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Forgame Holdings Limited

雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

INSIDE INFORMATION

This announcement is made by Forgame Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that, based on the information currently available to the Board and a preliminary assessment of the Group’s unaudited consolidated management accounts for the eleven months ended 30 November 2019 (the “**Management Accounts**”), it is expected that the Group will continue to incur loss for the year ending 31 December 2019 in an amount of not more than the loss of approximately RMB320 million recorded for the year ended 31 December 2018. Based on information currently available, it is expected that the Group’s results for the year ending 31 December 2019 will principally be impacted by the following matters:

- (i) **IMPAIRMENT OF GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS ARISING FROM THE ACQUISITION OF 69.84% EQUITY INTEREST IN THE 北京西瓜互娛科技有限責任公司 (BEIJING XIGUA HUYU TECHNOLOGY CO., LTD.*)**

Reference is made to the announcement of the Company dated 21 November 2019 in relation to the Group’s acquisition of 69.84% equity interest in 北京西瓜互娛科技有限責任公司 (Beijing Xigua Huyu Technology Co., Ltd.*) (“**Beijing Xigua**”) and the expected shortfall in the actual net profits of Beijing Xigua for the period from 1 June 2019 to 31 December 2019 (i.e. below RMB43,000,000 as original contemplated and guaranteed).

According to the unaudited consolidated management accounts of Beijing Xigua for the eleven months ended 30 November 2019, Beijing Xigua recorded an unaudited cumulative losses of approximately RMB11 million for the period from June 2019 to November 2019. The operational performance of Beijing Xigua is lower than

expectation mainly because: (i) the number of stores (including self-operated and franchised stores) opened is lower than expected, and (ii) the performance of an individual store is not as promising as expected. Even though their business teams have ventured into new business development, the business did not further expand. Upon the unaudited consolidated management accounts of Beijing Xigua for the year ending 31 December 2019 becomes available, the Company will engage a professional independent valuer to conduct a re-valuation of Beijing Xigua as at 31 December 2019. As at 30 November 2019, the net book value of goodwill and identifiable intangible assets arising from the acquisition of Beijing Xigua amounted to approximately RMB117 million. As it is expected that Beijing Xigua will record actual losses for the financial year ending 31 December 2019 based on the currently available information, it is expected that the value of Beijing Xigua (upon re-valuation) will be comparatively lower than its value as at the time of acquisition based on the lower profit as compared to the profit then originally expected Beijing Xigua will achieve for the financial year ending 31 December 2019. As a result of which, it is expected that the Group may be required to make provision for impairment of goodwill and identifiable intangible assets arising from the acquisition of Beijing Xigua for the financial year ending 31 December 2019. As at the date of this announcement, no actual provision had been agreed upon by the Company and the final amount subject to provision, if any, is also subject to audit and discussion with the auditor of the Company.

In accordance with the signed investment agreement, in case the agreed profit guarantee is not reached, the Company can elect any one of the two options for compensation, which are: (i) compensation in a combination by way of cash and reduction of the actual number of consideration shares, or (ii) compensation by way of cash in full. For details, please refer to the announcement of the Company dated 24 April 2019. The Group is in the process of negotiation on the option for compensation with the vendor, KongZhong Group and Beijing Xigua in the best interests of the Group. The options for compensation will bring certain benefits to the Group.

(ii) INTERNET MICRO-CREDIT BUSINESS UNDER “YUNKE”

The Company operates its licensed internet micro-credit business under “Yunke”. Based on the latest unaudited consolidated management accounts of the Company, the loan receivable of corporate loan recorded as at the date of this announcement was approximately RMB135 million. As at the date of this announcement, corporate loan to ten borrowers had been overdue, and seven of them with an aggregated outstanding amount of approximately RMB41 million (the “**Affected Loan**”) were unreachable. The Group had tried to contact the relevant borrowers either by telephone or on-site inspections with an objective to communicate with the relevant borrowers on the repayment plans. Despite the Company’s continuous effort to contact the relevant borrowers, the relevant borrowers of such Affected Loan remained unreachable as at the date of this announcement. The Affected Loan represents approximately 8% of Yunke’s net asset as at the date of this announcement.

During the tenure of Ms. LI Luyi, a former executive director and the former chief executive officer of the Company, “Yunke” established a team of personnel to launch corporate loan projects and be responsible for the business and risk control management relating to the corporate loan projects by utilizing her previous resources and experience in internet finance. The business and risk control team was primarily responsible for customer sourcing, pre-loan risk control approval, ongoing monitoring, post-loan tracking, risk control standard formulation and risk control system construction.

Upon discovery of the Affected Loan, the Company has continued to exert efforts to contact the relevant borrowers with an aim to maximize recovery rate as much as possible. Meanwhile, the Company has established a special team and intends to engage third-party legal team and team responsible for management of internal control risk by the end of 2019 for assisting the special team in investigation and lodging of legal action for the recovery of the Affected Loan. The Group plans to conduct a comprehensive assessment of the recoverability of the aforesaid Affected Loans by the end of the financial year 2019. Subject to the results of the assessment, corresponding impairment allowances may be made to the financial results of the Company for the year ending 31 December 2019.

(iii) DISPOSAL OF JLC

Reference is made to the announcements of the Company dated 26 April 2019 and 9 July 2019 and the circular of the Company in respect of the disposal (the “**Disposal**”) of 54.54% of Jlc Inc. (“**JLC**”) pursuant to the share transfer agreement dated 26 April 2019 entered into by and among the Company, The Blue Whale Tech Ltd., Best Hero Investments Limited (together the “**Purchasers**”) and JLC and as supplemented and amended on 9 July 2019 (the “**Disposal Agreement**”).

Pursuant to the Disposal Agreement, it was originally contemplated that 30% of the applicable amount of the cash consideration for the Disposal in the amount of RMB47,433,000 (the “**Original Consideration**”) shall be paid on the date of completion and 70% of the applicable amount of the Original Consideration shall be paid within six (6) months of the date of completion (i.e. on or before 5 March 2020). As at the date of this announcement, 30% of the Original Consideration had been received by the Company.

The Company has been recently informed by the Purchasers that, due to recent market situation and the increasing operational difficulty encountered by JLC as a result of the latest local regulatory environment affecting the P2P business, they are of the view that the commercial value of JLC has dropped significantly, and accordingly the Purchasers indicated to the Company of their unwillingness to continue to fulfil their payment obligations for the remaining 70% of the Original Consideration.

As at the date of this announcement, the Company is actively negotiating with the Purchasers to reach a consensus on a solution acceptable to the Company and the Purchasers. However, in the event that the parties fail to reach a consensus on a mutually acceptable solution on best effort basis, the Company reserves its right to take any legal action against the Purchasers pursuant to the Disposal Agreement. Whilst no concrete plan and/or definitive agreement has been entered into by the Company in this regard as at the date of this announcement, certain financial effects may be reflected in the Company's financial results should the Purchasers fail to fulfil their payment obligations for the remaining 70% of the Original Consideration.

It should be noted that the Company has yet to finalise the annual results of the Group for the year ending 31 December 2019. Therefore, the information contained in this announcement is only based on the information currently available to the Group and the Board's preliminary assessment of the Management Accounts, all of which are subject to further review by and discussions with the auditors and the audit and compliance committee of the Company. As such, the actual results of the Group for the year ending 31 December 2019 may differ from the information disclosed in this announcement. Shareholders and potential investors are advised to read carefully the results announcement of the Company for the year ending 31 December 2019, which is expected to be published in March 2020.

Further announcement will be made by the Company as and when appropriate in accordance to the requirements of the Listing Rules. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

By order of the Board
Forgame Holdings Limited
HAN Jun
Chairman

Hong Kong, 11 December 2019

As at the date of this announcement, the executive directors of the Company are Mr. HAN Jun 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, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason.

* *For identification purpose only*