

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Forgame Holdings Limited

雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

**CONTINUING CONNECTED TRANSACTION
DECORATION SERVICES AGREEMENT WITH BEIJING ZHONGDING**

CONTINUING CONNECTED TRANSACTION

On 20 May 2019, Beijing Xigua entered into the Decoration Services Agreement with Beijing Zhongding, pursuant to which Beijing Zhongding agreed to provide the Decoration Services to Beijing Xigua Group for a fixed term which commenced on 20 May 2019 and ending on 19 May 2020 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of the Decoration Services Agreement, Beijing Zhongding was owned as to 99.01% by Mr. Yu Shemo, a nephew of Ms. Li Luyi, a former executive director and the former chief executive officer of the Company, whom the Group was unable to contact from late-October to early-November prior her resignation on 7 November 2019. As such, Mr. Yu Shemo is deemed as a connected person of the Company under Rule 14A.21 of the Listing Rules.

Since the highest of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Decoration Services Agreement is more than 0.1% but less than 5%, the transaction under the Decoration Services Agreement was only subject to the announcement and reporting requirements, but was exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company acknowledges that the notification and announcement requirements in respect of the Decoration Services Agreement as required under Chapter 14A of the Listing Rules had been delayed. The Decoration Services Agreement was entered into prior to the completion of the acquisition of Beijing Xigua by the Group on 26 June 2019, and Mr. Yu Shemo was not listed on the connected persons list as reported by Ms. Li Luyi at the time when Ms. Li Luyi became the Group's connected person, leading to the failure to timely disclose the Decoration Services Agreement as required under Chapter 14A of the Listing Rules. Further, no attention was drawn to the Company by Mr. Yu Shemo in relation to his relationship with Ms. Li Luyi. Accordingly, the Company was not aware that the Decoration Services Agreement would constitute as connected transaction for the Company under the Listing Rules and hence had omitted to timely comply with the Listing Rules in respect of the Decoration Services Agreement.

INTRODUCTION

On 20 May 2019, Beijing Xigua entered into the Decoration Services Agreement with Beijing Zhongding for the purpose of the operation of the VR Stores.

THE DECORATION SERVICES AGREEMENT

The principal terms of the Decoration Services Agreement are as follows:

Date: 20 May 2019

Parties: (a) Beijing Xigua; and
(b) Beijing Zhongding.

Subject matter: The decoration services to be provided by Beijing Zhongding to Beijing Xigua Group include, but are not limited to, the provision of renovation, decoration and other related services for the VR Stores (the “**Decoration Services**”).

The Decoration Services Agreement is a framework agreement which provides the mechanism for the provision of the Decoration Services provided by Beijing Zhongding to Beijing Xigua Group. It is envisaged that from time to time and as required, individual service agreements will be required to be entered into between Beijing Zhongding and members of the Beijing Xigua Group. Each individual service agreement will set out the relevant Decoration Services to be provided by Beijing Zhongding to Beijing Xigua Group and the service fees. The individual service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Decoration Services Agreement. As the individual service agreements are simply further elaborations on the Decoration Services Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Term: The Decoration Services Agreement has a fixed term which commenced on 20 May 2019 and ending on 19 May 2020 (both days inclusive).

Transaction amount: The actual transaction amount paid by Beijing Xigua to Beijing Zhongding pursuant to the Decoration Services Agreement for the period from 26 June 2019 to 31 December 2019 amounted to RMB4.6 million (for the period from 1 January 2020 to the date of this announcement: nil).

Upon the expiry of the term of the Decoration Services Agreement on 19 May 2020, it is expected that the Group will not continue to procure Decoration Services from Beijing Zhongding and therefore no additional contract with Beijing Zhongding is expected to be entered into between the Group and Beijing Zhongding.

Based on the terms of the Decoration Services Agreement and the expected level of Decoration Services prior to the expiry of the Decoration Services Agreement, it is expected that the total amount of service fee paid/payable to Beijing Zhongding pursuant to the Decoration Services Agreement will not be more than RMB5.0 million.

Pricing: The basis of determining the service fees paid/payable by the Group in respect of the Decoration Services contemplated under the Decoration Services Agreement was determined in the ordinary course of business, on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent service providers and shall be on terms which are no less favorable to the Group than those offered by other independent service providers.

The total final service price shall be determined through commercial negotiation in accordance with the fair market prices obtained by the Company through public bidding and other methods.

Payment:

Payment of the Decoration Services was and will be settled by way of cash dependable upon the completion progress of the Decoration Services, subject to the terms of the separate service agreements in respect of the Decoration Services to be entered into between members of the Beijing Xigua Group and Beijing Zhongding under the Decoration Service Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE DECORATION SERVICES AGREEMENT

Development of the VR business has been one of the Group's business focuses since the completion of acquisition of Beijing Xigua by the Company on 26 June 2019. Beijing Xigua has been developing VR technology and games for years, and it has successfully developed "a kind of space positioning system and method", which enabled multiple players to have safe virtual battle experience in VR games.

As stated in the announcement of the Company dated 24 April 2019, it was then expected that the Beijing Xigua Group will open over a hundred direct-sale stores and over a hundred franchise stores under the brand name "Player No. 1" all over the PRC, and the Decoration Services Agreement was entered into to complement the then business and expansion plan of Beijing Xigua for the operation of the VR Stores.

The Decoration Services Agreement was entered into in the usual and ordinary courses of business of the Group and the transaction contemplated thereunder will be conducted on arm's length basis and on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Decoration Services Agreement are fair and reasonable and the entering into of the Decoration Services Agreement was in the interest of the Company and the Shareholders as a whole.

INFORMATION IN RELATION TO THE GROUP AND BEIJING ZHONGDING

The Group

The Company is an investment holding company. The Group is principally engaged in developing and publishing domestic and overseas webgames and mobile games as well as offering VR game in physical stores and providing internet micro-credit service in the PRC.

Beijing Zhongding

Beijing Zhongding is a company established in the PRC, principally engaged in corporate image planning and consultancy services and has extensive experience in the decoration requirements for the game stores for VR games.

LISTING RULES IMPLICATIONS

As at the date of the Decoration Services Agreement, Beijing Zhongding was owned as to 99.01% by Mr. Yu Shemo, a nephew of Ms. Li Luyi, a former executive director and the former chief executive officer of the Company, whom the Group was unable to contact from late-October to early-November prior her resignation on 7 November 2019. As such, Mr. Yu Shemo is deemed as a connected person of the Company under Rule 14A.21 of the Listing Rules.

Since the highest of the applicable percentage ratios (other than the profits ratio) in respect of the transaction under the Decoration Services Agreement is more than 0.1% but less than 5%, the transaction under the Decoration Services Agreement were only subject to the announcement and reporting requirements, but were exempted from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company acknowledges that the notification and announcement requirements in respect of the Decoration Services Agreement as required under Chapter 14A of the Listing Rules had been delayed. The Decoration Services Agreement was entered into prior to the completion of the acquisition of Beijing Xigua by the Group on 26 June 2019, and Mr. Yu Shemo was not listed on the connected persons list as reported by Ms. Li Luyi at the time when Ms. Li Luyi became the Group's connected person, leading to the failure to timely disclose the Decoration Services Agreement as required under Chapter 14A of the Listing Rules. Further, no attention was drawn to the Company by Mr. Yu Shemo in relation to his relationship with Ms. Li Luyi. Accordingly, the Company was not aware that the Decoration Services Agreement would constitute as connected transaction for the Company under the Listing Rules and hence had omitted to timely comply with the Listing Rules in respect of the Decoration Services Agreement as disclosed above. On 13 April 2020, the Board was notified of the relationship between Mr. Yu Shemo and Ms. Li Luyi by the management of the Company whom was made aware during the process of an internal review on the operation of Beijing Xigua.

GENERAL

The Directors (including the independent non-executive Directors) consider that the transaction to be carried out under the Decoration Services Agreement are in the ordinary and usual course of business of the Group, and the terms of the Decoration Services Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors are considered to have a material interest in the transaction contemplated under the Decoration Services Agreement and required to abstain from voting on the Board resolution to approve the entering into of the Decoration Services Agreement.

DEFINITIONS

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

“Board”	the boards of Directors
“Beijing Xigua”	北京西瓜互娛科技有限責任公司 (Beijing Xigua Huyu Technology Co., Ltd.*), a company established with limited liability in the PRC and a non-wholly owned subsidiary of the Company as at the date of this announcement
“Beijing Xigua Group”	Beijing Xigua together with its subsidiaries and branch companies
“Beijing Zhongding”	北京中鼎神起文化傳播有限公司 (Beijing Zhongding Shenqi Cultural Communication Co., Ltd.*), a company established in the PRC
“Company”	Forgame Holdings Limited (Stock Code: 00484), an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Decoration Services”	as defined in section headed “The Decoration Services Agreement” of this announcement
“Decoration Services Agreement”	the decoration services agreement entered into between Beijing Xigua and Beijing Zhongding on 20 May 2019
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“VR”

virtual reality

“VR Stores”

the VR stores opened up and/or operated by Beijing Xigua Group from time to time for the provision of indoor VR entertainment services to customers

By order of the Board
Forgame Holdings Limited
HAN Jun
Chairman

Hong Kong, 16 April 2020

As at the date of this announcement, the executive Directors are Mr. HAN Jun and Ms. LIANG Na; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. HOW Sze Ming, Mr. ZHAO Cong Richard and Mr. WAN Joseph Jason.

** For identification purpose*