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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 AND PROFIT WARNING

This announcement is made by Forgame Holdings Limited **Company**, together with (i) its subsidiaries, (ii) Guangzhou Feiyin Information Technology Co., Ltd., (iii) Guangzhou Jieyou Software Co., Ltd. and (iv) Guangzhou Weidong Internet Technology Co., Ltd., collectively **Group** X I (0) X the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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).

References are made to the announcements of the Company dated 25 October 2015, 29 November 2015 and 24 May 2016 X s investment portfolio in various mobile gaming studios and incubators in the People s Republic of China, in most of which the Group has a minority stake (collectively, the **Announcements** L X X X X same meanings as those defined in the Announcements.

Since the publication of the Announcements and the interim report of the Company for the six months ended 30 June 2016, the Group conducted a further review (the **Review**) of its major investments in the Investment Portfolio (the **Major Investments**). For the purpose of the Review, the Company engaged iiMedia Research Group (艾媒諮詢集團), a global leading mobile internet research consultancy focusing on third party data mining, to (i) conduct market research and analysis on the overall market condition in the PRC in relation to fund raising activities for the mobile gaming sector; (ii) conduct a product-potential analysis on the key products of the Major Investments2X X X X **Research Report**

According to the findings as set forth in the Research Report, the PRC fund raising market for small gaming studios and publishers continued to be challenging and accordingly it will continue to be difficult for the Major Investments to independently raise funds under the current market conditions in the PRC. Upon analysing and comparing the key products of the Major Investments with other market comparables and taking into consideration of the challenging and competitive market conditions as well as the rapid changes in PRC game player preferences, the Research Report expressed reservation on the commercial viability of some of the key products of the Major Investments. Further, upon assessment on, among others, the additional time and capital required, the risks involved, the expected success rate of the key products and the opportunity of exit through initial public offering or sale of stake, it was recommended that the Group should not inject additional funds into the Major Investments.

Having considered the findings of the Review and the Research Report, and having considered the competitive market conditions in the PRC as a whole, the management of the Group also believes that a number of investments (including but not limited to the Major Investments) in the Investment Portfolio will continue to face challenges. As a result, additional time and funding would be required to further fine-tune the products to meet expectations. On 11 November 2016, after considering the fact that the performance of such angel investments which the Group has invested since 2014 may be less predictable in nature and typically depend on

their ability to attract more rounds of funding, the board of directors of the Company (the **Board**) has resolved these investments. In view of the uncertainties concerning the performance of a number of investments in the Investment Portfolio as at the date of this announcement, and as a matter of prudence, the Company anticipates that a provision for investment and impairment loss in an estimated amount of between approximately RMB50 million and RMB75 million will be made for the six months ending 31 December 2016 (the **Expected Investment Loss**) as compared to an investment and impairment loss of approximately RMB59 million for the six months ended 30 June 2016. However, if the performance of these investments eventually outperforms the Group's current prediction on or before 31 December 2016, the magnitude of the Expected Investment Loss for the six months ending 31 December 2016 could be less.

The Board has also decided, after a review of the PRC gaming market and the Group to implement a strategic repositioning plan (the **"Strategic Repositioning Plan"**) with the aim of enhancing the Group's performance in the future. Specifically, the Company has elected to focus the Group's resources on developing casual games (a category that the Board believes the Group has an advantage to compete in) and refraining from investing resources into new hard-core games that only address the PRC market (a category that is competitive and require much higher investments in resources compare to casual games). In addition, being encouraged by the early beta testing results derived from the Group's major overseas game developed out of the Group's Shanghai office, the Group will merge the Taiwan overseas operation into the Group's Shanghai office, and will therefore close down the Taiwan office. The Board anticipates that the Strategic Repositioning Plan will lead to the majority of certain one-off exceptional losses in the range of between approximately RMB44 million and RMB48 million for the six months ending 31 December 2016 (the **Expected One-off Losses**). Based on information currently available to the Board, these expected losses will primarily be caused by the expected (i) write-down of PRC hard-core game intellectual property license fees and pre-payments after assessing the current and/or projected performance of related games, (ii) costs of closing down the Group's Taiwan office and related asset write-offs and (iii) write-offs of deferred tax assets previously recognised which the Board deem unlikely to utilise in the future.

As to the operating results, the Board wishes to inform the Shareholders and potential investors that, based on consolidated management accounts for the four months ended 31 October 2016, it is currently expected that the Group may record a net loss (excluding the Expected Investment Loss and the Expected One-off Losses) of between approximately RMB131 million and RMB151 million for the six months ending 31 December 2016 as compared to a net loss (excluding investment and impairment loss of approximately RMB59 million) of approximately RMB65 million for the six months ended 30 June 2016. Based on information currently available to the Board, such expected increase in net loss will primarily be due to (i) the expected increase in marketing and promotional expenses to be spent on the overseas, which has delivered encouraging beta testing results, may lead to losses in the range of approximately RMB57 million to RMB67 million and (ii) the decrease in revenue as a result of an expected delay in the launching of certain game titles (included but not limited to Beauty Box) resulting from additional time required to enhance the quality of the games to maximise the games' revenue earning potential.

It should be noted that the Company has yet to finalise the annual results of the Group for the year ending 31 December 2016. The information contained in this announcement is only based on information currently available of the Management Accounts, the Expected Investment Loss and the Expected One-Off Losses, all of which require further discussion and re and the audit committee of the Company. As such, the actual annual results of the Group for the year ending 31 December 2016 may be different from what is disclosed in this announcement. Shareholders and investors are therefore advised to read carefully the results announcement of the Company for the year ending 31 December 2016 to be published in around March 2017.

Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 11 November 2016

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.