Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Forgame Holdings Limited (the "**Company**" or "**Forgame**") announces the unaudited consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (collectively, the "**Group**", "**we**", "**us**" or "**our**") for the six months ended 30 June 2018. The Interim Results have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". In addition, the Interim Results have also been reviewed by the audit and compliance committee of the Company (the "**Audit and Compliance Committee**").

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six Months Ended 30 June		
	2018	2017	Change
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**205,837**	121,234	69.8%
Gross profit	**148,893**	58,551	154.3%
Loss for the period	**(286,674)**	(17,727)	1,517.2%
Non-IFRSs Measures			
– EBITDA[1] for the period	**(300,724)**	(17,943)	1,576.0%
– Adjusted EBITDA[2] for the period	**50,821**	1,441	3,426.8%

Notes:

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

(2) The Group defines adjusted EBITDA as EBITDA excluding share-based compensation, impairment of intangible assets arising from business combination, changes in the value of financial assets at fair value through profit or loss and impairment of available-for-sale financial assets. For details of EBITDA and adjusted EBITDA, please refer to the section headed "Management Discussion and Analysis – Non-IFRSs Measures – EBITDA and Adjusted EBITDA" in this announcement.

INTERIM DIVIDEND

The Board does not declare the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

OVERVIEW AND OUTLOOK

OVERVIEW

The Group's adjusted EBITDA during the first half of 2018 was approximately RMB50.8 million, in line with management's expectations and a significant increase from RMB1.4 million for the same period of 2017. The increase was primarily driven by steady growth in our fintech business, which laid a solid foundation for the Group's operational financial results in the first half of 2018.

However, since July 2018, there have been a series of negative events in the fintech market in China, which has triggered an industry-wide liquidity crisis and has impacted "Jianlicai", a fintech brand of the Group ("**Jianlicai**"). As a result, China's regulatory authorities promptly responded by issuing stricter regulatory guidance for the fintech industry. In order to comply with the new regulations, "Jianlicai" immediately began adjusting its business by removing its "Wealth Management Plan" products and launching its new asset products. Though the liquidity of "Jianlicai" is currently stable, in accordance with the relevant requirements under "International Accounting Standard 36 – Impairment of Assets", and based on the principle of investor protection, the Group recognised an impairment loss (the "**Impairment**") on the goodwill and identifiable intangible assets arising from the 55% equity acquisition of Jlc Inc. and its subsidiary (collectively, the "**Jianlicai Group**") amounting to RMB320.5 million after tax, because one of the bases of evaluating such fair value has changed. For further details of the Impairment, please refer to the section headed "Management Discussion and Analysis – Material Impairment" in this announcement and the announcement "Inside Information – Impairment on Goodwill and Intangible Assets Arising from the Acquisition of Jianlicai Group and Profit Warning" of the Company issued on 17 August 2018.

On the other hand, "Yunke", our licensed and regulation compliant internet micro-credit brand ("**Yunke**"), remained largely unaffected and continued to gain growth momentum during the first half of 2018. As at 30 June 2018, "Yunke" has provided services to 1,819,811 borrowers cumulatively since inception.

Turning to our game business, "Liberators" continued to generate a steady income stream of more than RMB3.0 million per month without large-scale promotional campaign for the game since the first quarter of 2017. Our games generally enjoy longer lifecycles in overseas markets than they do in the domestic market. The experience we have gained from operating "Liberators" will be applied across the rest of our game business.

OUTLOOK

As we mentioned in 2017 annual report of the Company, fintech is an emerging industry in China. Its future development trajectory is still uncertain and is highly susceptible to changes in national macro-economic policies. China's financial system saw liquidity tightened during the first half of 2018 as the government began deleveraging the economy. M2 money supply declined and hit its lowest growth rate in a decade while total new social financing in China decreased dramatically in the first five months of the year. At the same time, the central government tightened regulation over the fintech industry and implemented a "strong regulation" mandate. As a result of this deleveraging and strong regulation, the market environment for fintech business during the first half of 2018 was challenging.

A sound financial industry is critical for the national economy and directly impacts people's livelihoods. Strict government regulation will weed out a large number of unqualified players in the fintech industry and will help to protect investors and truly promote the development of inclusive finance. Over the short-term, tighter regulations will however create a variety of new challenges for other enterprises' business in the industry (including part of our current business), most directly, the material impairment of goodwill and identifiable intangible assets arising from the acquisition of Jianlicai Group.

This is clearly the dark hour for the entire fintech industry in China and the biggest challenge for "Jianlicai" since its establishment. It should be pointed out that the Impairment did not, however, materially affect the operating cash of Jianlicai Group, as it was only purely a non-cash accounting treatment. Jianlicai Group still maintains stable liquidity and its operation team remains upbeat about future business prospects. Our newly launched standardized product has performed well in recent weeks and is showing great future potential in replacing the original business model of Jianlicai Group. At such a critical moment, we strongly support tightening regulation and believe it will create opportunities for us. We will develop our technology to invest in future as we adapt our business to the new regulatory environment.

"Yunke", the other fintech business of the Group, has a registered capital of RMB500.0 million and is legally permitted by current regulations to leverage its internet micro-credit business up to two times of its registered capital. Since its inception, "Yunke" has made compliance its business foundation and has been in close contact with regulatory authorities. "Yunke" has remained unaffected by the impact of financial deleveraging and strong regulation during the first half of 2018 as it holds a license and is compliant with current regulations. In fact, it managed to expand its business opportunities amid a tightening money supply. Since the Group entered the fintech industry in 2017, it has accumulated a large volume of user data which allows it to develop sophisticated analytics including user profile analysis, effective customer acquisition, and smart risk control, and has mastered key technologies along the fintech operational chain. In today's environment of tightening fintech regulation, the technology barrier is set higher than ever for fintech companies. Powered by compliance and technology, the future of "Yunke" is worth our expectation.

What doesn't kill you makes you stronger. Companies must fight through challenges in order to grow to be great. **The Group is confident that, following the industry reshuffling and after adapting to the strict regulatory environment, our fintech business will enter a period of rapid growth thanks to it being regulation compliant, license-holding and having cutting-edge technology.** However, the current industry shocks will create some short-term challenges that may lead to volatility in our performance in the second half of the year, which is highlighted in the section headed "Management Discussion and Analysis – Risks and Hurdles" in this announcement. The Group is committed to implementing its strategic roadmap and will prepare for the future by focusing on strengthening compliance and developing new technology.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the Group recorded a total revenue of approximately RMB205.8 million, increasing by 69.8% from the same period of last year thanks to the continuous development of our fintech business. This is a milestone in the Group's history as it marks that the Group has successfully diversified itself into fintech business and proves the effectiveness of the Group's strategy.

The Group has made progress in the fintech business during the first half of 2018. Our internet micro-credit business has been in operation since January 2017. This business is primarily dedicated to providing customers underserved by traditional financial institutions in the People's Republic of China ("**China**" or the "**PRC**") with practical and flexible short-term financing solutions. The Group's internet micro-credit business generates substantially all of its income through interests accrued on the loans extended to its customers. Despite a stricter regulatory environment and fiercer competition on users acquisition, the number of borrowers we served as at 30 June 2018 has increased by 150.1% compared to that as at 30 June 2017, and we originated RMB1.6 billion of loans during the six months ended 30 June 2018.

Within the Group's fintech ecosystem, we also provide financial information service to individual investors through the operation of website and mobile phone application. This business generates substantially all of its income through service fees. It had over 8.8 million registered users and had grown its cumulative transaction volume to over RMB111.3 billion as at 30 June 2018.

The Group's game business continues to focus on the execution of the overseas market strategy. In the first half of 2018, "Liberators" maintained a stable revenue generation. Besides, the Group is in the process of developing and optimising several casual mobile games and simulation games targeting overseas markets. These new games are developed and operated by the same team of "Liberators".

On 20 May 2018, the Company announced a positive profit alert, expecting a net profit ranging from approximately RMB25.0 million to RMB35.0 million for the six months ended 30 June 2018. As it turned out, the Group's net loss for the six months ended 30 June 2018 was approximately RMB286.7 million. The net loss was primarily due to the Impairment. If the effect of this non-cash accounting treatment of Impairment had been excluded, the Group would have recognised a net profit of approximately RMB33.8 million for the six months ended 30 June 2018.

Game Business

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

	Six Months Ended 30 June	
	2018	2017
Game		
Average MPUs (in thousands)(1) (2) (3)	**31**	102
Monthly ARPPU (RMB)(3)	**255**	190

Notes:

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

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

(3) ARPPU means average revenue per paying user. The numbers differ from those shown in 2017 interim report of the Company because the MPUs in 2017 interim report of the Company did not eliminate the duplication in paying users of self-developed games published on the Group's own platforms.

– **MPUs**. The MPUs for the game segment decreased to approximately 31,000 for the six months ended 30 June 2018 from approximately 102,000 for the six months ended 30 June 2017. This decrease was primarily due to several key games, such as "Boonie Bears (熊出沒)" series, and other hard-core role-playing webgames and mobile games, have entered into the mature stages of their lifecycles resulting in fewer paying users in these games.

– **ARPPU**. Monthly ARPPU level of game segment increased to approximately RMB255 for the six months ended 30 June 2018 as compared with RMB190 for the six months ended 30 June 2017. This increase was primarily attributable to the mix effect of game portfolio. Specifically, "Liberators", which enjoyed a higher ARPPU level, had increased its weight in terms of revenue and MPUs in the Group's game product portfolio as a whole, while "Boonie Bears (熊出沒)" series, which enjoyed a lower ARPPU level, had decreased their weight in terms of revenue and MPUs in the Group's game product portfolio.

Fintech Business

The fintech business of the Group consists of internet micro-credit business and financial information service business.

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

	Six Months Ended 30 June	
	2018	2017
Average balance of outstanding performing loans (RMB in million)[1]	**383**	105
Average size of our loans (RMB)[2]	**2,837**	1,923

	As at 30 June	
	2018	2017
Number of borrowers[3]	**296,057**	118,397

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.

(2) Calculated as the total amount of loans divided by the total number of loans originated for the period.

(3) Number of borrowers of our internet micro-credit business.

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

The following tables set forth the key operating matrix for the period indicated or as at the date indicated relating to the Group's financial information service business:

	Six Months Ended 30 June 2018
Average investing users acquisition cost (RMB)[(1)]	**223**
Average size of investments (RMB)[(2)]	**12,999**

	As at 30 June 2018
Cumulative amount of investments (RMB in million)[(3)]	**111,277**
Registered users	**8,825,765**

Notes:

(1) Calculated as the average acquisition cost per investing user of financial information service business for the period.

(2) Calculated as the total investment amount from investing users of financial information service business divided by the total number of investments for the period.

(3) Cumulative amount of investments from investing users of "Jianlicai" brand in financial information service business since its inception in May 2015.

The Group provides financial information service through the operations of websites and mobile phone applications. By providing online financial assets information to users, the Group charges service fees from its business partners.

Investing user profile of our financial information service - The individuals investing through our financial information service are mainly adults of the age ranging from 25 to 35, and the numbers of male investing users and female investing users are generally even. A majority of our investing users are white collar workers and married with kid(s). Users from tier one or tier two cities in the PRC compose the majority of our investing users.

FIRST HALF OF 2018 COMPARED TO FIRST HALF OF 2017

The following table sets forth the income statement for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017:

	Six Months Ended 30 June		
	2018	2017	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	Change %
Revenue	**205,837**	121,234	69.8%
Cost of revenue	**(56,944)**	(62,683)	-9.2%
Gross profit	**148,893**	58,551	154.3%
Selling and marketing expenses	**(56,128)**	(18,583)	202.0%
Administrative expenses	**(45,961)**	(43,984)	4.5%
Research and development expenses	**(31,732)**	(17,322)	83.2%
Other income	**7,318**	4,188	74.7%
Other losses	**(347)**	(7,344)	-95.3%
Finance income-net	**865**	4,158	-79.2%
Gain on dilution of investments accounted for using the equity method	**7,148**	—	NM
Share of income of investments accounted for using the equity method	**3,525**	7,121	-50.5%
Impairment of intangible assets	**(349,126)**	—	NM
Impairment of available-for-sale financial assets	**—**	(4,285)	NM
Loss before income tax	**(315,545)**	(17,500)	1,703.1%
Income tax benefit/(expense)	**28,871**	(227)	NM
Loss for the period	**(286,674)**	(17,727)	1,517.2%

Note: NM-Not meaningful.

Revenue. Revenue increased by approximately 69.8% to RMB205.8 million for the six months ended 30 June 2018 from RMB121.2 million for the six months ended 30 June 2017. The following table sets forth the Group's revenue by segment for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June			
	2018		2017	
	(RMB'000) (Unaudited)	**(% of Total Revenue)**	(RMB'000) (Unaudited)	(% of Total Revenue)
Revenue by Segment				
– Game business	**46,928**	**22.8**	115,767	95.5
– Fintech business	**158,909**	**77.2**	5,467	4.5
Total Revenue	**205,837**	**100.0**	121,234	100.0

– Revenue generated from the Group's game segment decreased by approximately 59.5% to RMB46.9 million for the six months ended 30 June 2018 from RMB115.8 million for the six months ended 30 June 2017. This decrease was primarily due to the fact that some of the Group's key games have entered into the mature stages of their lifecycles and generated less revenue than the same period of last year.

– Revenue generated from the Group's fintech segment increased by approximately 28 times to RMB158.9 million for the six months ended 30 June 2018 from RMB5.5 million for the six months ended 30 June 2017. This increase was due to the revenue generated from the Group's internet micro-credit business, which commenced in January 2017 and ramped up in the second half of 2017, and the revenue contribution from the Group's financial information service business acquired in August 2017.

Adjusted EBITDA. Adjusted EBITDA increased to RMB50.8 million for the six months ended 30 June 2018 from adjusted EBITDA of RMB1.4 million for the six months ended 30 June 2017. The following table sets forth the adjusted EBITDA of the Group by segment for the six months ended 30 June 2018 and 2017:

	Six Months Ended 30 June		
	2018	2017	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	Change %
Adjusted EBITDA by Segment			
Game business	**(962)**	12,630	-107.6%
Fintech business	**41,110**	(18,310)	NM

Note: The difference between the sum of adjusted EBITDA of the game and fintech segments above and the total adjusted EBITDA of the Group is from the gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method.

– The Group's game segment recorded a negative adjusted EBITDA of RMB1.0 million for the six months ended 30 June 2018 compared to adjusted EBITDA of RMB12.6 million for the six months ended 30 June 2017. This decrease was mainly due to the fact that some of our key games entered into the mature stage of their lifecycles and recorded lower revenue and gross profit compared to the same period of last year.

– Adjusted EBITDA in respect of the Group's fintech segment increased to RMB41.1 million for the six months ended 30 June 2018 from negative adjusted EBITDA of RMB18.3 million for the six months ended 30 June 2017. The improvement of adjusted EBITDA was attributed to the development of our fintech business including internet micro-credit business and financial information service business. The internet micro-credit business started in January 2017 and ramped up in the second half of 2017, while the financial information service business was acquired by the Group in August 2017.

Cost of revenue. Cost of revenue decreased by approximately 9.2% to RMB56.9 million for the six months ended 30 June 2018 from RMB62.7 million for the six months ended 30 June 2017. This decrease was mainly attributable to lower revenue sharing costs of self-developed games in line with the revenue decrease of such games. The decrease in cost of revenue was partially offset by the incremental cost of revenue, mainly payment service fees, of the fintech business. For the six months ended 30 June 2018, the percentage of cost of revenue to total revenue decreased to 27.7% (six months ended 30 June 2017: 51.7%).

Selling and marketing expenses. Selling and marketing expenses increased by approximately 202.0% to RMB56.1 million for the six months ended 30 June 2018 from RMB18.6 million for the six months ended 30 June 2017. This increase was mainly attributable to the incremental promotion and advertising expenses and employee benefit expenses of the marketing department of the fintech business of the Group and the amortisation expenses of identifiable intangible assets relating to the acquisition of the 55% equity interest in Jlc Inc..

Administrative expenses. Administrative expenses increased by approximately 4.5% to RMB46.0 million for the six months ended 30 June 2018 from RMB44.0 million for the six months ended 30 June 2017. The increase in administrative expenses was mainly attributable to the incremental administrative expenses incurred by our fintech business, partially offset by the decrease in share-based compensation and professional service fees.

Research and development expenses. Research and development expenses increased by approximately 83.2% to RMB31.7 million for the six months ended 30 June 2018 from RMB17.3 million for the six months ended 30 June 2017. This increase was primarily due to the incremental employee benefit expenses for the research and development department of our fintech business.

Other income. Other income increased to RMB7.3 million for the six months ended 30 June 2018 from RMB4.2 million for the six months ended 30 June 2017. Such increase mainly resulted from higher interest income of cash and cash equivalents which was in line with the increase in average balance of cash and cash equivalents.

Other losses. Other losses decreased to RMB0.3 million for the six months ended 30 June 2018 from RMB7.3 million for the six months ended 30 June 2017. The higher other losses for the six months ended 30 June 2017 were primarily due to the fair value loss of one of the investees and higher foreign exchange losses.

Finance income-net. Finance income-net for the six months ended 30 June 2018 was RMB0.9 million, as compared to finance income-net of RMB4.2 million for the six months ended 30 June 2017. The finance income-net represents the interest income from short-term deposits and restricted cash. The finance income-net amount varies with the changes in short-term deposits balance during the reporting period.

Gain on dilution of investments accounted for using the equity method. Gain on dilution of investments accounted for using the equity method for the six months ended 30 June 2018 was RMB7.1 million (six months ended 30 June 2017: Nil). The gain was attributable to the increase in valuation of investments as a result of the fund raising activities carried out by one of the Group's investees.

Share of income of investments accounted for using the equity method. The Group recognised share of income of investments accounted for using the equity method of RMB3.5 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB7.1 million). This decrease was mainly because one profitable investee was disposed in the second half of 2017.

Impairment of intangible assets. Impairment of intangible assets for the six months ended 30 June 2018 was RMB349.1 million (six months ended 30 June 2017: Nil). The impairment loss was attributable to the Impairment. For details of the Impairment, please refer to the section headed "Management Discussion and Analysis-Material Impairment" in this announcement.

Income tax benefit/(expense). The Group recognised income tax benefit of RMB28.9 million for the six months ended 30 June 2018 while the income tax expense was RMB0.2 million for the six months ended 30 June 2017. The income tax benefit for the six months ended 30 June 2018 was mainly attributable to subsequent changes in the deferred tax liabilities with the amortisation and impairment of identifiable intangible assets from the acquisition of the 55% equity interest in Jlc Inc., which was partially offset by the income tax expense generated from the Group's fintech business.

Loss for the period. Loss for the period increased to RMB286.7 million for the six months ended 30 June 2018 from a loss of RMB17.7 million for the six months ended 30 June 2017. The increase in loss was mainly due to the Impairment. If the impairment impact had been excluded, the Group would have recognised a positive operating profit which was the result of the combined impacts of incremental profit from the fintech business, and investment gains in the first half of 2018.

NON-IFRSs MEASURES - EBITDA AND ADJUSTED EBITDA

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

The following table sets forth the reconciliation of the Group's non-IFRSs financial measures for the six months ended 30 June 2018 and 2017, to the nearest measures prepared in accordance with IFRSs:

	Six Months Ended 30 June	
	2018	2017
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Loss for the period	**(286,674)**	(17,727)
Add:		
Depreciation and amortisation	**20,398**	5,167
Net interest income	**(5,577)**	(5,610)
Income tax (benefit)/expense	**(28,871)**	227
EBITDA (unaudited)	**(300,724)**	(17,943)
Add:		
Share-based compensation	**2,419**	10,387
Impairment of intangible assets arising from business combination	**349,126**	—
Changes in the value of financial assets at fair value through profit or loss	**—**	4,712
Impairment of available-for-sale financial assets	**—**	4,285
Adjusted EBITDA (unaudited)	**50,821**	1,441

FINANCIAL POSITION

As at 30 June 2018, the total equity of the Group amounted to RMB875.1 million, as compared to RMB1,181.4 million as at 31 December 2017. This decrease was mainly due to the increase in accumulated loss as discussed in the paragraph headed "Loss for the period" in this announcement.

The Group's net current assets amounted to RMB808.6 million as at 30 June 2018, as compared to RMB796.9 million as at 31 December 2017. The net current assets level was about the same as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

	As at 30 June 2018 (RMB'000) (Unaudited)	As at 31 December 2017 (RMB'000) (Audited)
Cash at bank and on hand	**450,368**	588,299
Cash at other financial institutions	**21,342**	66,616
Short-term deposits	**—**	34,650
Total	**471,710**	689,565

The Group's total cash, cash equivalent and short-term deposits amounted to RMB471.7 million as at 30 June 2018, as compared to RMB689.6 million as at 31 December 2017. The decrease was primarily due to the fact that the Group granted loans to its customers in the first half of 2018.

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

As at 30 June 2018, the Group's gearing ratio (calculated by dividing bank borrowing by total assets) was 0% (as at 31 December 2017: 0%), which means that the Group did not have any bank borrowing balance as at 30 June 2018. The borrowing requirements of the Group are not subject to seasonality.

MATERIAL IMPAIRMENT

The Group recognised impairment of goodwill and identifiable intangible assets arising from the Group's acquisition of Jlc Inc. amounting to RMB349.1 million for the six months ended 30 June 2018.

Since June 2018, many online lending platforms have encountered liquidity issues. The Group paid close attention to the market development, such as the recent performance of the leading online lending platforms, and closely monitored the recently promulgated regulatory requirements.

We observed that majority of online lending platforms' failures since June 2018 were due to liquidity issues. According to a research report issued by a third party analyst, this is likely driven by i) macro credit tightening which triggered rising defaults, especially for corporate or property related loans, ii) voluntary exit of some online lending platforms in light of rising compliance costs, and iii) retail investors' panic and a rush of withdrawals, causing a liquidity crunch for platforms with significant duration mismatches and weak capital bases.

With reference to the document issued by the Beijing Internet Finance Industry Association (北京市互聯網金融行業協會) in July 2018, and after careful deliberation, the management of "Jianlicai" had decided to comprehensively adjust the business model of Jianlicai Group's "Wealth Management Plan" in order to better embrace the spirit of the above document and industry regulatory policies. Such adjustments are in line with the strategic objective of the management of "Jianlicai" in the expansion in the standard asset product portfolio of "Jianlicai". These adjustments will intensify the liquidity imbalance between investing users and asset providers in the short run but will make the business more compliant in the long run.

"Wealth Management Plan" was a business model Jianlicai Group previously developed to offer users products which were mainly non-standard assets, and its continuous operation was the very basis for evaluating the value of goodwill and identifiable intangible assets arising from the acquisition of the 55% equity interest of Jlc Inc.. While Jianlicai Group has been actively developing and launching standard asset products to reduce the balance of non-standard assets, "Wealth Management Plan" will not be re-launched in the foreseeable future.

In accordance with the relevant requirements under "International Accounting Standard 36 — Impairment of Assets", and based on the principle of investor protection, while identifying this impairment indicator, the Group performed impairment test for the goodwill and identifiable intangible assets arising from the acquisition of Jlc Inc.. The Group adopted a discounted cash flow ("**DCF**") to determine the recoverable amount of the goodwill and identifiable intangible assets arising from the acquisition of Jlc Inc.. In light of the actual operating performance after the above mentioned business adjustments and continuous communications with regulators, the Group adjusted the financial projection of the existing "Wealth Management Plan" business model. Besides, the new asset products are in the early stages of their life cycles, and cannot provide sufficient information to support their future operating performance in such a short period. Therefore, the Group didn't include the financial projection of the new asset products in the DCF.

After conducting careful deliberations with its external consultants, the Group recorded an impairment on the goodwill and identifiable intangible assets arising from the equity acquisition of Jlc Inc. amounting to RMB349.1 million (after tax amounting to RMB320.5 million). For details of the Impairment, please also refer to the Company's announcements dated 29 July 2018 and 17 August 2018.

FOREIGN EXCHANGE RISK

As at 30 June 2018, RMB45.6 million of the financial resources of the Group (as at 31 December 2017: RMB59.4 million) were held as deposits denominated in non-RMB currencies. The decrease in the deposits denominated in non-RMB currencies was due to the utilization of the Group's bank deposits denominated in USD to make on-market purchase of shares of the Company for the Group's restricted share units scheme. The Group will continue to monitor its foreign exchange risk exposure to best preserve the Group's cash value.

CAPITAL EXPENDITURES

	Six Months Ended 30 June	
	2018	2017
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Capital expenditures		
– Purchase of property and equipment	**378**	355
– Purchase of intangible assets	**—**	188
Total	**378**	543

Capital expenditures comprised the purchase of property and equipment, such as computers and leasehold improvement, and the purchase of intangible assets, such as intellectual property ("**IP**") adaptation rights and IP rights of games developed by third-party developers.

PLEDGE OF ASSET

As at 30 June 2018, the Group had a pledge of assets of RMB0.8 million as restricted cash for corporate credit card deposits.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities.

HUMAN RESOURCES

As at 30 June 2018, the Group had 452 full-time employees (as at 30 June 2017: 303), the vast majority of whom are based in Guangzhou and Beijing. The following table sets forth the number of the Group's employees by function as at 30 June 2018:

	Number of Employees	% of Total
Research and Development	186	41.2
Operation	32	7.0
Sales and Marketing	92	20.4
General and Administration	142	31.4
Total	452	100.0

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 a pre-IPO share option scheme, a post-IPO share option scheme and a restricted share unit scheme as long-term incentive schemes of the Group. In order to retain existing talents and attract new talents to the Group, the Company may issue new share-based compensation in the form of share options and restricted share units to such individuals, and this may result in an increase in share-based compensation if it materialises. Details of the share option schemes and the restricted share unit scheme will be set out in the 2018 interim report of the Company.

POST BALANCE SHEET EVENT

Saved as disclosed in the section headed "Management Discussion and Analysis — Material Impairment" in this announcement, there were no other significant subsequent events during the period from 30 June 2018 to the approval date of the condensed consolidated financial statements of the Company for the six months ended 30 June 2018 by the Board.

RISKS AND HURDLES

Although Forgame has successfully established its fintech business, there are certain risks that could adversely affect the Company's operations and financial results due to the immaturity of the fintech market in China. The major hurdles include (i) new policies or any amendment to current policies in relation to fintech regulation, (ii) the liquidity imbalance between the fintech investing users funding and the financial assets, (iii) main strategic business partners not able to provide sustainable services, (iv) collapse of real estate market or other markets causing our collaterals not able to cover our loan exposures, (v) new fintech products not recognised by market, and (vi) departure of key employees.

Meanwhile, in our established game business, the major hurdles include (i) delays of game launches, (ii) games developed not able to meet market expectation at launch, (iii) departure of key employees, and (iv) technical issues that hamper the Group's ability to collect fees and data, and update games, all of which will negatively affect the Group's profit.

In addition, the Group is exposed to risks such as fluctuation of foreign exchange, impairment charge due to invested companies' underperformance or becoming insolvent, and other unexpected one-off restructuring costs, all of which will negatively impact the Group's net profit.

Since 2014, the Group has made investments in the internet, media and technology industry in China with a remaining value of approximately RMB42.0 million post investment impairment and losses in the first half of 2018, out of which approximately RMB27.7 million was classified as "investments in associates".

In the first half of 2018, the Group continued to find that some of the investments achieved higher profits compared to the same period of last year. Along with the better performance of the investments, the Group can focus more on exploring potential opportunities in relevant industries to support the development of the Group's business, such as the emerging technologies on the internet. However, it is difficult to judge whether these investments could survive in the market with increasing competition or the technologies developed by these investments would be suitable to the application scenarios. Therefore, potential impairments or write-offs may occur.

FUTURE PLANS

The strengthening regulation in fintech business in the PRC is expected to eliminate illegal or insufficiently-funded fintech companies, which will create a bigger opportunity for the Group's licensed and technology-supported fintech business. The Group will continue to adjust its current business models to keep itself fully compliant with the time to time updated regulatory requirements and develop core technologies in preparation for the new regulated fintech industry.

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

The Group plans to evaluate investment opportunities across various sectors of the internet, media, and technology industry with the aim of building an ecosystem that would create synergy to drive growth and profitability.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

		Six Months Ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	**205,837**	121,234
Cost of revenue		**(56,944)**	(62,683)
Gross profit		**148,893**	58,551
Selling and marketing expenses		**(56,128)**	(18,583)
Administrative expenses		**(45,961)**	(43,984)
Research and development expenses		**(31,732)**	(17,322)
Other income		**7,318**	4,188
Other losses		**(347)**	(7,344)
Finance income - net		**865**	4,158
Gain on dilution of investments accounted for using the equity method		**7,148**	—
Share of income of investments accounted for using the equity method		**3,525**	7,121
Impairment of intangible assets	9	**(349,126)**	—
Impairment of available-for-sale financial assets		**—**	(4,285)
Loss before income tax	5	**(315,545)**	(17,500)
Income tax benefit/(expense)	6	**28,871**	(227)
Loss for the period		**(286,674)**	(17,727)

	Note	Six Months Ended 30 June **2018** **RMB'000** **(Unaudited)**	 2017 RMB'000 (Unaudited)
Other comprehensive loss:			
Items that will not be subsequently reclassified to profit or loss:			
– Currency translation differences		**598**	(14,056)
– Change in fair value of financial assets at fair value through other comprehensive income		**(1,000)**	—
Total other comprehensive loss, before tax		**(402)**	(14,056)
Income tax relating to components of other comprehensive loss		**—**	—
Other comprehensive loss for the period, net of tax		**(402)**	(14,056)
Total comprehensive loss for the period		**(287,076)**	(31,783)
Loss attributable to:			
– Owners of the Company		**(245,473)**	(17,701)
– Non-controlling interests		**(41,201)**	(26)
		(286,674)	(17,727)
Total comprehensive loss attributable to:			
– Owners of the Company		**(245,875)**	(31,757)
– Non-controlling interests		**(41,201)**	(26)
		(287,076)	(31,783)
Loss per share (expressed in RMB per share)			
– Basic	7	**(1.79)**	(0.13)
– Diluted	7	**(1.79)**	(0.13)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**6,642**	8,565
Intangible assets	9	**9,018**	376,596
Investments accounted for using the equity method		**27,730**	12,057
Available-for-sale financial assets		**—**	15,312
Financial assets at fair value through other comprehensive income		**14,312**	—
Prepayments and other receivables		**9,026**	3,876
Deferred income tax assets		**—**	524
		66,728	416,930
Current assets			
Trade receivables	10	**25,583**	40,249
Prepayments and other receivables		**67,056**	144,145
Loan receivables	11	**465,266**	231,742
Restricted cash		**761**	751
Short-term deposits		**—**	34,650
Cash and cash equivalents		**471,710**	654,915
		1,030,376	1,106,452
Total assets		**1,097,104**	1,523,382

	Note	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**87**	87
Shares held for Restricted Share Units Scheme		**(22,182)**	(9,584)
Share premium		**2,074,087**	2,074,087
Reserves		**(77,876)**	(74,402)
Accumulated losses		**(1,130,841)**	(881,487)
		843,275	1,108,701
Non-controlling interests		**31,847**	72,716
Total equity		**875,122**	1,181,417
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**19**	32,177
Deferred revenue		**225**	270
		244	32,447
Current liabilities			
Trade payables	12	**34,709**	34,169
Other payables and accruals		**170,203**	252,854
Income tax liabilities		**11,579**	15,469
Deferred revenue		**5,247**	7,026
		221,738	309,518
Total liabilities		**221,982**	341,965
Total equity and liabilities		**1,097,104**	1,523,382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General Information

Forgame Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 July 2011 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in developing and publishing domestic and overseas webgames and mobile games (the "Game Business") as well as providing financial information service and internet micro-credit service (the "Fintech Business") in the People's Republic of China (the "PRC").

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

The interim condensed consolidated balance sheet as at 30 June 2018, and the related interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the "Interim Financial Information") of the Group have been approved for issue by the Board on 23 August 2018.

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

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

2 Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 Significant Accounting Policies and Changes in Accounting Policies

3.1 Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for the estimation of income tax and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 Financial Instrument, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3.2 below.

(b) New standards and interpretations not yet adopted

- IFRS 16 Leases

IFRS 16 Leases addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees.

The Group is a lessee of various properties which are currently classified as operating leases. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the balance sheet. Instead, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated balance sheet. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheet. As for the financial performance impact in the income statement, the operating lease expenses will decrease, while depreciation and amortization and the interest expense will increase. The new standard is not expected to apply until the financial year of 2019. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at June 30, 2018 are approximately RMB17,711,000, with the minimum lease payments due less than one year amounting to approximately RMB9,038,000, and those due more than one year and less than five years amounting to approximately RMB8,673,000.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) The other new or amended standards, amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2018 do not have a material impact on or are not relevant to the Group.

3.2 Changes in Accounting Policies

(a) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 Financial Instruments replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

(1) The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB15,312,000 were reclassified from available-for-sale financial assets ("AFS") to financial assets at fair value through other comprehensive income ("FVOCI") and cumulative fair value gains of RMB107,000 were reclassified from the AFS reserves to the FVOCI reserves on 1 January 2018.

(2) Loan receivables previously measured at amortised cost continue to be measured on the same basis under IFRS 9.

(3) There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, while the Group does not have any such liabilities.

The main impact on the Group's financial statements as at 1 January 2018 is as follows:

Financial statement Items	31 December 2017	Impact of adopting IFRS 9	1 January 2018
Asset			
Include:			
FVOCI	—	15,312	15,312
AFS	15,312	(15,312)	—
Equity			
Include:			
FVOCI reserves	—	107	107
AFS reserves	107	(107)	—

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was not material.

(1) Loan receivables

All of the Group's loan receivables at amortised cost will mature within one year and are guaranteed by other enterprises, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Based on management's assessment, applying the expected credit risk model has no significant impact on loss allowance of loan receivables as at 30 June 2018 and 1 January 2018 respectively.

(2) Trade receivables and other receivables – collective assessment

The Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses lifetime expected loss allowance for all trade receivables and other receivables which are assessed collectively for impairment.

To measure the expected credit losses, trade receivables and other receivables which are assessed collectively for impairment have been grouped based on shared credit risk characteristics and the days past due. The impact of applying the expected credit risk model on the loss allowance of trade receivables and other receivables as at 30 June 2018 and 1 January 2018 was immaterial.

(3) Other financial assets

Other financial assets including short-term deposits, restricted cash, cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(b) IFRS 15 Revenue from contracts with customers

The accounting policies of revenue recognition for all revenue streams relating to the Game Business and Fintech Business disclosed in the consolidated financial statements for the year ended 31 December 2017 and the interim condensed consolidated financial statements for the six months ended 30 June 2018 remained unchanged.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for financial years commencing on 1 January 2018. The Group has completed the assessment of the impact of IFRS 15 and concluded that the adoption of IFRS 15 has no material impact on the Group for the six months ended 30 June 2018.

4 Segment Information

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

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

– Game Business

– Fintech Business

The CODM assesses the performance of the operating segments mainly based on segment revenue, and adjusted earnings/(losses) before interest expense, taxes, depreciation and amortisation ("adjusted EBITDA") excluding gain on dilution of investments accounted for using the equity method and share of income of investments accounted for using the equity method of each operating segment.

Specifically, the revenues from external customers reported to CODM are measured as segment revenue, which is the revenue derived from the customers in each segment. In addition, adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the assessment of operating segments' results such as changes in the value of financial assets at fair value through profit or loss, non-recurring event such as impairment of intangible assets arising from business combination and impairment of available-for-sale financial assets. It also excludes the effects of equity-settled share-based payments. Net interest income is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

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

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Game Business	**46,928**	115,767
Fintech Business	**158,909**	5,467
	205,837	121,234
Adjusted EBITDA		
Game Business	**(962)**	12,630
Fintech Business	**41,110**	(18,310)
Share of income of investments accounted for using the equity method	**3,525**	7,121
Gain on dilution of investments accounted for using the equity method	**7,148**	—
	50,821	1,441
Adjusted EBITDA reconciles to loss before income tax as follows:		
Total adjusted EBITDA	**50,821**	1,441
Impairment of intangible assets arising from business combination	**(349,126)**	—
Share-based compensation	**(2,419)**	(10,387)
Changes in the value of financial assets at fair value through profit or loss	**—**	(4,712)
Impairment of available-for-sale financial assets	**—**	(4,285)
Depreciation and amortisation	**(20,398)**	(5,167)
Net interest income	**5,577**	5,610
Loss before income tax	**(315,545)**	(17,500)

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC. The segment revenue provided to the Group's CODM for the PRC (excluding Hong Kong) and other regions for the six months ended 30 June 2018 and 2017 is as follows:

	Unaudited Six Months Ended 30 June 2018		
	PRC (Excluding Hong Kong) RMB'000	**Other Regions RMB'000**	**Total RMB'000**
Segment revenue	**177,904**	**27,933**	**205,837**

	Unaudited Six Months Ended 30 June 2017		
	PRC (Excluding Hong Kong) RMB'000	Other Regions RMB'000	Total RMB'000
Segment revenue	74,512	46,722	121,234

A breakdown of revenue derived from different forms during the periods ended 30 June 2018 and 2017 is as follows:

	Six Months Ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Game Business	**46,928**	115,767
Interest income	**26,096**	5,467
Financial information service	**132,813**	—
	205,837	121,234

Revenues of approximately RMB112,648,000 (30 June 2017: Nil) are derived from a single external customer. These revenues are attributed to the Fintech Business segment.

As at 30 June 2018 and 31 December 2017, the majority of the non-current assets of the Group were located in the PRC.

5 Loss before Income Tax

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

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment of intangible assets arising from business combination (Note 9)	**349,126**	—
Employee benefit expenses	**66,103**	47,351
Payment handling fees	**24,902**	—
Content cost, distribution cost and other outsourcing expenses	**24,251**	51,961
Promotion and advertising expenses	**22,142**	13,703
Amortisation of intangible assets	**18,452**	2,943
Bandwidth and server custody fees	**5,792**	5,268
Impairment loss on loan receivables	**3,547**	4,273
Depreciation of property and equipment	**1,946**	2,224
Impairment loss on trade receivables	**126**	163
Impairment of available-for-sale financial assets	**—**	4,285
Changes in the value of financial assets at fair value through profit or loss	**—**	4,712
Interest income arising from cash and cash equivalents	**(4,712)**	(1,452)
Exchange loss, net	**59**	1,431
Loss on disposal of property and equipment, net	**288**	1,201
Gain on dilution of investments accounted for using the equity method	**(7,148)**	—
Share of income of investments accounted for using the equity method	**(3,525)**	(7,121)

6 Income Tax Benefit/(Expense)

The income tax benefit/(expense) of the Group for the six months ended 30 June 2018 and 2017 are analysed as follows:

	Six Months Ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC and oversea enterprise income tax	**(2,763)**	(227)
Deferred income tax:		
– Decrease in deferred tax assets	**(524)**	—
– Decrease in deferred tax liabilities	**32,158**	—
Income tax benefit/(expense)	**28,871**	(227)

(a) Cayman Islands Income Tax

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

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the six months ended 30 June 2018 and 2017, respectively.

(c) Taiwan business income tax

Forgame International Co., Ltd. (雲遊股份有限公司, "Yunyou") is incorporated in Taiwan, and the business income tax rate is 17% for the six months ended 30 June 2018 and 2017, respectively.

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

The income tax provision of the Group in respect of operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the period ended 30 June 2018 (30 June 2017: 25%), based on the existing legislation, interpretations and practices in respect thereof.

Guangzhou Weidong Internet Technology Co., Ltd. (廣州維動網絡科技有限公司, "Weidong") and Guangzhou Feiyin Information Technology Co., Ltd. (廣州菲音信息科技有限公司, "Feiyin") have renewed their qualification of "High and New Technology Enterprises" ("HNTEs") under the EIT Law in 2016. Accordingly, they were entitled to a preferential income tax rate of 15% for a 3-year period. Thus the applicable tax rate of entities mentioned above was 15% for the period ended 30 June 2018 (30 June 2017: 15%).

Guangzhou Feidong Software Technology Co., Ltd. (廣州菲動軟件科技有限公司, "Feidong") and Guangzhou Jieyou Software Co., Ltd. (廣州捷遊軟件有限公司, "Jieyou") were qualified as HNTEs under the EIT Law in 2014 and their qualifications were expired in 2016. Feidong has renewed its qualification of HNTEs in 2017, thus the applicable tax rate of Feidong was 15% for the period ended 30 June 2018 (30 June 2017: 15%), while Jieyou was failed to sustain its qualification of HNTEs in 2017 and hence the applicable tax rate of Jieyou was 25% for the period ended 30 June 2018 (30 June 2017: 25%).

Beijing Jinweilai Financial Information Services Co., Ltd. (北京金未來金融信息服務有限公司, "Jinweilai") was also qualified as HNTE in 2017. Accordingly, it was entitled to a preferential income tax rate of 15% for a 3-year period. Thus the applicable tax rate was 15% for the period ended 30 June 2018.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC that became effective from 2017 onwards, enterprises engaging in research and development activities are entitled to claim 150%, and the entities which were qualified as "Science and technology small and medium-sized enterprises" are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (collectively, "Super Deduction").

The Group had made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the periods ended 30 June 2018 and 2017.

(e) PRC Withholding Tax ("WHT")

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

As at 30 June 2018, the Group did not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 30 June 2018.

7 Loss per Share

(a) Basic

Basic loss per share is calculated by dividing the loss of the Group attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during each respective period.

	Six Months Ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(245,473)**	(17,701)
Weighted average number of ordinary shares in issue	**137,171,500**	137,419,458
Basic loss per share (in RMB/share)	**(1.79)**	(0.13)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2018, the Company had three categories of dilutive potential ordinary shares, share options granted to employees under pre-IPO share option scheme and post-IPO share option scheme, and restricted share units granted to employees under restricted share units scheme.

As the Group incurred losses for the six months ended 30 June 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, which would be anti-dilutive. Accordingly, dilutive loss per share for the six months ended 30 June 2018 was the same as basic loss per share for the period (30 June 2017: diluted loss per share was the same as the basic loss per share for the period).

8 Dividends

The board of directors does not declare payment of any interim dividend for the six months ended 30 June 2018 (30 June 2017: Nil).

9 Intangible Assets

	Intangible Assets RMB'000 (Unaudited)
Six months ended 30 June 2018	
Opening net book amount	**376,596**
Additions	**—**
Disposals	**—**
Amortisation charge	**(18,452)**
Impairments (Note(i))	**(349,126)**
Closing net book amount	**9,018**
Six months ended 30 June 2017	
Opening net book amount	17,381
Additions	188
Disposals	—
Amortisation charge	(2,943)
Closing net book amount	14,626

(i) Impairment of intangible assets arising from business combination

Included in intangible assets as at 30 June 2018 were identifiable intangible assets of brand name and platform in an aggregate carrying amount of RMB143,243,000 and goodwill amounting to RMB205,883,000. All were recognised in the acquisition of a Fintech Business by the Group under the "Jianlicai" brand during 2017.

Beijing Internet Finance Industry Association issued a circular (the "Circular") in July 2018 which clarified and reiterated the regulations enacted on "Wealth Management Plan" operated by companies in Beijing, China. With reference to the Circular and after careful deliberation, the Group has decided to adjust its "Wealth Management Plan" business model operated under its Fintech Business, which triggered directors of the Company to re-assess the potential impairment issue of intangible assets arising from the operations as at 30 June 2018.

Directors of the Company assess that the original projected cash flows to support the impairment assessment of the aforementioned intangible assets of its Fintech Business before the business adjustment would no longer be valid. In addition, there are significant uncertainties in projecting and estimating any future cash flow to be generated from any new business models to be adopted by the Group to continue its Fintech Business operating under the "Jianlicai" brand, as well as the estimated recoverable amounts of the brand name and platform operated under the "Jianlicai" brand, using value-in-use method or fair value less costs of disposal method. Accordingly, the board of directors of the Company concluded that the whole carrying amounts of the aforementioned identifiable intangible assets and goodwill associated with the Fintech Business operating under the "Jianlicai" brand had been impaired as at 30 June 2018 and impairment loss of RMB349,126,000 was recognised in the interim condensed consolidated statement of comprehensive loss for the six months ended 30 June 2018.

10 Trade Receivables

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Third parties	**40,435**	54,979
Related parties	**1,658**	1,673
Less: provision for impairment	**(16,510)**	(16,403)
	25,583	40,249

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0-30 days	**15,874**	21,722
31-60 days	**2,058**	3,920
61-90 days	**1,640**	6,841
91-180 days	**2,641**	2,943
181-365 days	**2,298**	3,338
Over 1 year	**17,582**	17,888
	42,093	56,652

11 Loan Receivables

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Personal loans		
– Guaranteed loans	**443,881**	219,915
– Collateralised loans	**28,442**	15,337
Gross loan receivables	**472,323**	235,252
Less: Provision for impairment losses		
– Collectively assessed	**(7,057)**	(3,510)
Net loan receivables	**465,266**	231,742

(a) Analysis of loan receivables by overdue and impaired states

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Neither past due nor impaired	**453,527**	201,713
Overdue but not impaired	**18,796**	33,539
	472,323	235,252
Less: Provision for impairment losses	**(7,057)**	(3,510)
Net balance	**465,266**	231,742

(b) Movement of provision for impairment losses

	Six Months Ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
At beginning of the period	**3,510**	—
Charge for the period		
– Collectively assessed	**3,547**	4,273
At end of the period	**7,057**	4,273

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

12 Trade Payables

Trade payables primarily related to (i) the purchase of services for server custody, content costs, agency fees and revenue to be shared and be payable to game developers in Game Business; (ii) cash incentives payable to investing users in Fintech Business.

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
0-30 days	**16,626**	9,393
31-60 days	**4,845**	5,588
61-90 days	**4,187**	3,659
91-180 days	**1,563**	5,746
181-365 days	**534**	5,210
over 1 years	**6,954**	4,573
	34,709	34,169

OTHER INFORMATION

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2018.

Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. Save for the deviation from A.2.1 of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as disclosed below, the Directors consider that the Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2018.

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

Mr. WANG Dongfeng serves as the chairman of the Board and chief executive officer of the Company. In view of the ever-changing business environment in which the Group operates and the fact that the Company was listed around the end of 2013, the chairman and chief executive officer of the Company must be proficient in IT knowledge and be sensitive to fast and rapid market changes, including changes in users' preferences, in order to promote the different businesses of the Group. The Board thus considers that a separation of the roles of the chairman and chief executive officer is premature and may create unnecessary costs for the daily operations of the Group. Further, the Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. Besides, all major decisions have been made in consultation with members of the Board and appropriate committees, as well as the senior management team.

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

The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to the Shareholders accordingly.

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

At the Company's annual general meeting held on 25 May 2018, the Shareholders granted a share buy-back mandate to the Board to buy-back shares of the Company (the "**Shares**") (which should not exceed 10% of the issued share capital of the Company as at 25 May 2018) from time to time as the Board thinks fit until the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company 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 2018, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities.

Audit and Compliance Committee

The Audit and Compliance Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 as well as paragraph D.3 of the CG Code. The Audit and Compliance Committee consists of two independent non-executive Directors, being Mr. HOW Sze Ming and Mr. WAN Joseph Jason, and one non-executive Director, being Mr. ZHANG Qiang. The chairman of the Audit and Compliance Committee is Mr. HOW Sze Ming, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit and Compliance Committee, together with the auditor of the Company, have reviewed the Group's unaudited interim financial results for the six months ended 30 June 2018.

Use of Proceeds from IPO

The Company's Shares were listed on the Stock Exchange in October 2013 and the Company raised net proceeds of approximately HK$982.8 million from the initial public offering of the Shares on the Stock Exchange (the "**IPO**"). It was disclosed in the Company's announcement dated 3 August 2016 (the "**August Announcement**") that the Board had resolved to change the use of approximately HK$289,840,000 out of the remaining unutilised IPO proceeds as at the date of the August Announcement for investments in the internet, media and technology industry, and such investments may include equity, bonds and hybrid products such as convertible bonds in the primary or secondary market. The balance of the IPO proceeds of approximately HK$115,200,000 as at the date of the August Announcement would be used for working capital and other general corporate purposes. For further details, please refer to the August Announcement.

As at 30 June 2018, the Group had utilised all of the net proceeds from the IPO, of which (i) approximately HK$386.3 million was used in the purchase of webgame and mobile game licences, the acquisition of IP rights authorisation and equity investments, (ii) approximately HK$92.5 million was used in funding the expansion of the Group's international operation, (iii) approximately HK$289.8 million was used in investments in the internet, media and technology industry, and (iv) approximately HK$214.2 million was used for working capital and other general corporate purposes. Such utilisation of the net proceeds was in accordance with the proposed allocations set out in the section headed "Future plans and use of proceeds" in the prospectus of the Company dated 19 September 2013 in relation to the IPO and as subsequently amended and disclosed in the August Announcement.

Use of Proceeds from Placing

Reference is made to the Company's announcements dated 23 May 2015 and 5 June 2015. The Group successfully raised over HK$314 million through the placing of 19,041,900 placing shares (the "**Placing Shares**") to not less than six professional, institutional and other investors at the placing price of HK$16.50 per Share on 5 June 2015 (the "**Placing**") in order to strengthen its capital base and working capital position. Upon the completion of the Placing, the Company received gross proceeds of HK$314,191,350 and net proceeds, after the deduction of the placing commission and other related expenses, of approximately HK$310,160,000, representing a net issue price of approximately HK$16.29 per Placing Share. As disclosed in the August Announcement, the Board had resolved to change the use of the remaining approximately HK$310,160,000 out of the unutilised net proceeds from the Placing as at the date of the August Announcement for investments in the internet, media, and technology industry, and such investments may include equity, bonds and hybrid products such as convertible bonds in the primary or secondary market. It was further disclosed in the Company's announcement dated 28 December 2016 (the "**December Announcement**") that the Board had resolved to expand the use of approximately HK$248,579,000, being the remaining unutilised net proceeds from the Placing as at the date of the December Announcement, for operations and investments in the internet, media and technology industry, and for working capital and other general corporate purposes. For further details in respect of the changes in the use of proceeds from the Placing, please refer to the August Announcement and the December Announcement.

As at 30 June 2018, the Group had utilised all of the net proceeds from the Placing in operations and investments in the internet, media and technology industry.

Publication of the Unaudited Consolidated Interim Results and 2018 Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.forgame.com), and the 2018 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in September 2018.

Appreciation

The Board would like to express its sincere gratitude to the Shareholders, management teams, employees, business partners and customers of the Group for their continued support and contribution to the Group.

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 23 August 2018

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