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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 (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).

Reference is made to the announcement (the “**Announcement**”) of the Company dated 25 October 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 “**Investment Portfolio**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, due to the recent financial market volatility in the PRC, certain of the mobile gaming studios which the Group has a minority stake had made Funding Requests to the Company for additional funding to be contributed, and the Group will closely monitor the market conditions in the PRC and will remain attentive as to whether any of its other investments in the Investment Portfolio become subject to funding or other operational challenges because of the business environment, which might lead to further investment impairments to the Group’s financial results. Since the publication of the Announcement, the Group conducted a review of its major investments in the Investment Portfolio (the “**Review**”). For the purpose of the Review, the Company has 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 for fund raising activities relating to mobile gaming, (ii) conduct a product-potential analysis on the key products of the three largest investments within the Investment Portfolio (the “**Largest 3 Investments**”) and (iii) produce a research report on its findings and recommendations (the “**Research Report**”).

According to the Research Report, the PRC fund raising market for small gaming studios continued to be challenging and it will be difficult for the Largest 3 Investments to independently raise funds under the current market conditions in the PRC. Upon analysing and comparing the key products of the Largest 3 Investments with other market comparables, the Research Report expressed reservation on the commercial viability of some of the key products of the Largest 3 Investments, taking into account of the challenging and competitive market conditions and the rapid changes in PRC game player preferences. Upon further assessment on 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 market conditions generally, the management of the Group also believes that a number of investments (including but not limited to the Largest 3 Investments) in the Investment Portfolio face challenges under the current market conditions in the PRC. As a result, additional time and funding would be required to further fine-tune the products to meet the Group's expectations. On 29 November 2015, 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 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 RMB70 million and RMB80 million will be made for the year ending 31 December 2015 (the "**Expected Investment Loss**"). However, if the performance of these investments eventually outperforms the Group's current prediction before the end of 2015, the magnitude of the Expected Investment Loss for the year ending 31 December 2015 could be less.

As to operating results, based on the preliminary assessment of the Group's unaudited consolidated management accounts for the ten months ended 31 October 2015 (the "**Management Accounts**"), it is currently expected that the Group may record a net loss (excluding the Expected Investment Loss) of between approximately RMB40 million and RMB50 million for the year ending 31 December 2015 (compared to a net loss (excluding investment loss of RMB5.6 million) of RMB33.2 million for the year ended 31 December 2014). Based on information currently available to the Company, such expected increase in net loss is primarily due to the expected decrease in the Group's overall revenue as a result of (i) an expected delay in the launching of certain mobile game titles resulting from the additional time required to enhance the quality of the games to maximise the games' revenue potential, (ii) a dispute with a third party collaborator of one of the Group's mobile games and (iii) an expected delay in the licensing/re-licensing of intellectual property rights for gaming adaptation.

It should be noted that the Company can only finalise the annual results of the Group for the year ending 31 December 2015 in the beginning of 2016, and that this announcement is 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 results of the Group for the year ending 31 December 2015 may be different from what is disclosed herein. Shareholders and investors are therefore advised to read carefully the results announcement of the Company for the year ending 31 December 2015 to be published in around March 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, 29 November 2015

As at the date of this announcement, the executive director of the Company is Mr. WANG Dongfeng; the non-executive director of the Company is Mr. TUNG Hans; the independent non-executive directors of the Company are Mr. LEVIN Eric Joshua, Ms. POON Philana Wai Yin and Mr. ZHAO Cong Richard.