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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 DISPOSAL OF 20% EQUITY INTEREST IN BEIJING HONGRUAN XIECHUANG COMMUNICATION AND TECHNOLOGY CO., LTD.*

THE DISPOSAL

On 24 May 2017, (i) Weidong (a company accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), Zhoushan Hongruan and Shenzhen Guojin, as the Vendors, (ii) Hunan Tianrun, as the purchaser, (iii) Mr. Ruan, Mr. Sun and Mr. Yan, being the partners of Zhoushan Hongruan, and (iv) Beijing Hongruan, entered into the Equity Transfer Agreement, pursuant to which Hunan Tianrun has agreed to acquire the entire equity interest in Beijing Hongruan from the Vendors. Among others, Weidong has agreed to dispose of, and Hunan Tianrun has agreed to acquire, the Sale Interest, representing a 20% equity interest in Beijing Hongruan, at a consideration of RMB87,500,000 pursuant to the terms of the Equity Transfer Agreement.

Upon completion of the Disposal, the Company will cease to hold any interest in Beijing Hongruan. Beijing Hongruan will cease to be an associated company of the Company and its financial results will no longer be equity accounted for in the consolidated financial statements of the Group.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% and all the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempted from the shareholder approval requirement under Chapter 14 of the Listing Rules.

As completion of the Disposal is conditional upon, among others, CSRC having approved the transactions as contemplated under the Equity Transfer Agreement, the Disposal may or may not proceed to completion. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

THE EQUITY TRANSFER AGREEMENT

On 24 May 2017, (i) Weidong (a company accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements), Zhoushan Hongruan and Shenzhen Guojin, as the Vendors, (ii) Hunan Tianrun, as the purchaser, (iii) Mr. Ruan, Mr. Sun and Mr. Yan, being the partners of Zhoushan Hongruan, and (iv) Beijing Hongruan, entered into the Equity Transfer Agreement, pursuant to which Hunan Tianrun has agreed to acquire the entire equity interest in Beijing Hongruan from the Vendors. Among others, Weidong has agreed to dispose of, and Hunan Tianrun has agreed to acquire, the Sale Interest, representing a 20% equity interest in Beijing Hongruan, at a consideration of RMB87,500,000 pursuant to the terms of the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are as follow:

Date: 24 May 2017

Parties:

- (i) Hunan Tianrun, as the purchaser
- (ii) Weidong, a company which is accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements, as one of the Vendors
- (iii) Zhoushan Hongruan, as one of the Vendors
- (iv) Shenzhen Guojin, as one of the Vendors
- (v) Mr. Ruan, Mr. Sun and Mr. Yan, being the partners of Zhoushan Hongruan
- (vi) Beijing Hongruan

Subject: Pursuant to the Equity Transfer Agreement, Hunan Tianrun has agreed to acquire a 70% equity interest in Beijing Hongruan from Zhoushan Hongruan, a 20% equity interest in Beijing Hongruan from Weidong and a 10% equity interest in Beijing Hongruan from Shenzhen Guojin

Consideration: Hunan Tianrun has agreed to pay an aggregate of RMB625,000,000 as consideration for its acquisition of the entire equity interest in Beijing Hongruan, out of which an amount equivalent to RMB493,750,000 is payable to Zhoushan Hongruan, an amount equivalent to RMB87,500,000 is payable to Weidong and an amount equivalent to RMB43,750,000 is payable to Shenzhen Guojin

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hunan Tianrun, Zhoushan Hongruan, Shenzhen Guojin and their respective ultimate beneficial owners, and Mr. Ruan, Mr. Sun and Mr. Yan are third parties independent of the Company and its connected person(s).

As at the date of this announcement, Beijing Hongruan is accounted as an associated company of the Company by virtue of the 20% equity interest held by Weidong.

Acquisition of Muzhi Youwan by Hunan Tianrun

In parallel with the acquisition of the entire equity interest in Beijing Hongruan from the Vendors pursuant to the terms of the Equity Transfer Agreement, Hunan Tianrun has also entered into a separate equity transfer agreement with Huawei Culture pursuant to which Hunan Tianrun has agreed to acquire 30% equity interest in Muzhi Youwan from Huawei Culture (being Huawei Culture's entire shareholding in Muzhi Youwan). Pursuant to the terms of the Equity Transfer Agreement, completion of the Disposal is also conditional upon the shareholders of Hunan Tianrun, Huawei Culture and Muzhi Youwan having approved the acquisition of the 30% equity interest in Muzhi Youwan by Hunan Tianrun.

Muzhi Youwan is 30% owned by Huawei Culture as at the date of this announcement and is principally engaged in the publication of mobile games and the operation of mobile game platform. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Huawei Culture, Muzhi Youwan and their respective ultimate beneficial owners are third parties independent of the Company and its connected person(s).

Disposal

Pursuant to the terms of the Equity Transfer Agreement, Weidong, a company accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements, has agreed to dispose of the Sale Interest, representing a 20% equity interest in Beijing Hongruan, to Hunan Tianrun at a consideration of RMB87,500,000.

Consideration

Pursuant to the terms of the Equity Transfer Agreement, the aggregate Consideration for the Disposal is RMB87,500,000, which shall be settled by Hunan Tianrun in the following manner:

- (i) RMB43,750,000, representing 50% of the Consideration, will be settled in cash by Hunan Tianrun on the earlier of (a) a date which is within 90 days from the date on which the 100% equity interest in Beijing Hongruan has been registered under the name of Hunan Tianrun and the conditions precedent to the Disposal have been satisfied; and (b) a date which is within 15 days of the completion of the Hunan Tianrun Fund Raising Exercise; and
- (ii) RMB43,750,000, representing the remaining 50% of the Consideration, will be settled in cash by Hunan Tianrun within 15 days of the expiry of 12 months from the date of the allotment and issuance of certain consideration shares of Hunan Tianrun to Zhoushan Hongruan and Shenzhen Guojin pursuant to the terms of the Equity Transfer Agreement.

The Consideration was determined through arm's length negotiations between the parties to the Equity Transfer Agreement after taking into consideration of, among others, (i) the net asset value of Beijing Hongruan as at 31 December 2016, as appraised and assessed by an independent valuer, China Enterprise Appraisals Consultation Company Limited* (北京中企華資產評估有限責任公司); (ii) the percentage of Weidong's shareholding in Beijing Hongruan; and (iii) the discount applied in connection with Weidong's scope of participation under the Equity Transfer Agreement. The Directors consider the Consideration to be fair and reasonable and on normal commercial terms.

Conditions to the Disposal

The Disposal is conditional upon, among others, (i) the approval of the shareholders of Hunan Tianrun in respect of the acquisition of the entire equity interest in Beijing Hongruan; (ii) the approvals of the shareholders of Hunan Tianrun, Huawei Culture and Muzhi Youwan in respect of the acquisition of the 30% equity interest in Muzhi Youwan by Hunan Tianrun; and (iii) the approval of CSRC, having been obtained.

Completion of the Disposal

Within five Business Days of CSRC having approved the transactions as contemplated under the Equity Transfer Agreement, Weidong and Beijing Hongruan shall proceed to register the Sale Interest in the name of Hunan Tianrun with the AIC, and such registration shall be completed within 30 Business Days.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the carrying amount of the Group's interest in Beijing Hongruan as at the date of this announcement, it is estimated that the Group will recognise a gain of approximately RMB72,000,000 (before tax) as a result of the Disposal. This estimated gain is calculated based on the Consideration to be received by the Group after deducting the expenses attributable to the Disposal. The Shareholders should note that the actual amount of the gain (as the case may be) to be recognised and the financial effect of the Disposal to be recorded by the Group will be subject to the final audit by the Company's auditors, and therefore may be different from the amount mentioned above.

Upon completion of the Disposal, the Company will cease to hold any interest in Beijing Hongruan. Beijing Hongruan will cease to be an associated company of the Company and its financial results will no longer be equity accounted for in the consolidated financial statements of the Group.

The Board intends to use the net proceeds from the Disposal as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal of the Sale Interest, which was acquired in October 2014 for a consideration of RMB5,000,000, is expected to generate a substantial gain to the Group. This gain will help the Group to further develop its principal business and enhance Shareholders' value.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Group

The Company is an investment holding company. The Group is principally engaged in the development and operation of webgames and mobile games in the PRC.

Hunan Tianrun

Hunan Tianrun is a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002113). Hunan Tianrun is principally engaged in mobile online game development and operation.

Weidong

Weidong is a limited liability company established under the laws of the PRC and is accounted as an indirect wholly-owned subsidiary of the Company by virtue of the Contractual Arrangements. Weidong is principally engaged in the development and operation of webgames and mobile games and the provision of information technology services.

Zhoushan Hongruan

Zhoushan Hongruan is a limited partnership established under the laws of the PRC and is principally engaged in investment holding in the PRC. Mr. Ruan, Mr. Sun and Mr. Yan are the partners of Zhoushan Hongruan.

Shenzhen Guojin

Shenzhen Guojin is a limited partnership established under the laws of the PRC and is principally engaged in investment holding in the PRC.

Beijing Hongruan

Beijing Hongruan is a limited liability company established under the laws of the PRC and owned as to 70% by Zhoushan Hongruan, 20% by Weidong and 10% by Shenzhen Guojin as at the date of this announcement. Beijing Hongruan is principally engaged in, among others, the provision of telecommunication channel services to internet related companies.

Set out below is the audited financial information of Beijing Hongruan for the years ended 31 December 2015 and 2016:

	For the year ended	
	31 December	
	2015	2016
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit for the year before taxation	7,753	34,683
Profit for the year after taxation	6,741	31,844

The audited net asset value and total asset value of Beijing Hongruan as at 31 December 2016 were RMB38.3 million and RMB101.1 million, respectively.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% and all the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but is exempted from the shareholder approval requirement under Chapter 14 of the Listing Rules.

As completion of the Disposal is conditional upon, among others, CSRC having approved the transactions as contemplated under the Equity Transfer Agreement, the Disposal may or may not proceed to completion. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below unless the context otherwise requires:

“AIC”	Administration for Industry and Commerce
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Hongruan”	Beijing Hongruan Xiechuang Communication and Technology Co., Ltd.* (北京虹軟協創通訊技術有限公司), a limited liability company established under the laws of the PRC and owned as to 70% by Zhoushan Hongruan, 20% by Weidong and 10% by Shenzhen Guojin as at the date of this announcement
“Board”	the board of the Directors of the Company
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday in the PRC) on which banks in the PRC are open for business
“Company”	Forgame Holdings Limited (雲遊控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“Completion Date”	being the date on which the entire equity interest in Beijing Hongruan is registered with the AIC under the name of Hunan Tianrun

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by Hunan Tianrun to Weidong in relation to the Disposal pursuant to the Equity Transfer Agreement
“Contractual Arrangements”	a series of contractual arrangements entered into between Feidong, the PRC Operational Entities and their respective shareholders
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interest from Weidong to Hunan Tianrun pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 24 May 2017 entered into by and among Weidong, Zhoushan Hongruan, Shenzhen Guojin, Hunan Tianrun, Mr. Ruan, Mr. Sun, Mr. Yan and Beijing Hongruan in relation to the disposal of 100% equity interest in Beijing Hongruan by the Vendors to Hunan Tianrun
“Feiyin”	Guangzhou Feiyin Information Technology Co., Ltd.* (廣州菲音信息科技有限公司), a limited liability company established under the laws of the PRC, the financial results of which have been consolidated and accounted for as those of a subsidiary of the Company by virtue of the Contractual Arrangements
“Group”	the Company, its subsidiaries, and the PRC Operational Entities and their subsidiaries
“Huawei Culture”	Huawei Culture Company Limited* (驊威文化股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002502)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Hunan Tianrun”	Hunan Tianrun Digital Entertainment Culture Media Company Limited* (湖南天潤數字娛樂文化傳媒股份有限公司), a joint stock limited company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002113)
“Hunan Tianrun Fund Raising Exercise”	the fund raising exercise to be carried out by Hunan Tianrun after the entering into of the Equity Transfer Agreement
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Jieyou”	Guangzhou Jieyou Software Co., Ltd.* (廣州捷遊軟件有限公司), a limited liability company established under the laws of the PRC, the financial results of which have been consolidated and accounted for as those of a subsidiary of the Company by virtue of the Contractual Arrangements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ruan”	Mr. Ruan Qian (阮謙), an Independent Third Party
“Mr. Sun”	Mr. Sun Wei (孫偉), an Independent Third Party
“Mr. Yan”	Mr. Yan Rui (閻睿), an Independent Third Party
“Muzhi Youwan”	Shenzhenshi Muzhi Youwan Internet Technology Co., Ltd.* (深圳市拇指遊玩網絡科技有限公司), a limited liability company established under the laws of the PRC
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Operational Entities”	collectively, Feiyin, Weidong and Jieyou
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Interest”	the 20% equity interest in Beijing Hongruan held by Weidong and to be disposed of by Weidong to Hunan Tianrun pursuant to the Equity Transfer Agreement
“Share(s)”	the share(s) of US\$0.0001 each of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen Guojin”	Shenzhen Guojin Angel Investment Enterprise Limited Partnership (深圳國金天使投資企業(有限合夥)), a limited partnership established under the laws of the PRC and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	collectively, Weidong, Zhoushan Hongruan and Shenzhen Guojin
“Weidong”	Guangzhou Weidong Internet Technology Co., Ltd.* (廣州維動網絡科技有限公司), a limited liability company established under the laws of the PRC, the financial results of which have been consolidated and accounted for as those of a subsidiary of the Company by virtue of the Contractual Arrangements
“Zhoushan Hongruan”	Zhoushan Hongruan Xiechuang Investment Limited Partnership* (舟山虹軟協創投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC and an Independent Third Party
“%”	per cent

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 24 May 2017

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.

* *For identification purposes only*