Forgame Holdings Limited
雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

DISCLOSEABLE TRANSACTION

SUPPLEMENTAL AGREEMENT TO THE INVESTMENT AGREEMENT

THE TRANSACTION

The Board wishes to announce that on 25 June 2017, the Vendor and the Company entered into the Supplemental Agreement, pursuant to which the Company and the Vendor have agreed to restructure the transactions contemplated under the Investment Agreement.

As at the date of this announcement, the Company is the registered holder of the Convertible Bonds issued by the Vendor. As the Vendor's underlying business has performed well, the Company wishes to restructure the transactions under the Investment Agreement such that the Company can (1) gain operational and financial control over certain subsidiaries of Yinker Group in order to further and directly expand into the internet finance industry; (2) consolidate such subsidiaries' financial results into the Group; and (3) create synergies with the Group's existing internet finance business. The aforementioned benefits will not have as meaningful an impact should the Company convert the convertible bonds into minority shares of Yinker.

Pursuant to the Supplemental Agreement, the Vendor conditionally agreed to transfer to the Company (or its nominee) and the Company conditionally agreed to acquire from the Vendor the Transferred Shares, representing 55.0% of the entire issued share capital of the Target Company, in consideration of the cancellation of the Convertible Bonds in the principal amount of RMB300,000,000 (or US$45,194,337).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the Transaction exceed(s) 5% and all the applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcements of the Company dated 3 August 2016 and 27 September 2016 in respect of, inter alia, the Company's subscription of the Convertible Bonds issued by the Vendor and the announcement of the Company dated 28 April 2017 in respect of a memorandum of understanding entered into between the Company and the Vendor for the Company's acquisition of no less than 50% of the equity interests in a group of companies engaging in the internet finance business.

The Board wishes to announce that on 25 June 2017, the Company entered into the Supplemental Agreement with the Vendor, pursuant to which, the parties to the Supplemental Agreement agreed to restructure the transactions contemplated under the Investment Agreement.

As at the date of this announcement, the Company is the registered holder of the Convertible Bonds issued by the Vendor. As the Vendor's underlying business has performed well, the Company wishes to restructure the transactions under the Investment Agreement such that the Company can (1) gain operational and financial control over certain subsidiaries of Yinker Group in order to further and directly expand into the internet finance industry; (2) consolidate such subsidiaries' financial results into the Group; and (3) create synergies with the Group's existing internet finance business. The aforementioned benefits will not have as meaningful an impact should the Company convert the convertible bonds into minority shares of Yinker.

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THE RESTRUCTURING OF THE INVESTMENT AGREEMENT

The Supplemental Agreement

Date:

25 June 2017

Parties:

(1) the Vendor; and

(2) the Company.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Vendor and its respective ultimate beneficial owners are not connected persons of the Company as defined under Chapter 14A of the Listing Rules as at the date of this announcement.

Restructured Investment

Pursuant to the Supplemental Agreement, instead of obtaining minority indirect interests in the Domestic Companies by converting the Convertible Bonds into the shares of the Vendor, the parties agreed to restructure the transactions contemplated under the Investment Agreement such that the Company will directly control the Target Group. The Company has conditionally agreed to acquire the Transferred Shares from the Vendor in consideration of the Cancellation.

The Investment Payment

The Investment Payment shall be settled by the Cancellation.

Profit Guarantee Payment

The Investment Payment shall be subject to an adjustment based on the Adjusted Net Income of the Target Group for the financial year ending 31 December 2017 (the "**Actual Profit**").

If the Actual Profit is less than RMB60,000,000, the Vendor shall pay to the Company a sum (the "**Profit Guarantee Payment**") based on the formula set out below:

Profit Guarantee Payment = (RMB60,000,000 - Actual Profit) x 55% x PE Multiple

PE Multiple = 9.1

The Profit Guarantee Payment will be satisfied by the Vendor in cash in US$ to be paid or caused to be paid to the Company in immediately available funds by wire transfer to an account or accounts that have been designated by the Company prior to the Vendor making such payment.

The Profit Guarantee Payment shall be settled within five (5) Business Days after the Company publishes its audited financial statements for the financial year ending 31 December 2017 or such other date as agreed by the Company.

In the event that any Profit Guarantee Payment is required to be made, the Investment Payment shall be adjusted and be reduced by an amount equivalent to the Profit Guarantee Payment.

Basis of Investment Payment

The Investment Payment was determined on an arm's length basis pursuant to the negotiations between the Company and the Vendor after taking into account, among others, the financial conditions and prospects of the Target Group as well as the valuation report on the Target Group provided by AVISTA Group, an independent valuer. The Directors are of the view that the Investment Payment is fair and reasonable and on normal commercial terms.

Non-compete undertaking

The Vendor covenants with the Company that it shall not and shall procure that none of its Associates shall for a period of two (2) years after Completion:

(a) be concerned in any business or carrying on business in Hong Kong and the PRC which is competitive with the principal business of the Target Group, and as a result causes any loss to the Company or the Target Group, except those businesses agreed by the Company expressly;

(b) canvass or solicit services similar to those being provided by the Target Group at Completion or at any time within the year prior to Completion from any person who is at Completion or has been at any time within the year prior to Completion a customer of the Target Group;

(c) induce or attempt to induce any person, who is at Completion or has been at any time within the year prior to Completion a supplier of goods or services to the Target Group, to cease to supply, or to restrict or vary the terms of supply, to the Target Group. For the avoidance of doubt, the Vendor' cooperation with such supplier (if any) will not be affected;

(d) induce or attempt to induce any person who is at Completion or has been at any time within the year prior to Completion a director or senior employee of the Target Group to leave the employment of the Target Group; or

(e) employ or attempt to employ any person who is at Completion or has been at any time within the year prior to Completion a director or senior employee of the Target Group.

Conditions Precedent

Completion of the Supplemental Agreement is conditional upon the fulfillment and satisfaction or waiver (as the case may be) of certain conditions which include, inter alia:

(a) the Company having been satisfied with the results of such enquiries, investigations and due diligence reviews of the business, affairs, operations and financial position of the Target Group by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;

(b) the warranties made by the Vendor remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances subsisting as at the date of Completion;

(c) no notice, order, judgment, action or proceeding of any court, arbitrator, governmental authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Supplemental Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Transferred Shares, free from encumbrances, following the date of Completion;

(d) the Company having obtained a legal opinion on, among others, the PRC Target Group, and the legality and enforceability of the Structured Contracts issued by the PRC Legal Adviser, in form and substance satisfactory to the Company in its absolute discretion;

(e) all the Structured Contracts enabling the financial results, the entire economic benefits and the risks of the business of JLC (VIE) to flow into JLC (WFOE) and enabling JLC (WFOE) to gain the controlling right of JLC (VIE) having been duly executed and remain valid and subsisting;

(f) the waiver of pre-emption, right of first refusal or similar right (if any) with respect to the transfer of the Transferred Shares having been obtained;

(g) all necessary approvals and other consents required to be obtained on the part of the Vendor and the Company in respect of the Supplemental Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company;

(h) the Target Group having completed the Reorganisation to the satisfaction of the Company;

(i) there shall have been no event or events which in the sole determination of the Company would have a material adverse effect on the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions of the Target Group since the date of the Supplemental Agreement to the date of Completion;

(j) the Vendor having complied with all its obligations under the Supplemental Agreement which are required to be complied with before the date of the Completion; and

(k) the Shareholders' Agreement having been duly executed and remaining valid and subsisting.

The Vendor shall use its best endeavours to ensure the satisfaction of the conditions precedent as set out above (other than conditions under (a) and (d) above) as soon as possible after the date of the Supplemental Agreement but in any event no later than the Long Stop Date.

The Company may at any time waive any or all of the conditions precedent (except for the conditions under (g) above) conditionally or unconditionally by notice in writing to the Vendor. The Company is entitled to terminate the Supplemental Agreement by written notice to the Vendor if the conditions precedent (other than conditions (b) and (c)) are not satisfied on or before the Long-Stop Date and conditions (b) and (c) are not satisfied or waived on the date of Completion, or any transaction under the Supplemental Agreement is prohibited by applicable law(s); and the Vendor is entitled to terminate the Supplemental Agreement by written notice to the Company, if the Company has not obtained its board resolution approving the transactions under the Supplemental Agreement on or before the Long-Stop Date; provided however that (i) the surviving provisions contained therein shall continue in force following the termination of the Supplemental Agreement; and (ii) the termination of the Supplemental Agreement shall be without prejudice to the rights and liabilities of any party to the Supplemental Agreement accrued prior to such termination. In all other circumstances, the Supplemental Agreement shall be terminated without liability to any party.

Completion

Completion of the Supplemental Agreement shall take place no later than the tenth (10th) Business Day following the day on which the last in time of the conditions precedent shall have been fulfilled or waived by the Company (or such other date as agreed between the Company and the Vendor in writing), when completion of the transfer of the Transferred Shares shall occur simultaneously.

Immediately after the Reorganisation and upon Completion, the Vendor will no longer hold any share of the Target Company. Meanwhile, 55.0% of the issued shares of the Target Company will be owned by the Company, and the Target Company will become a subsidiary of the Company. The financial results of the Target Group will be consolidated into the financial statements of the Company.

Shareholders' Agreement

Pursuant to the terms of the Supplemental Agreement, a shareholders' agreement will be entered into between, among others, the Company, the Target Group, Cornerstone Venture Limited, Wind Media Holdings Inc., and Kunlun Group Limited on Completion (the "**Shareholders' Agreement**"), which shall become effective upon the date of Completion. The Shareholders' Agreement will contain various customary rights for protection of minority shareholders including but not limited to pre-emptive rights and reserved matters which require approval of the minority shareholders of the Target Company. Transfer of the shares in the Target Company will be subject to any rights of first refusal and the right of co-sale.

INFORMATION ABOUT THE GROUP

The Company is an investment holding company. The Group is principally engaged in the development and operation of webgames and mobile games in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the Cayman Islands, and upon Completion through its wholly-owned subsidiaries and the

Structured Contracts (primarily, Jianlicai Group), will be principally engaged in the internet finance business (also known as "互聯網金融服務") in the PRC through the operations of websites and mobile phone applications under the "Jianlicai" ("簡理財") brands.

JLC (HK) is an investment holding company incorporated in Hong Kong and is a wholly-owned subsidiary of the Target Company.

JLC (WFOE) is a company to be established under the laws of PRC and its principal business will be the provision of consulting services to the Domestic Companies.

The PRC Target Group Companies are companies established under the laws of the PRC and are principally engaged in the internet finance business in the PRC through themselves or the Domestic Companies.

Financial Information of the Target Group

Based on the unaudited financial information of the Target Group, as at 28 February 2017, the total asset value and net asset value of the Target Group were RMB159,004,000 and RMB(7,547,000), respectively.

Set out below are certain unaudited financial information of the Target Group for the financial years ended 31 December 2015 and 31 December 2016, and for the two months ended 28 February 2017:

	For the year ended 31 December		Two months ended 28 February
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Net profit/(loss) before taxation and extraordinary items	(2,132)	(28,349)	15,963
Net profit/(loss) after taxation and extraordinary items	(2,132)	(28,779)	12,138

REASONS FOR AND BENEFITS OF THE TRANSACTION

Since the Group's subscription of the Convertible Bonds in September 2016, the Group has been closely monitoring Yinker Group's performance which has shown promising results so far. Yinker Group has grown its full-year transaction volume from RMB7.6 billion as of the end of December 2015 to RMB44.7 billion as of the end of December 2016. Specifically, Jianlicai Group, a group of Yinker's subsidiaries that provides professional and safe internet finance services in the PRC by matching borrowers with investors through regulated financial assets exchanges in the PRC mainly via its popular app Jianlicai, has delivered promising results. For the full year 2016, it contributed a transaction volume of RMB29 billion, which is approximately six (6) times the transaction volume for full year 2015. Based on these results, the Directors believe the Group should restructure the Convertible Bond investment to allow the Group to further and directly expand its operations into the internet finance industry by acquiring a 55.0% direct stake in the Target Company, thereby gaining operational and financial control over Jianlicai Group. The opportunity presented under the Supplemental Agreement will be beneficial to the Group and the Shareholders as a whole in the following ways:

(a) Jianlicai Group currently runs a rapidly growing and profitable business. The profit guarantee structured under this Supplemental Agreement demonstrates the confidence in Jianlicai Group to generate approximately RMB60 million in Adjusted Net Income on a standalone basis for the full year 2017. The Directors believe that higher shareholder value can be achieved when consolidating Jianlicai Group's financials into the Group's;

(b) By taking a controlling stake in the Target Company instead of converting the Convertible Bonds into an approximately 15.01% stake in Yinker allows the Group to gain direct operational and financial control over its internet finance business;

(c) Out of all of Yinker's subsidiaries, Jianlicai Group's business complements best with the Group's existing internet finance business which holds an internet micro-lending licence in the PRC (《江西省小額貸款公司經營許可證》) and therefore could create synergies; and

(d) The Transaction should enhance the Group's overall competitiveness and viability, which will in turn help retain and attract new talents and resources.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Transaction is carried out on normal commercial terms which are fair and reasonable and are in the interests of Shareholders as a whole.

INFORMATION OF THE REGISTERED SHAREHOLDER

The Registered Shareholder is a company to be established under the laws of the PRC before Completion. The entire equity interests of the Registered Shareholder will be owned by the PRC Equity Owners.

Save as Mr. Guo Yong being an employee of the Target Company and Ms. Qiu Zengzhen being an employee of the Group, the PRC Equity Owners and the Registered Shareholder are independent third parties of the Company and its connected person(s).

INFORMATION OF THE PROPOSED STRUCTURED CONTRACTS

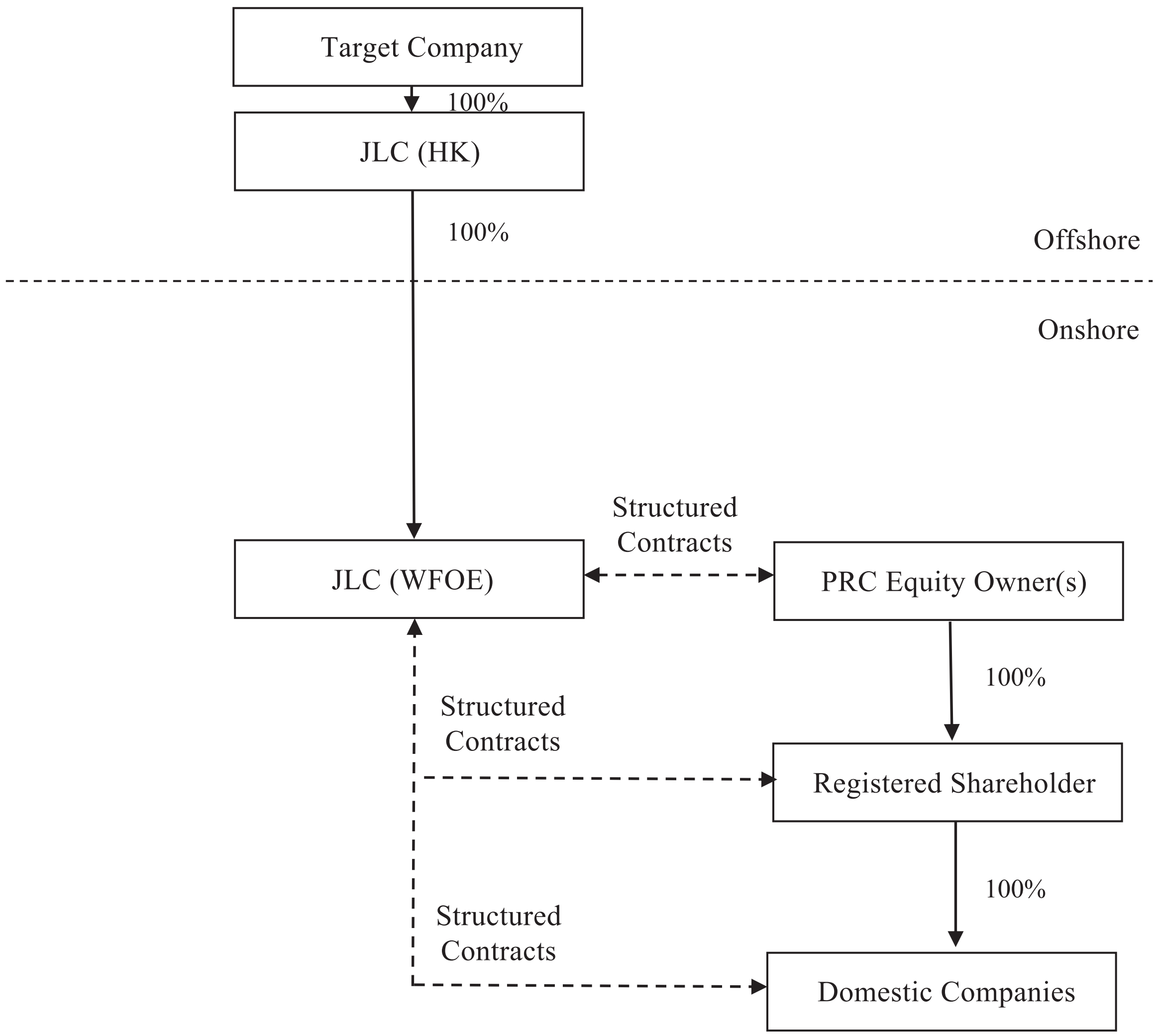
Pursuant to the applicable PRC laws, the value-added telecommunications business (Information Service via Internet and mobile network) of Target Group is subject to restriction on foreign investment. As such, each of the Domestic Companies, the Registered Shareholder and their respective shareholders, and JLC (WFOE) will, on or before Completion, enter into the Structured Contracts to replace the existing structured contracts the Domestic Companies are subject to (the "**Existing Structured Contracts**") to enable the financial results, the entire economic benefits and risks of the businesses of the Domestic Companies to flow into JLC (WFOE) and to enable JLC (WFOE) to gain the controlling right of the Domestic Companies in the same way as under the Existing Structured Contract.

Reasons for and details of the Existing Structured Contracts have been set out in the Company's announcement dated 3 August 2016. The entering into of the proposed Structured Contracts to replace the Existing Structured Contracts is a result of the Reorganisation necessary to enable the Transaction.

In the event it is permissible in the future under the relevant PRC laws, rules and regulations for JLC (WFOE) to engage in the business which the Domestic Companies have been engaging in, JLC (WFOE) shall exercise the options under the Exclusive Option Agreement as soon as practicable and the relevant Structured Contracts shall be terminated.

Shareholding structure of the Target Group

Set out below is a simplified shareholding structure of the Target Group upon Completion:



The proposed Structured Contracts

(1) Exclusive Option Agreements

With respect to each of the VIE Controlled Entities:

Parties: The registered shareholder(s) of the respective VIE Controlled Entity
JLC (WFOE)
The respective VIE Controlled Entity

Subject: The registered shareholder(s) of respective VIE Controlled Entity irrevocably agree(s), to the extent permitted under the laws of the PRC, to transfer to JLC (WFOE) or any persons(s) designated by JLC (WFOE), all or in tranches of its equity interest in the respective VIE Controlled Entity, at a minimum purchase price permitted by the PRC laws and regulations (the "**Agreed Price**"). The registered shareholder(s) of the respective VIE Controlled Entity will undertake to reimburse JLC (WFOE) (or the person as designated by JLC (WFOE)), any difference between the actual consideration JLC (WFOE) (or the person as designated by JLC (WFOE)) paid pursuant to the exercise of the option(s) and the Agreed Price. JLC (WFOE) may exercise such options at any time until it or the person(s) designated by it has acquired the entire interest of the VIE Controlled Entities.

(2) Exclusive Business Cooperation Agreements

With respect to each of the Domestic Companies:

Parties: The respective Domestic Company
JLC (WFOE)

Subject: The respective Domestic Company engages JLC (WFOE) on an exclusive basis to provide business and technical consultancy services in connection with the business of the respective Domestic Company. In consideration of the provision of business and technical consultancy services, the respective Domestic Company will pay JLC (WFOE) a service fee equivalent to 100% of the income and interests of the respective Domestic Company every year after deduction of necessary costs, expenses, taxes and mandatory reserves.

(3) Equity Pledge Agreements

With respect to each of the VIE Controlled Entities:

Parties: The registered shareholder(s) of the respective VIE Controlled Entity
JLC (WFOE)
The VIE Controlled Entity

Subject: The registered shareholder(s) agree(s) to pledge all equity interest in the respective VIE Controlled Entity held by the registered shareholders to JLC (WFOE).

(4) Irrevocable Power of Attorney

Parties: The registered shareholder(s) of the respective VIE Controlled Entity

Subject: The registered shareholder(s) irrevocably and unconditionally undertake(s) to authorise JLC (WFOE) or any person as designated by JLC (WFOE) to exercise on their behalf full shareholders' rights under the articles of association of the respective VIE Controlled Entity and applicable PRC laws and regulations, including, but not limited to (i) the right to convene, attend the shareholders' meetings and vote and sign minutes of shareholders' meetings and shareholders' resolutions, (ii) exercising all shareholder's rights under PRC laws and the articles of association of the respective VIE Controlled Entity, including but not limited to selling, transferring or disposing of entire or any part of the equity interests thereof, (iii) appointing the legal representatives, director, supervisor, chief executive or other senior management thereof, and (iv) the right to file documents with the relevant companies registry.

The registered shareholder(s) also undertake(s) that in the event of its bankruptcy, liquidation, or loss of legal capacity it will do all actions to ensure its successor(s) will join in and be bound by the terms of the Irrevocable Power of Attorney and the rights and obligations thereunder.

(5) Spousal Consent Letter

Parties: The spouse of the PRC Equity Owner(s) (if applicable)

Subject: The spouse of the PRC Equity Owner(s) unconditionally and irrevocably, (i) acknowledges that all the equity interests of the Registered Shareholder registered under the name of each of the PRC Equity Owner(s) do not form part of his/her matrimonial property, (ii) undertakes that he/she will not claim any remedy in respect of the equity interests in the Registered Shareholder, and (iii) confirms that the performance or amendments of the Structured Contracts do not require his/her consent or approval.

Compliance with PRC laws, rules and regulations of the proposed Structured Contracts

According to our PRC Legal Adviser, (i) each of the proposed Structured Contracts is legal, valid and binding on the parties thereto; (ii) none of the proposed Structured Contracts contravenes the articles of association of JLC (WFOE) and the respective VIE Controlled Entity, and would be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law; and (iii) the proposed Structured Contracts are enforceable, except that the proposed Structured Contracts shall provide that the arbitral body may award remedies over the shares and/or assets of the Domestic Companies, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration or to award interlocutory relief during the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Domestic Companies in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC. The proposed Structural Contracts are in substantially the same form as the Existing Structured Contracts the Domestic Companies are parties to prior to Completion.

Up to the date of this announcement, the Vendor has not encountered any interference or encumbrance from any governing bodies in operating its relevant business through the Domestic Companies under the Existing Structured Contracts based on confirmation provided by the Vendor and the Domestic Companies and the interview with relevant PRC governmental authorities conducted by them and the PRC Legal Adviser. As a result, the Directors believe that the proposed Structured Contracts shall be enforceable under the PRC laws and regulations. Completion of the Transaction is conditional upon, among other things, the Company obtaining a legal opinion on the legality and enforceability of the Structured Contracts.

Manner of settlement of disputes which may arise from the proposed Structured Contracts

Dispute Resolutions

The proposed Structured Contracts shall be governed by the PRC laws. When a dispute arises under any of the proposed Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the proposed Structured Contracts shall provide that such dispute will be submitted to the China International Economic and Trade Arbitration

Commission for arbitration. The decision of such arbitration shall be final and binding on the parties concerned. The proposed Structured Contracts shall contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award any remedies over the equity interests or assets of the Domestic Companies and (ii) provide the courts of competent jurisdictions (including the PRC, Hong Kong, Cayman Islands and the jurisdiction(s) of the respective VIE Controlled Entity and the respective shareholder(s) are domiciled and their respective principal assets are located in) with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel.

Succession

The provisions set out in the Structured Contracts are also binding on the successors of the PRC Equity Owners, as if the successor was a signing party to the PRC Equity Owners. Although the Structured Contracts do not specify the identity of successors to such PRC Equity Owner, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Structured Contracts.

Measures to mitigate potential conflict of interests between JLC (VIE) and the Registered Shareholder

The registered shareholder(s) of the respective VIE Controlled Entity will be required to undertake in the Structured Contracts that it will not pay dividend from the VIE Controlled Entity without prior written consent of JLC (WFOE) and will pay such interests to JLC (WFOE) as service fees, and it will perform all obligations in full compliance with the Structured Contracts and it will not affect the validity or enforceability of the Structured Contracts by any act or omission. The respective VIE Controlled Entity will be required to undertake in the Exclusive Business Cooperation Agreement that during the period that the Structured Contracts remain effective, (i) it or its subsidiaries shall not participate in any business which is beyond the business scope of their business licences and relevant business permits and JLC (WFOE)'s written consent, and (ii) it or its subsidiaries would not, directly or indirectly participate in, or invest in any business which is in competition with the businesses of JLC (WFOE).

Measures to mitigate potential conflict of interests between JLC (WFOE) and the respective registered shareholder(s) of the VIE Controlled Entities

The proposed Structured Contracts shall provide that, among other things, the respective registered shareholder(s) of the VIE Controlled Entities shall (i) not directly or indirectly participate in any business in the PRC which is in competition with the businesses of the relevant VIE Controlled Entity, including any investment in domestic entities operating any business which is in competition with the businesses of the relevant VIE Controlled Entity, (ii) strictly perform its respective obligations under the Structured Contracts and not to do any act or permit any omission which may affect the validity or enforceability of the Structured Contracts, (iii) to carry out such action as may be instructed by JLC (WFOE) to remove any conflict of interests subject to applicable PRC laws, if it is in the reasonable opinion of JLC (WFOE) that there is conflict of interest between the relevant registered shareholder and the VIE Controlled Entity, (iv) in the event that the registered shareholder of a VIE Controlled Entity is also a director or senior management of JLC (WFOE) (or its offshore holding company), the relevant registered shareholder(s) of the VIE Controlled Entity shall authorise such director, senior management or officer (other than the relevant registered shareholder) to exercise the rights under the Irrevocable Power of Attorney.

Internal control measures to be implemented by the Group

The proposed Structured Contracts shall contain certain provisions in order to exercise effective control over and to safeguard the assets of JLC (VIE). The Company will also comply with the disclosure requirements under paragraph 20 of Guidance Letter GL77-14 issued by the Stock Exchange to keep Shareholders informed of the Domestic Companies' business in the Company's annual reports.

In order to have effective control over and to safeguard the assets of the VIE Controlled Entities, the proposed Structured Contracts will provide that, without the prior written consent of JLC (WFOE), the registered shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the VIE Controlled Entities, or allow any encumbrance thereon of any security interest.

The VIE Controlled Entities and their respective registered shareholder(s) shall always operate all of the VIE Controlled Entities' businesses in the ordinary and usual course of business and shall maintain the asset value of the VIE Controlled Entities and refrain from any action/omission that may adversely affect VIE Controlled Entities' operating status and asset value.

Unwinding the Structured Contracts

JLC (WFOE) agrees that it will unwind the proposed Structured Contracts as soon as the law allows the value-added telecommunications business in the PRC to be operated without the Structured Contracts. Pursuant to the proposed Exclusive Option Agreements, the registered shareholder(s) of the respective VIE Controlled Entities will undertake that the consideration the registered shareholder received in respect of the acquisition of equity interest of the VIE Controlled Entities by JLC (WFOE) or the person designated by JLC (WFOE) during the course of unwinding the Structured Contracts will be returned to JLC (WFOE) subject to the PRC laws.

Rights to deal with the Domestic Companies' assets

In addition to the rights of JLC (WFOE) to manage the Domestic Companies' businesses and its rights to the revenue, the proposed Structured Contracts will contain provisions relating to the rights of JLC (WFOE) (or its nominee) to deal with the Domestic Companies' assets in the event of liquidation of the Domestic Companies' assets. Such provisions will be set out in the terms of each Exclusivity Option Agreement, whereby the relevant VIE Controlled Entity and its registered shareholder(s) undertake that in the event the VIE Controlled Entity is subject to winding-up or liquidation as required under the PRC laws, the VIE Controlled Entity shall, to the extent allowed by the PRC laws, sell all of its assets to JLC (WFOE) or its nominee at the minimum price allowed under the PRC laws. Each of the VIE Controlled Entities will also grant an option under the relevant Exclusive Option Agreement for JLC (WFOE) to exercise, at any time, the right to acquire part or all of such VIE Controlled Entity's assets at a nominal price or such minimum price allowed under the PRC laws.

Arrangements in the event of death, bankruptcy or divorce of the VIE Controlled Entities' registered shareholder(s)

JLC (WFOE) will enter into the proposed Structured Contracts with each of the VIE Controlled Entities and would thus have rights against each VIE Controlled Entity, even in the event of bankruptcy, liquidation, loss of legal capacity and any other events which may affect the registered shareholders exercising their rights as shareholders of the VIE Controlled Entities. In the Irrevocable Power of Attorney, each registered shareholder will also undertake, in the event of its bankruptcy, liquidation, or loss of legal capacity, such register shareholder will do all actions to ensure its successor(s) will join in and be bound by the terms of the Irrevocable Power of Attorney and the rights and obligations thereunder. In addition, the spouse of a PRC Equity Owner will execute the Spousal Consent Letter.

RISK FACTORS

JLC (WFOE) will not have any direct equity ownership in the VIE Controlled Entities and will rely on the proposed Structured Contracts to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunications services business in the PRC conducted through the Domestic Companies. However, there are risks involved with the operations of JLC (WFOE)'s value-added telecommunications business under the proposed Structured Contracts.

The Group does not have any insurance which covers the risks relating to the proposed Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the proposed Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Structured Contracts, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

There is no assurance that the proposed Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunications business, including Information Service via Internet and mobile network. Specifically, foreign ownership of value-added telecommunications services providers, including Internet content providers, may not exceed 50%. The Target Group's online business is related to Information Service via Internet and mobile network. The Target Company is a Cayman Islands incorporated company and its wholly-owned subsidiary in the PRC, JLC (WFOE), may not operate Information Service via Internet and mobile network in the PRC under current PRC laws. As a result, the Target Group will have to conduct its online operations in the PRC through the Structured Contracts if it expects to hold the entire equity interests of its domestic subsidiary providing value-added telecommunications services.

The Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the Ministry of Industry and Information Technology of the People's Republic China (the "**MIIT**") on 13 July 2006 (the "**MIIT Circular**") provides that a domestic company that holds a licence for operating Information Service via Internet and mobile network ("**ICP**") is prohibited from leasing, transferring or selling the licence to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in the PRC. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider the Target Group's corporate structure and contractual arrangements upon Completion as a kind of foreign investment in telecommunication services, in which case the Target Group may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on the Target Group's operations.

On 11 December 2001, the State Council promulgated Regulations for the Administration of Foreign-invested Telecommunications Enterprises (the "**FITE Regulations**"), which were subsequently amended on 10 September 2008. Under the FITE Regulations, foreign ownership of companies that provide value-added telecommunication services is limited to 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. If the restrictions on foreign ownership in value-added telecommunications businesses in relation to JLC (VIE)'s online business are lifted in the PRC, the Target Group may be required to unwind the Structured Contracts before the Target Group is in a position to fully comply with the Qualification Requirement.

Despite the fact that there is no indication that the proposed Structured Contracts will be interfered or objected by any PRC regulatory authorities, there is a possibility that the Ministry of Commerce and other competent authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the proposed Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the proposed Structured Contracts.

If the authorities deny the validity, effectiveness and enforceability of the proposed Structured Contracts, it could have a material adverse impact on the Target Company's businesses, financial condition and results of operations.

The proposed Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in the VIE Controlled Entities as direct ownership

The proposed Structured Contracts may not be as effective in providing JLC (WFOE) with control over and entitlement to the economic interests in the VIE Controlled Entities as direct ownership. If JLC (WFOE) were to have direct ownership of the VIE Controlled Entities, JLC (WFOE) would be able to directly exercise its rights as a shareholder to effect changes in the board of directors of the VIE Controlled Entities. However, under the proposed Structured Contracts, JLC (WFOE) can only look to and rely on the VIE Controlled Entities and their respective registered shareholders to perform their contractual obligations under the Structured Contracts such that JLC (WFOE) can exercise effective control over the VIE Controlled Entities. The registered shareholder(s) may not act in the best interests of JLC (WFOE) or may not perform its/their obligations under the Structured Contracts. JLC (WFOE) may replace the registered shareholders by its other nominees pursuant to the Structured Contracts. However, if any dispute relating to the Structured Contracts remains unresolved, JLC (WFOE) will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with the PRC laws which will be subject to uncertainties in the PRC legal system.

The proposed Structured Contracts will be governed by the PRC laws. When a dispute arises under any of the proposed Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the parties to the dispute may have to rely on legal remedies under the PRC laws. The proposed Structured Contracts shall provide that dispute will be submitted to the China International Economic and Trade Arbitration Commission for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of JLC (WFOE) to enforce the Structured Contracts. There is no assurance that such arbitration result will be in favour of JLC (WFOE) and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by JLC (WFOE). As JLC (WFOE) may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over the VIE Controlled Entities and the conduct of the value-added telecommunication business could be materially and adversely affected, and may disrupt the business of JLC (WFOE) and have a material adverse impact on JLC (WFOE)'s business, prospects and results of operation.

Potential conflicts of interest among JLC (WFOE), JLC (VIE) and Registered Shareholder may exist

JLC (WFOE) shall rely on the proposed Structured Contracts to exercise control over and to draw the economic benefits from the VIE Controlled Entities. JLC (WFOE) may not be able to provide sufficient incentives to the Registered Shareholder and the PRC Equity Owner(s) for the purpose of encouraging it/them to act in the best interests of JLC (WFOE), other than stipulating the relevant obligations in the proposed Structured Contracts. The Registered Shareholder and the PRC Equity Owner(s) may breach the Structured Contracts in the event of conflicts of interest or deterioration of its/their relationship with JLC (WFOE), the results of which may have a material adverse impact on JLC (WFOE)'s business, prospects and results of operation.

It is not assured that if conflicts arise, the Registered Shareholder and the PRC Equity Owner(s) will act in the best interests of JLC (WFOE) or that the conflicts will be resolved in favour of JLC (WFOE). If any of the Registered Shareholder or the PRC Equity Owner(s) fail to perform its obligations under the respective Structured Contracts, JLC (WFOE) may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to JLC (WFOE)'s operations and will be subject to uncertainties as discussed above.

The proposed Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The proposed Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on JLC (WFOE). JLC (WFOE) may face adverse tax consequences if the PRC tax authorities determine that the proposed Structured Contracts are not entered into based on arm's length negotiations. If the PRC tax authorities determine that the proposed Structured Contracts are not entered into on an arm's length basis, they may adjust the income and expenses of JLC (WFOE) for the PRC tax purposes, which could result in higher tax liabilities on JLC (WFOE).

The operation results of JLC (WFOE) may be materially and adversely affected if the tax liabilities of the Domestic Companies or those of JLC (WFOE) increase significantly or if they are required to pay interest on late payments.

JLC (WFOE)'s ability to acquire the entire equity interests in the VIE Controlled Entities may be subject to various limitations and substantial costs

In case JLC (WFOE) exercises its options to acquire all or part of the equity interests of the VIE Controlled Entities under the Exclusive Option Agreements, the acquisition of the entire equity interests in the VIE Controlled Entities may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under the applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in the VIE Controlled Entities) or other limitations as imposed by the applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the VIE Controlled Entities, which may have a material adverse impact on JLC (WFOE)'s businesses, prospects and results of operation.

The Group may bear economic risk which may arise from difficulties in the operation of the VIE Controlled Entities

As the primary beneficiary of the VIE Controlled Entities, the Group will bear economic risks which may arise from difficulties in the operation of the VIE Controlled Entities' business. However, under the Structured Contracts, the Group will not be obligated to share the losses of the VIE Controlled Entities nor will the Group to obligated to provide financial support to the VIE Controlled Entities in any circumstances. The Group may decide and resolve, at its sole and absolute discretion, to provide financial support to the VIE Controlled Entities in any manner permitted by relevant PRC laws in order to maintain the VIE Controlled Entities' sound operations.

DEVIATION FROM THE GUIDANCE LETTER

Paragraph 16(a)(i) of the Guidance Letter GL77-14 published by the Stock Exchange in May 2014 (as updated in August 2015) in relation to listed issuers using contractual arrangements for their businesses (the "**Guidance Letter**") requires that structured contracts shall be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations. As advised by the PRC Legal Adviser, according to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services (except for e-commerce). Furthermore, to the best knowledge of the Company and the PRC Legal Adviser, if a Sino-Foreign equity joint-venture enterprise applies for an ICP licence, it will be subject to more stringent requirements or additional requirements imposed by the MIIT or its local counterparts (the "**Relevant Authority**") as compared to domestic enterprises in the PRC. As compared to domestic enterprises in the PRC, the Relevant Authority will require more information, documents and other proof from an applicant which is a Sino-Foreign equity enterprise in various aspects, such as the identity and nationality of its ultimate individual shareholders, the prior experience of the foreign investor(s) in operating value-added telecommunications businesses and a proven track record of its overseas business operations (collectively, the "**Additional Information**"). No criteria, standard, guidance or interpretation documents have been published by the Relevant Authority on how the Additional Information will be assessed, whether in qualitative or quantitative aspect, and on the extent or form of requirements of the Additional Information.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the Transaction exceed(s) 5% and all the applicable percentage ratios are below 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

"Adjusted Net Income"	the net income after tax of the Target Group published by the Purchaser in its audited consolidated financial statements for a financial year, excluding impact from: (1) one-off, extraordinary non-operational profit and loss items (including but not limited to realised or unrealised profit and loss due to investments, fair value change of investments, etc.) (for avoidance of doubt, extraordinary profit and loss items that are operational in nature, such as provision for bad debts, should not be excluded in determining operating net profit), (2) profit and loss due to foreign exchange, (3) share-based compensation, and (4) depreciation or amortisation costs due to the Transaction
"Associate(s)"	has the meaning given to it in the Listing Rules
"Board"	the board of Directors

"Business Day(s)"	any day that is not a Saturday, Sunday, public holiday, a day on which the Hong Kong Stock Exchange is closed for trading of stocks due to typhoon signal number 8 or above is hoisted in Hong Kong, or other day on which commercial banks are required or authorised by the applicable laws to be closed in Hong Kong or the PRC
"Cancellation"	the cancellation of the Convertible Bonds as payment for the transfer of the Transferred Shares
"Company"	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
"Completion"	completion of the restructured investment (including acquisition of the Transferred Shares) pursuant to the Supplemental Agreement
"Convertible Bonds"	the 3.3% coupon convertible bonds in the principal amount of RMB300,000,000 (or US$45,194,337) due in 2021 issued by the Vendor pursuant to the Investment Agreement and is held by the Company as at the date of this announcement
"Directors"	directors of the Company
"Domestic Companies" or "Jianlicai Group"	JLC (VIE), 北京來金投資基金管理有限公司 (Beijing Laijin Investment Fund Management Company Limited*), a limited liability company established in the PRC, the entire equity interest of which is held by JLC (VIE); and 北京未來金資產管理有限公司 (Beijing Weilaijin Asset Management Company Limited*), a limited liability company established in the PRC, the entire equity interest of which is held by JLC (VIE)
"Equity Pledge Agreement"	the equity pledge agreements to be entered into among VIE Controlled Entities, their respective registered shareholder(s) and JLC (WFOE)
"Exclusive Business Cooperation Agreements"	the exclusive business cooperation agreements to be entered into between JLC (WFOE) and the Domestic Companies

"Exclusive Option Agreements"	the exclusive purchase option agreements to be entered into among VIE Controlled Entities, their respective registered shareholder(s) and JLC (WFOE)
"Group"	collectively, the Company, its subsidiaries, its PRC operational entities who are accounted for and consolidated in the audited consolidated accounts of the Company as subsidiaries by virtue of a series of contractual arrangements, and their subsidiaries
"HK$"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Investment Agreement"	the investment agreement dated 3 August 2016 entered into between, among others, the Company and the Vendor, in relation to the subscription of the Convertible Bonds by the Company
"Investment Payment"	the payment to be made by the Company for the Transferred Shares
"Irrevocable Power of Attorney"	the irrevocable power of attorney to be executed by the respective registered shareholder(s) of VIE Controlled Entity in favour of JLC (WFOE)
"JLC (HK)"	a company incorporated in Hong Kong with limited liability, the entire equity interest of which is held by the Target Company
"JLC (VIE)"	北京金未來金融信息服務有限公司 (Beijing Jinweilai Financial Information Service Company Limited*), a limited liability company established in the PRC, the entire equity interest of which is held by the Registered Shareholder
"JLC (WFOE)"	a wholly foreign owned enterprise to be established with limited liability in the PRC before Completion, the entire equity interest of which will be held by JLC (HK)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	31 December 2017 (or such later date as agreed by the Company and the Vendor in writing)
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Equity Owner(s)"	the person(s) nominated by the Company to be the equity owner(s) of the Register Shareholder on or before Completion. As at the date of this announcement, the PRC Equity Owners are tentatively proposed to be Mr. Guo Yong and Ms. Qiu Zengzhen who would beneficially own as to 95% and 5% of the equity interest of the Register Shareholder, respectively. The nominee(s) may be subject to changes at the discretion of the Company before Completion
"PRC GAAP"	the general accepted accounting principles in the PRC
"PRC Legal Adviser"	Jingtian & Gongcheng
"PRC Target Group Company(ies)"	JLC (WFOE) and the Domestic Companies
"Registered Shareholder"	a company to be established under the laws of the PRC before Completion and the entire equity interests of which will be owned by the PRC Equity Owner(s)
"Reorganisation"	the reorganisation of the Target Group conducted prior to Completion in preparation for the Transaction
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement to be entered into between, among others, the Company, the Target Group, Cornerstone Venture Limited, Wind Media Holdings Inc., and Kunlun Group Limited governing their relationship as shareholders of the Target Group, to become effective upon Completion
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company

"Spousal Consent Letter"	the spousal consent letter to be executed by the spouse of the PRC Equity Owner(s), as applicable
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Irrevocable Power of Attorney, the Equity Pledge Agreements, the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Spousal Consent Letter(s)
"Supplemental Agreement"	the supplemental agreement to the Investment Agreement dated 25 June 2017 entered into between the Company and the Vendor in relation to the restructuring of the transactions contemplated under the Investment Agreement
"Target Company"	Jlc Inc., an exempted company duly incorporated with limited liability and validly existing under the laws of the Cayman Islands
"Target Group"	the Target Company, JLC (HK) and the PRC Target Group Companies
"Transaction"	the transactions contemplated under the Supplemental Agreement
"Transferred Shares"	the shares in the Target Company to be transferred by the Vendor to the Company after the Reorganisation upon Completion, representing 55.0% of the entire issued share capital of the Target Company upon Completion
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor" or "Yinker"	Yinker Inc., an exempted company incorporated with limited liability under the laws of the Cayman Islands
"VIE Controlled Entity(ies)"	the Domestic Companies and the Registered Shareholder

"Yinker Group"	collectively, the Vendor, its subsidiaries, its PRC operational entities who are accounted for and consolidated in the audited consolidated accounts of the Vendor as subsidiaries by virtue of a series of contractual arrangements, and their subsidiaries
"%"	per cent

In this announcement, save as otherwise stated, figures in RMB are translated to US$ at the exchange rate of RMB1.00 = US$0.15064779 (the agreed exchange rate under the Investment Agreement and the Supplemental Agreement)

** for identification purposes only*

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 25 June 2017

As at the date of this announcement, the executive Directors of the Company are Mr. WANG Dongfeng and Ms. LIANG Na; the non-executive Director of the Company is Mr. ZHANG Qiang; the independent non-executive Directors of the Company are Mr. HOW Sze Ming, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.