cash income, scrip dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying the Award.

As at 30 June 2019, the Company has offered to grant RSUs to subscribe for 4,260,000 Shares, 2,500,000 Shares and 2,500,000 Shares to Directors and employees of the Group on 13 September 2016, 4 June 2018 and 12 April 2019 respectively.

Set out below are details of the unvested RSUs granted to the Directors and employees of the Group under the RSU Scheme as at 30 June 2020:

Name of grantee	Number and class of Shares under the RSUs granted	Date of offer	Vesting period	Outstanding as at 1 January 2020	Vested during period	Cancelled during period	Lapsed during period	Outstanding as at 30 June 2020
LIANG Na	820,000	13 September 2016	1 December 2016 to 1 June 2018	-	-	-	-	-
ZHANG Qiang	100,000	13 September 2016	1 December 2016 to 1 June 2018	-	-	-	-	-
Four former Directors and 17 employees	3,340,000	13 September 2016	1 December 2016 to 1 June 2018	-	-	-	-	-
LIANG Na	200,000	4 June 2018	1 December 2018 to 1 December 2020	-	-	-	-	-
ZHANG Qiang	50,000	4 June 2018	1 December 2018 to 1 December 2020	-	-	-	-	-
Five former Directors and 29 employees	2,250,000	4 June 2018	1 December 2018 to 1 December 2020	-	-	-	-	-
LIANG Na	550,000	12 April 2019	1 July 2019 to 1 July 2021	440,000	— (Note)	-	-	440,000 (Note)
ZHANG Qiang	60,000	12 April 2019	1 July 2019 to 1 July 2021	48,000	— (Note)	-	-	48,000 (Note)
Four former Director and 16 employees	1,890,000	12 April 2019	1 July 2019 to 1 July 2021	1,512,000	— (Note)	640,000	-	872,000 (Note)
Total	9,260,000			2,000,000	— (Note)	640,000	-	1,360,000 (Note)

Note: The RSUs which have vested shall be satisfied at the Company’s absolute discretion within a reasonable period from the vesting date of such RSUs by directing and procuring the professional trustee of the RSU Scheme to transfer the Shares underlying the Award to the relevant grantees which such trustee has acquired by making on-market purchases of the Shares in accordance with the relevant terms and conditions of the RSU Scheme.

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SUMMARY OF THE RSU SCHEME

1. Purpose

To reward the participants of the RSU Scheme for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group

2. Participants

(i) full-time employees or officers (including Executive, Non-executive and Independent Non-executive Directors), (ii) full-time employees of any of the subsidiaries and the PRC Operational Entities, (iii) any suppliers, customers, consultants, agents, advisers that have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities, and (iv) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company, any of its subsidiaries and/or the PRC Operational Entities

3. Maximum number of Shares

As at 30 June 2020 and the Latest Practicable Date, the maximum number of Shares underlying the RSUs available for grant was 5,065,453 Shares and 5,273,453 Shares respectively, representing approximately 3.18% and 3.31% of the issued share capital of the Company as at 30 June 2020 and the Latest Practicable Date, respectively

The maximum number of Shares underlying the RSUs which may be granted must not in aggregate exceed 11,290,494 Shares, representing 9% of the number of Shares in issue on the Listing Date (the “**RSU Scheme Limit**”). The RSU Scheme Limit may be refreshed from time to time subject to prior Shareholders’ approval, but must not exceed 9% of the number of Shares in issue as at the new approval date

4. Acceptance of Award

A grant shall be deemed to have been accepted when in respect of a board lot or an integral multiple thereof and to have taken effect when notice is given to the Company by the grantee in accordance with the instructions from the Company pursuant to the RSU management agreement, being an agreement entered into between the Company and the relevant service provider or any other service agreement to facilitate the acceptance and vesting of RSUs to the grantees from time to time

5. Vesting

Subject to the terms of the RSU Scheme and the specific terms and conditions applicable to each Award, the RSUs granted in an Award shall be subject to a vesting period, to the satisfaction of performance and/or other conditions to be determined by the Board. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion

6. Trustee

The Board has appointed Computershare Hong Kong Trustee Limited on 2 July 2014 as professional trustee to assist with the administration and vesting of RSUs pursuant to the RSU Scheme

7. Remaining life of the scheme

It shall be valid and effective till 31 August 2023

OTHER INFORMATION

For further details of the RSU Scheme, please refer to the section headed “Statutory and General Information” in Appendix IV to the Prospectus and note 16(c) to the Financial Statements.

AUDIT AND COMPLIANCE COMMITTEE

The Audit and Compliance Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. As of 30 June 2020, the Audit and Compliance Committee consists of three independent non-executive Directors, being Mr. WONG Chi Kin, Mr. WANG Dong and Mr. CUI Yuzhi. The chairman of the Audit and Compliance Committee is Mr. WONG Chi Kin, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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

CHANGES OF DIRECTORS’ INFORMATION

There was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the annual report for the year ended 31 December 2019 by the Company and up to the Latest Practicable Date.

During the six months ended 30 June 2020 and up to the Latest Practicable Date, changes in Directors and the senior management of the Company are set out below:

1. Directors

Executive Director

Mr. HAN Jun (Chief Executive Officer) (appointed as Chairman and Chief Executive Officer with effect from 11 November 2019 and resigned as Chairman with effect from 27 April 2020)

Non-executive Directors

Mr. ZHANG Qiang (Chairman) (appointed as Non-executive Director and Chairman with effect from 24 May 2016 and 27 April 2020, respectively)

Ms. LIANG Na (re-designated as Non-executive Director with effect from 1 July 2020)

Independent Non-executive Directors

Mr. WANG Dong (appointed with effect from 27 April 2020)

Mr. WONG Chi Kin (appointed with effect from 27 April 2020)

Mr. CUI Yuzhi (appointed with effect from 7 May 2020)

Mr. HOW Sze Ming (resigned with effect from 30 April 2020)

Mr. ZHAO Cong Richard (resigned with effect from 30 April 2020)

Mr. WAN Joseph Jason (resigned with effect from 30 April 2020)

OTHER INFORMATION

Mr. HAN Jun was appointed as an Executive Director, Chairman, Chief Executive Officer and an authorised representative under Rule 3.05 of the Listing Rules (the “Authorised Representative”) in place of Ms. LI Luyi with effect from 11 November 2019. On 27 April 2020, Mr. Han resigned as Chairman and the Authorised Representative but remains as an Executive Director and Chief Executive Officer of the Company. On 7 May 2020, Mr. Han was appointed as a member of the Remuneration Committee.

Ms. LIANG Na was re-designated from the sole chief financial officer to one of the joint chief financial officers of the Company with effect from 7 May 2020. Ms. LIANG Na has resigned from the position of joint chief financial officer which took effect on 30 June 2020. With effect from 1 July 2020, Ms. LIANG Na has been re-designated from Executive Director to Non-executive Director.

Mr. ZHANG Qiang was appointed as Chairman and the Authorised Representative in place of Mr. HAN Jun with effect from 27 April 2020. On 7 May 2020, Mr. Zhang ceased to be a member of each of the Audit and Compliance Committee and the Remuneration Committee, and was appointed as chairman of the Nomination Committee.

Each of Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason resigned as an Independent Non-executive Director with effect from 30 April 2020. Upon their respective resignation, Mr. HOW Sze Ming ceased to be chairman of the Audit and Compliance Committee, chairman of the Nomination Committee and a member of the Remuneration Committee; Mr. ZHAO Cong Richard ceased to be chairman of the Remuneration Committee and a member of the Nomination Committee; and Mr. WAN Joseph Jason ceased to be a member of each of the Audit and Compliance Committee and the Nomination Committee.

Mr. WANG Dong was appointed as an Independent Non-executive Director with effect from 27 April 2020. On 7 May 2020, Mr. WANG Dong was further appointed as a member of each of the Audit and Compliance Committee and the Nomination Committee and chairman of the Remuneration Committee, and subsequently appointed as a member of the Corporate Governance Committee on 22 May 2020.

Mr. WONG Chi Kin was appointed as an Independent Non-executive Director with effect from 27 April 2020. On 7 May 2020, Mr. WONG Chi Kin was further appointed as chairman of the Audit and Compliance Committee and a member of the Remuneration Committee, and subsequently appointed as a member of the Corporate Governance Committee on 22 May 2020.

Mr. CUI Yuzhi was appointed as an Independent Non-executive Director and a member of each of the Audit and Compliance Committee and the Nomination Committee with effect from 7 May 2020. On 22 May 2020, Mr. CUI Yuzhi was further appointed as chairman of the Corporate Governance Committee.

For further details of the above changes, please refer to the announcements of the Company dated 3 May 2020, 11 May 2020 and 12 June 2020.

2. Senior Management

Mr. ZHU Liang has been appointed as joint chief financial officer and vice president of the Company with effect from 7 May 2020, and since 1 July 2020, Mr. ZHU Liang has been the sole chief financial officer of the Company.

Mr. DIAO Guoxin has been appointed as vice president of the Company with effect from 7 May 2020.

For further details of the above changes, please refer to the announcements of the Company dated 11 May 2020 and 12 June 2020.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Continuing operations			
Revenue	5	28,927	53,442
Cost of revenue		(19,525)	(17,998)
Gross profit		9,402	35,444
Selling and marketing expenses		(2,623)	(4,111)
Administrative expenses		(32,184)	(20,478)
Research and development expenses		(3,673)	(11,498)
Other income		4,771	21,571
Other gains/(losses) — net		390	(177)
Finance cost — net		(558)	(75)
Net loss from changes in the value of investments at fair value through profit or loss		(132)	(149)
Loss on fair value change of derivative financial instrument		(6,200)	—
Share of profits of associates		3,660	6,947
Impairment of intangible assets		(41)	—
Impairment of right-of-use assets		(311)	—
(Impairment)/reversal of financial assets measured at amortised cost		(642)	605
(Loss)/profit before income tax		(28,141)	28,079
Income tax expense	6	(220)	(676)
(Loss)/profit from continuing operations		(28,361)	27,403
Discontinued operation			
Loss from discontinued operation	7	—	(17,547)
(Loss)/profit for the period	8	(28,361)	9,856
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		(3,528)	(10,369)
Currency translation differences		414	128
Other comprehensive loss for the period, net of tax		(3,114)	(10,241)
Total comprehensive loss for the period		(31,475)	(385)

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

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company			
— Continuing operations		(23,747)	27,408
— Discontinued operation		—	(17,021)
		(23,747)	10,387
Non-controlling interests			
— Continuing operations		(4,614)	(5)
— Discontinued operation		—	(526)
		(4,614)	(531)
(Loss)/profit for the period		(28,361)	9,856
Total comprehensive loss for the period attributable to:			
Owners of the Company		(26,861)	141
Non-controlling interests		(4,614)	(526)
		(31,475)	(385)
Basic and diluted (loss)/earnings per share (RMB)			
	10		
— Continuing and discontinued operations		(0.15)	0.08
— Continuing operations		(0.15)	0.20
— Discontinued operation		N/A	(0.12)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	<i>Notes</i>	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	11	1,432	3,182
Intangible assets		4,517	5,123
Right-of-use assets		21,752	40,891
Investments in associates		60,231	56,571
Equity investments at fair value through other comprehensive income		36,911	38,895
Prepayments and other receivables		–	745
Deferred tax assets		4,381	4,381
		129,224	149,788
Current assets			
Trade receivables	12	4,564	4,945
Loan receivables	13	15,413	155,394
Prepayments and other receivables		18,872	14,160
Investments at fair value through profit or loss		665	797
Equity investments at fair value through other comprehensive income		18,640	20,300
Derivative financial instrument		74,000	80,200
Restricted cash		830	953
Short-term deposits		42,802	68,862
Cash and cash equivalents		451,588	317,959
		627,374	663,570
Total assets		756,598	813,358
EQUITY AND LIABILITIES			
Equity			
Share capital	15	102	102
Reserves		660,824	687,257
		660,926	687,359
Non-controlling interests		(28,010)	(23,396)
Total equity		632,916	663,963

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited												
	Attributable to Owners of the Company											Non-Controlling Interests	Total
	Share Capital	Share Premium	Shares held for Restricted Share Units Scheme	Capital Reserve	Statutory Reserves	Share-based Compensation Reserve	Translation Differences	Other Reserves	Accumulated losses	Total	Total		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2019	86	2,066,360	(28,900)	30,000	20,490	201,635	49,547	(356,700)	(1,173,277)	809,241	38,446	847,687	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	123	(10,369)	10,387	141	(526)	(385)	
Issue of ordinary shares as consideration for a business combination	16	95,991	-	-	-	-	-	-	-	96,007	20,856	116,863	
Issue of ordinary shares as consideration for equity investments at fair value through other comprehensive income	1	8,077	-	-	-	-	-	-	-	8,078	-	8,078	
Repurchase and cancellation of shares	(1)	(4,942)	-	-	-	-	-	-	-	(4,943)	-	(4,943)	
Share-based payments	-	-	-	-	-	4,106	-	-	-	4,106	-	4,106	
Changes in equity for the period	16	99,126	-	-	-	4,106	123	(10,369)	10,387	103,389	20,330	123,719	
At 30 June 2019	102	2,165,486	(28,900)	30,000	20,490	205,741	49,670	(367,069)	(1,162,890)	912,630	58,776	971,406	
At 1 January 2020	102	2,165,486	(28,900)	30,000	20,490	207,711	51,066	(369,444)	(1,389,152)	687,359	(23,396)	663,963	
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	414	(3,528)	(23,747)	(26,861)	(4,614)	(31,475)	
Share-based payments	-	-	-	-	-	428	-	-	-	428	-	428	
Changes in equity for the period	-	-	-	-	-	428	414	(3,528)	(23,747)	(26,433)	(4,614)	(31,047)	
At 30 June 2020	102	2,165,486	(28,900)	30,000	20,490	208,139	51,480	(372,972)	(1,412,899)	660,926	(28,010)	632,916	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	111,475	(330,261)
Net cash generated from investing activities	25,806	33,734
Net cash used in financing activities	(4,066)	(7,262)
Net increase/(decrease) in cash and cash equivalents	133,215	(303,789)
Cash and cash equivalents at beginning of the period	317,959	642,745
Effect of foreign exchange rate changes	414	213
Cash and cash equivalents at end of the period	451,588	339,169
Analysis of cash and cash equivalents		
Cash and cash equivalents	451,588	339,169

The cash flows of discontinued operation are presented in note 7.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

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

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

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

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

The unaudited condensed consolidated financial statements are presented in Renminbi (the “RMB”), which is the Company’s presentation currency and the functional currency of the principal operating subsidiaries of the Company.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1 January 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 unaudited condensed consolidated financial statements and amounts reported for the current period and prior years.

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

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy

Description	Fair value measurements at 30 June 2020 using:			Total 30 June 2020
	Level 1	Level 2	Level 3	
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
Private equity investments	–	14,000	41,551	55,551
Investments at fair value through profit or loss				
Unlisted convertible bonds	–	–	665	665
Derivative financial instrument	–	–	74,000	74,000
Total recurring fair value measurements	–	14,000	116,216	130,216

Description	Fair value measurements at 31 December 2019 using:			Total 31 December 2019
	Level 1	Level 2	Level 3	
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income				
Private equity investments	–	14,000	45,195	59,195
Investments at fair value through profit or loss				
Unlisted convertible bonds	–	–	797	797
Derivative financial instrument	–	–	80,200	80,200
Total recurring fair value measurements	–	14,000	126,192	140,192

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets and liabilities measured at fair value based on level 3:

Description	Derivative financial instrument RMB'000 (unaudited)	Investments at fair value through profit or loss RMB'000 (unaudited)	Equity investments at fair value through other comprehensive income RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2020 (audited)	80,200	797	45,195	126,192
Total gains or losses recognised in profit or loss (note (i))	(6,200)	(132)	–	(6,332)
in other comprehensive income	–	–	(3,644)	(3,644)
At 30 June 2020 (unaudited)	74,000	665	41,551	116,216
note (i) Include gains or losses for assets held at end of reporting period	(6,200)	(132)	–	(6,332)

Description	Derivative financial instrument RMB'000 (unaudited)	Investments at fair value through profit or loss RMB'000 (unaudited)	Equity investments at fair value through other comprehensive income RMB'000 (unaudited)	Total RMB'000 (unaudited)
At 1 January 2019 (audited)	–	5,512	30,804	36,316
Total gains or losses recognised in profit or loss (note (i))	–	(149)	–	(149)
in other comprehensive income	–	–	(10,369)	(10,369)
Additions	–	–	31,078	31,078
At 30 June 2019 (unaudited)	–	5,363	51,513	56,876
note (i) Include gains or losses for assets held at end of reporting period	–	(149)	–	(149)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets and liabilities measured at fair value based on level 3: (Continued)

The total gains or losses recognised in other comprehensive income are presented in "Change in fair value of equity investments at fair value through other comprehensive income, net of tax" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in "Net loss from changes in the value of investments at fair value through profit or loss" and "Loss on fair value change of derivative financial instrument" in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least twice every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments. External valuation experts will be involved when necessary.

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value at 30 June 2020 RMB'000 (unaudited)
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Equity investments at fair value through other comprehensive income			
Private equity investments	cost approach	investment cost	14,000

Description	Valuation technique	Inputs	Fair value at 31 December 2019 RMB'000 (audited)
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Equity investments at fair value through other comprehensive income			
Private equity investments	cost approach	investment cost	14,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

4. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2020: (Continued)

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 30 June 2020 RMB'000 (unaudited)
Equity investments at fair value through other comprehensive income					
Private equity investments	Market comparable approach	Lack of marketability discount	26.8%–45%	Decrease	41,551
Investments at fair value through profit or loss					
Unlisted convertible bonds	Binomial tree model	Bond yield	37.62%–45.68%	Decrease	665
		Volatility	58%	Increase	
		Financing opportunity	1%	Increase	
Derivative financial instrument	Income approach	Discount rate	3.13%	Decrease	74,000

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value at 31 December 2019 RMB'000 (audited)
Equity investments at fair value through other comprehensive income					
Private equity investments	Market comparable approach	Lack of marketability discount	21.8%–40%	Decrease	45,195
Investments at fair value through profit or loss					
Unlisted convertible bonds	Binomial tree model	Bond yield	37.62%–45.68%	Decrease	797
		Volatility	58%	Increase	
		Financing opportunity	5%	Increase	
Derivative financial instrument	Income approach	Discount rate	3.13%	Decrease	80,200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. REVENUE AND SEGMENT INFORMATION

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

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

- Game Business
- Internet Micro-credit Business

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from continuing operations		
Game Business — revenue from contract customers	22,294	37,358
Internet Micro-credit Business	6,633	16,084
Total revenue	28,927	53,442
Adjusted (LBITDA)/EBITDA from continuing operations		
Game Business	(20,072)	2,546
Internet Micro-credit Business	(4,158)	4,190
Share of profits of associates	3,660	6,947
Total adjusted (LBITDA)/EBITDA from continuing operations	(20,570)	13,683

Adjusted (LBITDA)/EBITDA reconciles to (loss)/profit before income tax from continuing operations as follows:

Total adjusted (LBITDA)/EBITDA from continuing operations	(20,570)	13,683
Net interest income	3,493	2,648
Depreciation and amortisation	(4,304)	(2,460)
Share-based compensation	(428)	(1,643)
Net loss from changes in the value of investments at fair value through profit or loss	(132)	(149)
Loss on fair value change of derivative financial instrument	(6,200)	—
Dividends received from equity investments at fair value through other comprehensive income	—	16,000
(Loss)/profit before income tax from continuing operations	(28,141)	28,079

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

5. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

Geographical information:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
PRC (excluding Hong Kong)	15,149	21,885
Other regions	7,145	15,473
	22,294	37,358
Discontinued operation		
PRC (excluding Hong Kong)	–	35,816
	22,294	73,174

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

Timing of revenue recognition:

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

Revenue from major customers:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. INCOME TAX EXPENSE

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

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

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

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

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the six months ended 30 June 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

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

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

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

According to the relevant EIT Laws jointly promulgated by the Ministry of Finance of the PRC, State Tax Bureau of the PRC, and Ministry of Science of the PRC that became effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period ("Super Deduction").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

6. INCOME TAX EXPENSE (Continued)

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 at 30 June 2020.

7. 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 and the disposal was passed by the shareholders as an ordinary resolution by way of poll at the extraordinary general meeting on 29 July 2019. As a result, the financial performance of Jlc Inc. was then classified as discontinued operation of the Group for the six months ended 30 June 2019.

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

	Six months ended 30 June 2019 RMB'000 (unaudited)
Revenue	35,816
Cost of revenue	(1,836)
Expenses	(57,597)
Other income — net	4,677
Finance cost — net	(105)
Loss before income tax	(19,045)
Income tax benefit	1,498
Loss from discontinued operation	(17,547)
Net cash outflow from operating activities	(94,277)
Net cash outflow from investing activities	(161)
Net cash outflow from financing activities	(1,731)
Net cash used in the subsidiary	(96,169)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

8. (LOSS)/PROFIT FOR THE PERIOD

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

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

9. DIVIDENDS

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The basic (loss)/earnings per share for the six months ended 30 June 2020 is calculated based on the (loss)/profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit attributable to owners of the Company:		
From continuing operations	(23,747)	27,408
From discontinued operation	–	(17,021)
	(23,747)	10,387

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

Diluted (loss)/earnings per share

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property and equipment of RMB58,000 (for the six months ended 30 June 2019: RMB133,000).

Property and equipment with a carrying amount of RMB835,000 (for the six months ended 30 June 2019: RMB118,000) were disposed by the Group during the six months ended 30 June 2020.

12. TRADE RECEIVABLES

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

13. LOAN RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Guaranteed loans	111,477	235,196
Collateralised loans	9,636	25,898
	121,113	261,094
Provision for loss allowance	(105,700)	(105,700)
Carrying amount	15,413	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 states are as follows:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

14. TRADE PAYABLES

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

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

15. SHARE CAPITAL

	Number of ordinary shares '000	Amount US\$'000
Authorised: Ordinary shares of United States dollar ("US\$") 0.0001 each At 1 January 2019 (audited), 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	500,000	50

	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid: Ordinary shares of US\$0.0001 each		
At 1 January 2019 (audited)	133,659,937	86
Acquisition of a subsidiary	22,268,908	16
Issue of ordinary shares as consideration for equity investments at fair value through other comprehensive income	1,851,568	1
Employee share-based compensation scheme: Shares issued upon exercise of employee share options under Pre- IPO Share Option Scheme	14,125	–
Repurchase and cancellation of shares	(1,790,300)	(1)
At 31 December 2019 (audited), 1 January 2020 (audited) and 30 June 2020 (unaudited)	156,004,238	102

Note: Under the Restricted Share Units Scheme, the Company bought back but not vest 3,375,000 shares (31 December 2019: 3,375,000 shares).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

On 31 October 2012, the Board of Directors of the Company approved the establishment of a Pre-IPO Share Option Scheme with the objective to recognise and reward the contribution of eligible directors, employees and other persons to the growth and development of the Group.

The exercise price of the granted options shall be the par value of the ordinary shares as amended as a result of any sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

The options are conditionally vested on the employee completing a certain period of service, which is mutually agreed by the employees and the Company. In addition, the options are only exercisable after the listing of the Company's shares on any internationally recognised stock exchange of the Company ("performance condition") and the grantees remain employed by the Group.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On 1 January, 1 July, and 1 September 2013, 5,385,611, 898,800 and 156,500 share options were granted under the scheme, respectively.

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Exercise Price	Pre-IPO Share Option Scheme Number of Share Options Six Months Ended 30 June	
		2020	2019
At beginning of period		452,370	466,495
Exercised	US\$0.0001	–	(8,500)
At end of period		452,370	457,995

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO Share Option Scheme

On 1 September 2013, the Board of Directors of the Company approved the establishment of a Post-IPO Share Option Scheme with the objective to reward eligible directors, employees and other persons for their past contribution to the success of the Group, and to provide incentives to them to further contribute to the Group.

The exercise price of the granted options represents the highest of (i) the closing price per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheet on the offer dates; (ii) the average closing prices per share as stated in the Main Board of The Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the offer dates; and (iii) the nominal value of a share.

The options are conditionally vested upon the employee completing 2 years of service from the offer date, which is mutually agreed by the employees and the Company.

The Group has no legal or constructive obligations to repurchase or settle the options in cash.

On 2 January and 10 June 2015, 1,908,000 and 3,845,000 share options were granted under the scheme, respectively.

For those share options granted on 10 June 2015, the Group and the grantees agreed they are subject to certain non-market performance vesting conditions which are related to the financial performance of the Group during the vesting period.

All share options under Post-IPO Share Option Scheme have been vested, exercised or forfeited by the end of 2019.

Movements of the number of share options outstanding and their related weighted average exercise prices are as follows:

	Post-IPO Share Option Scheme Six Months Ended 30 June			
	2020		2019	
	Average Exercise Price (unaudited)	Number of Share Options (unaudited)	Average Exercise Price (unaudited)	Number of Share Options (unaudited)
At beginning of period		–		1,408,000
Forfeited	–	–	HK\$14.61	(1,408,000)
At end of period		–		–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

16. SHARE-BASED PAYMENTS (Continued)

(c) Restricted Share Units Scheme

On 13 September 2013, the Board of Directors of the Company approved to adopt a Restricted Share Units Scheme. During the years ended 31 December 2016, 2018 and 2019, the Company granted 4,260,000, 2,500,000 and 2,500,000 restricted share units to certain directors and employees of the Group (collectively, the "Grantees") pursuant to the Restricted Share Unit Scheme at the grant date fair value of HK\$8.88 (equivalent to RMB7.64), HK\$10.10 (equivalent to RMB8.27) and HK\$6.30 (equivalent to RMB5.43) respectively for each restricted share unit. The fair value of restricted share units granted to employees is measured with reference to the closing price of the ordinary share of the Company at the grant date and recognised as staff costs with a corresponding increase in the capital reserve within equity.

As at 30 June 2020, the restricted share units granted in 2016 have all been vested. The unvested restricted share unit granted in 2018 have been cancelled. The vesting schedule of the restricted share units granted during the year ended 31 December 2019 is as follows:

Percentage of the restricted share units scheme	Date of vesting of the relevant percentage of the restricted share units
20%	1 July 2019
20%	1 January 2020
20%	1 July 2020
20%	1 January 2021
20%	1 July 2021

During the six months ended 30 June 2020, the Company recorded share based compensation of RMB428,000 (for the six months ended 30 June 2019: RMB4,106,000) related to Restricted Share Units Scheme.

Upon vesting and transfer to the Grantees, the related costs of the shares are credited to Shares held for Restricted Share Units Scheme, and the related fair value of the shares are debited to share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against accumulated losses if the fair value is less than the cost.

17. CONTINGENT LIABILITIES

As at 30 June 2020, the Group and the Company did not have any significant contingent liabilities (31 December 2019: nil).

18. CAPITAL COMMITMENTS

As at 30 June 2020, the amount of capital expenditures contracted but not provided is RMB1,250,000 (31 December 2019: RMB1,250,000) which was related to investment management.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

19. RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Content cost to related parties who provided publishing services to the Group for game operation		
Associates	449	329

(b) Period end balances arising from purchase of services

	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Other payables to related parties		
Shanghai Dacheng Network Technology Co., Ltd. (上海大承網路技術有限公司)*	17,875	17,875
Others	3,022	3,022
	20,897	20,897

* Shanghai Dacheng Network Technology Co., Ltd. (上海大承網路技術有限公司) was controlled by a shareholder of the Company.

Balances with related parties were all unsecured, interest-free and had no fixed repayment terms.

(c) Key management personnel compensations

The compensations paid or payable to key management personnel (including Chief Executive Officer and other senior executives) for employee services are shown below:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Fees, wages, salaries and bonuses	2,250	3,178
Pension costs — defined contribution plans	9	105
Social security costs, housing benefits and other employee benefits	120	160
Share-based compensation	661	1,708
	3,040	5,151

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

20. MATERIAL EVENTS

(i) An alleged lawsuit relating to right of publicity

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

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

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

(ii) Frozen Shares of Certain PRC Operational Entities

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

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

21. APPROVAL OF FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 August 2020.

DEFINITIONS

“ARPPU”	average revenue per paying users
“Articles”	the articles of association of the Company, as amended from time to time
“Audit and Compliance Committee”	the audit and compliance committee of the Board
“Beijing Xigua”	Beijing Xigua Huyu Technology Co., Ltd.* (北京西瓜互娛科技有限責任公司), a company established with limited liability in the PRC
“Beijing Yidong”	北京易動無限網絡科技有限公司 (Beijing Yidong Wuxian Network Technology Co., Ltd*), a company established in the PRC with limited liability and controlled by KongZhong Corporation pursuant to contractual arrangements and is a member of the KongZhong Group
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Cayman Islands”	the Cayman Islands
“Chairman”	the chairman of the Board
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan
“Company” or “Forgame”	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, whose Shares became listed on the Main Board of the Stock Exchange on the Listing Date
“Connected Person(s)”	has the same meaning ascribed thereto in the Listing Rules
“Connected Transaction(s)”	has the same meaning ascribed thereto in the Listing Rules
“Contractual Arrangements”	the Feidong Contractual Arrangements and the JLC Contractual Arrangements
“Corporate Governance Code” or “CG Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Corporate Governance Committee”	the Corporate Governance Committee of Board

DEFINITIONS

“Director(s)”	director(s) of the Company
“Epidemic”	the epidemic outbreak of the respiratory disease caused by the novel coronavirus disease (COVID-19)
“Executive Director(s)”	executive Director(s)
“Family Trusts”	Wang Trust, Keith Huang Trust, Hao Dong Trust and Zhuangjg Trust, collectively
“Feidong”	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited)* (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, established under the laws of the PRC on 13 June 2012
“Feidong Contractual Arrangements”	a series of contractual arrangements entered into between Feidong, the Feidong PRC Operational Entities and their respective shareholders
“Feidong PRC Operational Entities”	Feiyin, Weidong and Jieyou, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the Feidong Contractual Arrangements, collectively
“Feiyin”	Guangzhou Feiyin Information Technology Co., Ltd. (also referred to as Guangzhou Feiyin Information Technology Company Limited)* (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC on 12 April 2004
“Financial Statements”	consolidated interim financial statements of the Group for the period ended 30 June 2020
“Foga Development”	Foga Development Co. Ltd., a company incorporated in the BVI on 25 July 2011
“Foga Group”	Foga Group Ltd., a company incorporated in the BVI on 25 July 2011
“Foga Holdings”	Foga Holdings Ltd., a company incorporated in the BVI on 25 July 2011, which was established by Mr. Liao and is one of the Holding Companies. The entire issued share capital is held by Managecorp Limited acting as the trustee of the Hao Dong Trust

DEFINITIONS

“Foga Internet Development”	Foga Internet Development Ltd., a company incorporated in the BVI on 25 July 2011, which was established and wholly-owned by Mr. Yang and is one of the Holding Companies
“Foga Tech”	Foga Tech Limited, a limited company incorporated under the laws of Hong Kong on 9 August 2011 and a wholly-owned subsidiary of the Company
“Founder(s)”	Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang, who are the founder(s) of the Company, collectively
“Group” or “we” or “us”	the Company and its subsidiaries, collectively
“Hao Dong Trust”	a discretionary trust set up by Mr. Liao of which Managecorp Limited acts as the trustee and the discretionary beneficiary of which is Mr. Liao
“Holding Companies”	Foga Group, Foga Networks, Foga Holdings, Foga Internet Development and Foga Development, which are the immediate holding companies of the Company established by Mr. Wang, Mr. Huang, Mr. Liao, Mr. Yang and Mr. Zhuang respectively, collectively
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	financial reporting standards and interpretations approved by the International Accounting Standards Board, and includes all International Accounting Standards and interpretations issued under the former International Accounting Standards Committee from time to time
“Independent Non-executive Director(s)”	independent non-executive Director(s)
“IP”	intellectual property

DEFINITIONS

“IPO”	initial public offering of the Shares on the Stock Exchange
“IT”	information technology
“Jianlicai Group”	Jlc Inc. and its subsidiaries
“Jieyou”	Guangzhou Jieyou Software Co., Ltd. (also referred to as Guangzhou Jieyou Software Company Limited)* (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC on 7 June 2012
“Jinweilai”	Beijing Jinweilai Financial Information Service Co., Ltd. (also referred to as Beijing Jinweilai Financial Information Service Company Limited)* (北京金未來金融信息服務有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC Registered Shareholder
“JLC (Cayman)”	JLC Inc., an exempted company duly incorporated with limited liability and validly existing under the laws of the Cayman Islands
“JLC (HK)”	Jianlc (HK) Limited, a limited company incorporated in Hong Kong, the entire equity interest of which is held by JLC (Cayman)
“JLC (WFOE)”	New Goround Network Technology (Tianjin) Co., Ltd.* (新谷原信息技術(天津)有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC (HK)
“JLC Contractual Arrangements”	a series of contractual arrangements entered into between JLC (WFOE), the JLC VIE Controlled Entities and their respective shareholders
“JLC Disposal”	the disposal of 54.54% of the entire issued share capital of JLC Inc.
“JLC PRC Equity Owners”	Mr. Guo Yong and Ms. Qiu Zengzhen, who beneficially owned as to 95% and 5%, respectively, of the equity interest of the JLC Registered Shareholder
“JLC PRC Operational Entities”	Jinweilai, Laijin and Weilaijin, whose financial results have been consolidated and accounted for as subsidiaries of the Company by virtue of the JLC Contractual Arrangements, collectively
“JLC Registered Shareholder”	Jinweilai (Guangzhou) Investment Consultancy Co., Ltd. (also referred to as Jinweilai (Guangzhou) Investment Consultancy Company Limited)* (金未來(廣州)投資諮詢有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by the JLC PRC Equity Owners
“JLC VIE Controlled Entity(ies)”	the JLC PRC Operational Entities and the JLC Registered Shareholder

DEFINITIONS

“Keith Huang Trust”	a discretionary trust set up by Mr. Huang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Huang and certain of his family members
“KongZhong Corporation”	KongZhong Corporation, a company incorporated in the Cayman Islands with limited liability
“KongZhong Group”	collectively, KongZhong Corporation, its subsidiaries and companies controlled by KongZhong Corporation
“KongZhong Xintong”	空中信通信息技術(北京)有限公司 (KongZhong Xintong Information Technology (Beijing) CO., Ltd.), a company incorporated with limited liability under the laws of the PRC. KongZhong Xintong is owned as to 100% by KongZhong Corporation and a member of KongZhong Group
“KongZhong Youyi”	北京空中優宜信息技術有限公司 (Beijing KongZhong Youyi Information Technology Co., Ltd*), a company established in the PRC with limited liability and controlled by KongZhong Corporation pursuant to contractual arrangements and is a member of the KongZhong Group
“Laijin”	Beijing Laijin Investment Fund Management Co., Ltd. (also referred to as Beijing Laijin Investment Fund Management Company Limited)* (北京來金投資基金管理有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
“Latest Practicable Date”	22 September 2020, being the latest practicable date prior to the bulk printing and publication of this interim report
“Ledong”	Hongkong Ledong Tech Limited (香港樂動科技有限公司), a limited company incorporated under the laws of Hong Kong on 22 March 2012 and an indirect wholly-owned subsidiary of the Company
“Listing Date”	3 October 2013
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“LMDJ”	Tianjin LMDJ Internet Technology Co., Ltd. (天津聯盟電競互聯網科技有限公司)
“Loan Agreement”	the loan agreement dated 19 September 2019 entered into between Yunke, Beijing Xigua, Tianjin Wanke, Beijing Yidong and KongZhong Youyi
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

DEFINITIONS

“Managecorp Limited”	Managecorp Limited, the trustee of each of the Family Trusts
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Huang”	Mr. Huang Weibing (黃衛兵) (alias: Huang Kai (黃凱)), one of the Founders and the settlor of Keith Huang Trust
“Mr. Liao”	Mr. Liao Dong (廖東), one of the Founders and the settlor of Hao Dong Trust
“Mr. Wang”	Mr. Wang Dongfeng (汪東風), one of the Founders and the settlor of Wang Trust, who resigned as the chairman of the Board, an Executive Director, the chief executive officer of the Company, the Company’s authorised representative under rule 3.05 of the Listing Rules and the chairman of the Nomination Committee on 30 September 2019
“Mr. Yang”	Mr. Yang Tao (楊韜), one of the Founders
“Mr. Zhuang”	Mr. Zhuang Jieguang (莊捷廣), one of the Founders and the settlor of Zhuangjg Trust
“Nomination Committee”	the nomination committee of the Board
“Non-executive Director(s)”	non-executive Director(s)
“Offer Date”	the date on which the Pre-IPO Share Option(s) are offered to an eligible participant as defined in the Pre-IPO Share Option Scheme
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Company on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
“Post-IPO Share Options”	options to be granted under the Post-IPO Share Option Scheme
“PRC Operational Entities”	the Feidong PRC Operational Entities and the JLC PRC Operational Entities

DEFINITIONS

“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Shareholders on 31 October 2012, which was amended and restated on 1 September 2013, for the benefit of the Directors, members of senior management, employees and other eligible participants defined in such scheme
“Pre-IPO Share Options”	options granted under the Pre-IPO Share Option Scheme
“Prospectus”	the prospectus of the Company dated 19 September 2013 in relation to the IPO
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Restricted Share Unit Scheme” or “RSU Scheme”	the scheme conditionally approved and adopted by the Company on 1 September 2013 for the grant of RSUs to RSU participants following the completion of IPO
“RSU(s)”	restricted share unit(s) granted pursuant to the RSU Scheme
“R&D”	research and development
“SFO”	the Securities and Futures Ordinance of Hong Kong (chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholders”	shareholders of the Company
“Shares”	shares of USD0.0001 each in the share capital of the Company
“SME”	small and medium-sized enterprise
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the framework agreement dated 5 September 2019 entered into between the Company and KongZhong Corporation (after trading hours) in relation to the provision of services by the Group to KongZhong Group
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules

DEFINITIONS

“Tianjin Wanke”	Tianjin Wanke Technology Co., Ltd.* (天津玩氦科技有限公司), a company established with limited liability in the PRC and wholly owned by Beijing Xigua
“United States”	the United States of America
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“VR”	virtual reality
“VR Experience Services”	the VR experience services to be provided by the Group to KongZhong Group pursuant to the Strategic Cooperation Framework Agreement
“Wang Trust”	a discretionary trust set up by Mr. Wang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Wang and certain of his family members
“Weidong”	Guangzhou Weidong Internet Technology Co., Ltd. (also referred to as Guangzhou Weidong Internet Technology Company Limited)* (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC on 22 January 2007
“Weilaijin”	Beijing Weilaijin Technology Co., Ltd. (also referred to as Beijing Weilaijin Technology Company Limited)* (北京未來金科技有限公司), a limited liability company established in the PRC, the entire equity interest of which is held by Jinweilai
“Xigua Acquisition”	the acquisition of 69.84% equity interest in Beijing Xigua
“Xigua Group”	Beijing Xigua and its subsidiaries
“Yinker”	Yinker Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands
“Yunke”	Jiujiang Yunke Internet Microfinance Co., Ltd.* (九江市雲客網絡小額貸款有限公司), a wholly-owned subsidiary of Feiyin established under the laws of the PRC in 2016
“Zhuangjg Trust”	a discretionary trust set up by Mr. Zhuang of which Managecorp Limited acts as the trustee and the beneficiaries of which are Mr. Zhuang and certain of his family members
“91wan”	the self-publishing platform, namely 91wan.com

* The English name is translated for reference purpose only in this interim report