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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)

**DISCLOSEABLE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY**

THE ACQUISITION

The Board is pleased to announce that on 22 October 2020 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor and the Guarantors, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company, in cash at the Consideration of RMB24,000,000 (equivalent to approximately HK\$27,946,622).

Upon Completion, the Target Company and Shenzhen Xingyun will become indirect wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Company's consolidated financial statements.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As Completion is conditional upon fulfilment (or, if applicable, waiver) of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

THE ACQUISITION

The Board is pleased to announce that on 22 October 2020 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, with the Vendor and the Guarantors pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares, representing the entire issued share capital of the Target Company, in cash at the Consideration of RMB24,000,000 (equivalent to approximately HK\$27,946,622).

The principal terms of the Sale and Purchase Agreement are set out below:

Date: 22 October 2020 (after trading hours)

Parties: (i) The Purchaser
(ii) The Vendor
(iii) The Guarantors

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, (i) Ms. Gu is a holder of 6,073,000 Shares; and (ii) the Vendor, Shenzhen Binghong and their respective ultimate beneficial owners, and Ms. Gu are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to acquire from Vendor, the Sale Shares free from any encumbrances and together with all rights attached thereto on or after the Completion Date, including but not limited to the dividends announced, made or paid on or after the Completion Date.

On 22 October 2020, the Guarantors, as the shareholders of Shenzhen Xingyun, entered into the Undertaking Agreement, with the Target Company, pursuant to which, among other things, the Guarantors jointly and severally undertake to transfer the entire equity interest of Shenzhen Xingyun to the Target Company or another wholly-owned subsidiary of the Company designated by the Target Company (the “**designated nominee**”) at the cost of the Guarantors.

Upon completion of the Transfer, Shenzhen Xingyun will be wholly-owned by the Target Company or the designated nominee (as the case may be).

Put Option

Pursuant to the Sale and Purchase Agreement, the Vendor and the Guarantors have jointly, severally and irrevocably granted the Purchaser (for itself and as trustee of the Target Company and the designated nominee) with a put option (the “**Put Option**”), under which (a) the Purchaser has the right (but not obligation) to sell back to the Vendor, and the Vendor has the obligation to purchase, the Sale Shares; and (b) the Purchaser has the right (but not obligation) to transfer back, and the Guarantors have the obligation to purchase, the entire equity interest in Shenzhen Xingyun, during the period from the date of the Sale and Purchase Agreement and to the date falling six (6) months after the Completion Date (both dates inclusive) (the “**Option Period**”).

The Put Option shall be exercisable at the sole discretion of the Purchaser at an exercise price being the Consideration if the net profit set out in the audited accounts of Shenzhen Xingyun for the year ending 31 December 2020 is less than RMB2,200,000. After exercise of the Put Option, the Consideration shall be released by the Escrow Agent and be returned to the Purchaser on fifth (5th) business day after the date of exercise of the Put Option. For the avoidance of doubt, the Vendor shall be responsible for all costs, expenses and tax to be incurred for and incidental to the repurchase of the Sale Shares and/or entire equity interest in Shenzhen Xingyun.

Consideration

The Consideration is RMB24,000,000 (equivalent to approximately HK\$27,946,622), which shall be payable in cash by the Purchaser to the Vendor in the following manner:

- (i) upon Completion, the Purchaser shall pay the Consideration to the Escrow Agent; and
- (ii) provided that the Purchaser has not exercised the Put Option prior to the expiry of the Option Period pursuant to the Sale and Purchase Agreement, the Escrow Agent shall release and pay to the Vendor the Consideration on fifth (5th) business day after the expiry date of the Option Period.

The Consideration has been arrived at after arm’s length negotiations between the Purchaser and the Vendor on normal commercial terms after taking into account, among other things, (i) the historical financial performance and potential business prospects of Shenzhen Xingyun; (ii) the valuation in the draft valuation report of the entire equity interests of Shenzhen Xingyun of RMB24,000,000 based on market approach as at 31 August 2020 prepared by an independent valuer; and (iii) the Put Option granted by the Vendor and the Guarantors to the Purchaser (as trustee of the Target Company and the designated nominee) pursuant to the Sale and Purchase Agreement.

The Consideration will be financed by internal resources of the Group.

For the avoidance of doubt, if the Purchaser has exercised the Put Option within the Option Period, the Escrow Agent shall release and pay to the Purchaser the Consideration.

Conditions precedent

Pursuant to the Sale and Purchase Agreement, the Acquisition shall be conditional upon fulfilment of the following conditions precedent (unless being waived):

- (i) the Purchaser, its agent or professional advisers having performed the financial and legal due diligence review of Shenzhen Xingyun, the results of which being satisfactory to the Purchaser;
- (ii) the Purchaser having obtained the valuation of Shenzhen Xingyun stated therein being not less than RMB24,000,000;
- (iii) the Transfer having been completed;
- (iv) the Purchaser having obtained all necessary permissions and approvals relating to the Sale and Purchase Agreement and transactions contemplated thereunder, and completed relevant registration procedures (if necessary) in accordance with all applicable laws and regulations;
- (v) there being no material adverse change in respect of the business, operations, financial conditions or prospects of Shenzhen Xingyun; and
- (vi) upon Completion, the representations, warranties and undertakings by the Vendor and the Guarantors under the Sale and Purchase Agreement remaining true, accurate, complete and not misleading or having been violated, and there having been no event or circumstances leading to any material adverse changes.

The Purchaser may from time to time waive the above conditions precedent in writing (except for condition (iv)). If any of the above conditions precedent cannot be fulfilled or waived by the Long Stop Date or such later date as the Purchaser and the Vendor may agree in writing, and without affecting the liabilities of any party to another party to the Sale and Purchase Agreement for any antecedent breach of any terms thereof, the Sale and Purchase Agreement and any matters contained therein and the rights and obligations of the parties thereto shall be of no effect from the date following the Long Stop Date.

Guarantee

The Guarantors jointly, severally, unconditionally and irrevocably guarantee to the Purchaser the due performance by the Vendor or all obligations under the Sale and Purchase Agreement.

Completion

The Completion shall take place on the fifth (5th) Business Day after fulfillment or waiver of all the conditions precedent set out in the Sale and Purchase Agreement or such later date as the parties thereto may otherwise agree in writing.

Upon Completion, the Target Company and Shenzhen Xingyun will become indirect wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Company's consolidated financial statements.

INFORMATION ON THE VENDOR, GUARANTORS, TARGET COMPANY AND SHENZHEN XINGYUN

The Vendor and the Guarantors

The Vendor is an investment holding company incorporated in the BVI with limited liability, which is wholly-owned by Ms. Gu.

Ms. Gu is a PRC citizen, as well as a holder of 6,073,000 Shares, constituting approximately 3.81% of the issued share capital of the Company as at the date of this announcement. Shenzhen Binghong is an investment holding company holding the Target Company.

The Target Company

The Target Company is a company incorporated in the BVI with limited liability and an investment holding company, which is wholly-owned by the Vendor prior to the Completion. Pursuant to the Undertaking Agreement, Shenzhen Xingyun will be directly wholly-owned by the Target Company or the designated nominee after the Transfer.

Shenzhen Xingyun

Shenzhen Xingyun is a company established in the PRC with limited liability. It is principally engaged in sales of digital storage devices and software, as well as providing technical services, including maintenance, after-sales services and value-added services. In June 2020, it commenced supply chain financing business.

Financial information of the Target Company

The Target Company was incorporated in September 2020 and has not commenced business operations since its incorporation.

Financial information of Shenzhen Xingyun

The table below sets out the financial information of Shenzhen Xingyun extracted from its audited financial statements for the years ended 31 December 2018 and 31 December 2019, respectively and its unaudited financial statements for the eight months ended 31 August 2020, which were prepared in accordance with generally accepted accounting standards in the PRC:

	For the year ended 31 December		For the eight months ended
	2018	2019	31 August
	(RMB'000)	(RMB'000)	(RMB'000)
	(audited)	(audited)	(unaudited)
Profit/(loss) before tax	(812.7)	950.2	1,645
Profit/(loss) after tax	(812.7)	950.2	1,526

	As at 31 December		As at
	2018	2019	31 August
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)	(unaudited)
Total Asset	1,025	24,046	6,536
Net Asset	354	2,304	6,530

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in developing and publishing domestic and overseas webgames and mobile games and offering virtual reality game in physical stores (the “**Game Business**”), as well as providing internet micro-credit service (the “**Internet Micro-credit Business**”) in the PRC.

As stated in the interim report of the Group for the six months ended 30 June 2020, the Game Business of the Group has been affected by the outbreak of the novel coronavirus disease (COVID-19) in the first half of 2020 and the Group has adopted a more prudent approach for its Internet Micro-credit Business in light of the uncertainties of the macroeconomics caused by COVID-19 pandemic. It is expected that the COVID-19 pandemic will continue to have an adverse impact on the existing businesses of the Group in the short term. In order to proactively mitigate and alleviate the pressure on the existing businesses as affected by COVID-19 pandemic, the Group has been exploring and identifying suitable investment and acquisition opportunities to expand and diversify its business portfolio.

Shenzhen Xingyun is engaged in sales of digital storage devices to corporate and individual users in the PRC. After years of development, Shenzhen Xingyun currently strategically co-operates with each of Shanghai Huahong Zhixin Electronic Technology Co., Ltd (上海華虹摯芯電子科技有限公司), Ziguang Storage Technology Co., Ltd. (紫光存儲科技有限公司), Beijing Ziguang Derui Technology Co., Ltd. (北京紫光得瑞科技有限公司) and Cactus Technologies Limited (仙人掌科技有限公司), so as to provide various types of digital storage devices, including consumer, enterprise and industrial levels, to its customers. Also, it is engaged in the sale of software and providing technical services, including maintenance, after-sales services and value-added services. With its experience of co-operation with upstream suppliers and downstream corporate customers, Shenzhen Xingyun commenced supply chain financing business in June 2020. Despite the adverse impact from COVID-19 pandemic, Shenzhen Xingyun reported growth in the first half of 2020 driven by the steady demand for digital storage devices in the PRC and its increasingly stable business partnership with leading e-commerce providers. The Board believes that Shenzhen Xingyun is expected to continue to capture the growth opportunities in the digital storage devices industry in the PRC and contribute to the financial performance of the Group.

Taking into account the above, the Board considers that the Acquisition represents a valuable opportunity to tap into the digital storage devices business in the PRC and the Acquisition will enable the Group to diversify its income source. The Board considers that

the terms of the Acquisition under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As Completion is conditional upon fulfilment (or, if applicable, waiver) of the conditions precedent set out in the Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, any day on which a tropical cyclone warning no. 8 or above is hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon and any day on which a black rainstorm warning is hoisted before 12:00 noon and is not lowered at or before 12:00 noon) on which licensed banks in Hong Kong or in the PRC are generally open for business
“BVI”	the British Virgin Islands
“Company”	Forgame Holdings Limited (雲遊控股有限公司), an exempted company incorporated in the Cayman Islands on 26 July 2011 with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the date on which Completion will take place or such other date as agreed by the Vendor and the Purchaser in writing
“connected person”	has the meaning ascribed to it under the Listing Rules

“Consideration”	RMB24,000,000 (equivalent to approximately HK\$27,946,622), consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Escrow Agent”	an escrow agent to be jointly appointed by the Purchaser and the Vendor for holding the Consideration in escrow pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Guarantors”	Ms. Gu and Shenzhen Binghong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Long Stop Date”	31 December 2020
“Main Board”	the Main Board of the Stock Exchange
“Ms. Gu”	Ms. Gu Wei (顧微), a holder of 6,073,000 Shares, constituting approximately 3.81% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Foga Tech Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 22 October 2020 entered into between the Purchaser, the Vendor and the Guarantors in respect of the Acquisition
“Sale Shares”	50,000 ordinary shares of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shenzhen Binghong”	Shenzhen Binghong Investment Co. Ltd.* (深圳市秉宏投資有限公司), a company established in the PRC with limited liability, owned as to 50% by Ms. Gu and 50% by an associate of Ms. Gu as at the date of this announcement
“Shenzhen Xingyun”	Shenzhen Xingyun Data Technology Co. Ltd.* (深圳市行雲數據技術有限公司), a company established in the PRC with limited liability, owned as to 80% by Shenzhen Binghong and 20% by Ms. Gu as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Spacevision Co, Ltd, a company incorporated in the BVI with limited liability
“Transfer”	the transfer of the entire equity interest in Shenzhen Xingyun from the Guarantors to the Target Company or the designated nominee pursuant to the Undertaking Agreement
“Undertaking Agreement”	the undertaking agreement dated 22 October 2020 entered into between the Guarantors as vendor with the Target Company as purchaser in respect of the Transfer
“Vendor”	Baseway Co Ltd, a company incorporated in the BVI with limited liability, which is wholly-owned by Ms. Gu
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Forgame Holdings Limited
ZHANG Qiang
Chairman

Hong Kong, 22 October 2020

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1 to RMB0.85878. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

As at the date of this announcement, the executive Director are Mr. HAN Jun, Mr. DIAO Guoxin and Mr. ZHU Liang; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. WANG Dong, Mr. WONG Chi Kin, Mr. CUI Yuzhi and Mr. LU Xiaoma.

* for identification purposes only