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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 (the “**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 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 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 and 29 November 2015 in relation to the Group’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 (the “**Announcements**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

Since the publication of the Announcements and the annual report of the Company for the year ended 31 December 2015, the Group conducted a further review of its major investments in the Investment Portfolio (the “**Review**”). 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 investments within the Investment Portfolio (the “**Major Investments**”); and (iii) produce a research report on its findings and recommendations (the “**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 these investments.

Having considered the findings of the Review and the Research Report, and having considered the general 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 the Group's expectations. On 24 May 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 that it is not in the Group's economic interest to provide additional funding to 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 RMB60 million will be made for the six months ending 30 June 2016 (the "**Expected Investment Loss**") as compared to an investment and impairment loss of approximately RMB75 million for the six months ended 31 December 2015. However, if the performance of these investments eventually outperforms the Group's current prediction on or before 30 June 2016, the magnitude of the Expected Investment Loss for the six months ending 30 June 2016 could be less.

As to operating results, the Board wishes to inform the Shareholders and potential investors that, based on the information currently available to the Board and the preliminary assessment of the Group's unaudited consolidated management accounts for the four months ended 30 April 2016 (the "**Management Accounts**"), it is currently expected that the Group may record a net loss (excluding the Expected Investment Loss) of between approximately RMB56 million and RMB66 million for the six months ending 30 June 2016 as compared to a net loss (excluding investment and impairment loss of approximately RMB75 million) of approximately RMB40 million for the six months ended 31 December 2015). Based on information currently available to the Company, such expected increase in net loss is primarily due to the expected (i) decrease in revenue as a result of an expected delay in the launching of certain game titles resulting from additional time required to enhance the quality of the games to maximise the games' revenue potential; (ii) write-down of game license fees and prepayments to game developers after assessing the current and/or projected performance of related licensed games, given the rapidly changing game player preferences and/or time and energy required to further fine-tune and publish the games; and (iii) decrease in interest income due to recent interest rate cuts by the People's Bank of China.

It should be noted that the Company has yet to finalise the interim results of the Group for the six months ending 30 June 2016. The information contained in this announcement is only based on information currently available to the Group and the Board's preliminary assessment of the Management Accounts and the Expected Investment Loss, both of which require further discussion and review by the Company's auditors and the audit committee of the Company. As such, the actual interim results of the Group for the six months ending 30 June 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 six months ending 30 June 2016 to be published in around August 2016.

**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, 24 May 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.*