Forgame Holdings Limited
雲 遊 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF CONVERTIBLE BONDS ISSUED BY YINKER INC.
AND
CHANGE IN USE OF PROCEEDS

SUBSCRIPTION OF CONVERTIBLE BONDS

The Board wishes to announce that on 3 August 2016, the Company entered into the Investment Agreement with Yinker Inc., among others, pursuant to which the Company conditionally agreed to subscribe for, and Yinker Inc. agreed to issue, the Convertible Bonds in aggregate principal amount of RMB300,000,000. Assuming the completion of the Subscription and the conversion rights attaching to the Convertible Bonds and the Accrued Interest are exercised in full upon maturity of the Convertible Bonds at the initial Conversion Price of RMB0.7448 per Conversion Share, up to a total of 474,411,730 Conversion Shares will be allotted and issued, representing approximately 15.01% of the existing issued share capital of Yinker Inc. (on an as-converted and fully diluted basis, but without taking into account any potential dilution effect resulting from the additional shares reserved for issue under the Yinker ESOP) as at the date of this announcement.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Transactions are more than 5% but less than 25%, the entering of the Investment Agreement and the Transactions contemplated thereunder constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 3 August 2016, the Company entered into the Investment Agreement with Yinker Inc., among others, pursuant to which the Company conditionally agreed to subscribe for, and Yinker Inc. agreed to issue, the Convertible Bonds in aggregate principal amount of RMB300,000,000. Assuming the completion of the Subscription and the conversion rights attaching to the Convertible Bonds and the Accrued Interest are exercised in full upon maturity of the Convertible Bonds at the initial Conversion Price of RMB0.7448 per Conversion Shares, up to a total of 474,411,730 Conversion Shares will be allotted and issued, representing approximately 15.01% of the existing issued share capital of Yinker Inc. (on an as-converted and fully diluted basis, but without taking into account any potential dilution effect resulting from the additional shares reserved for issue under the Yinker ESOP) as at the date of this announcement.

THE SUBSCRIPTION OF CONVERTIBLE BONDS

The Investment Agreement

Date:

3 August 2016

Parties:

(1) Yinker Inc.;

(2) HK Co;

(3) PRC Co;

(4) Yinker Leasing;

(5) the Registered Shareholder;

(6) the OPCOs;

(7) the Domestic Companies;

(8) the Company;

(9) the Founder Parties; and

(10) the Existing Preferred Shareholders.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the members of the Yinker Group, the Founder Parties, the Existing Preferred Shareholders, and their respective ultimate beneficial owners are not connected persons of the Company as defined under Chapter 14A of the Listing Rules as at the date of this announcement.

Subscription Price

Pursuant to the Investment Agreement, the Company agreed to conditionally subscribe for, and Yinker Inc. agreed to issue, the Convertible Bonds in the principal amount of RMB300,000,000 at the Subscription Price of RMB300,000,000, being 100% of the principal value of the Convertible Bonds. Accordingly, the Directors are of the view that the Subscription Price is fair and reasonable.

Payment of the Subscription Price

The Subscription Price shall be paid by the Company as follows:

(a) within 7 business days upon delivery to the Company of evidence that the Closing Condition (a) below having been fulfilled to the satisfactory of the Company, the First Deposit in the amount of RMB100,000,000 in US$ equivalent;

(b) within 7 business days upon delivery to the Company of evidence that the Closing Conditions (d), (e) and (f) below having been fulfilled to the satisfaction of the Company, the Second Deposit in the amount of RMB100,000,000 in US$ equivalent; and

(c) at Closing, the balance of the Subscription Price in the amount of RMB100,000,000.

The Subscription Price will be financed by the IPO Proceeds and the Placing Proceeds.

Conditions Precedent to completion of the Subscription

Completion of the Subscription is conditional upon the fulfillment and satisfaction or waiver by the Company of the following closing conditions:

(a) Mr. Lin Enmin, who is one of the Founders, having executed a personal guarantee in favour of the Company to guarantee the repayment of the Deposits by Yinker Inc. pursuant to the Investment Agreement;

(b) the representations and warranties in the Investment Agreement being true, correct and complete in all material respect as of the signing date and as of the closing date of the Investment Agreement;

(c) each Covenantor shall have performed with the agreements, obligations and conditions that are required by the transaction documents to be performed or complied by it on or before Closing;

(d) all corporate and other proceedings in connection with the transactions and the transaction documents having been completed to the satisfaction of the Company including:

    (i) written resolutions of the shareholders and of the board of directors of Yinker Inc., each of which approving the execution and delivery of the Investment Agreement and the Structured Contracts, which shall have been duly signed and delivered to the Company prior to the payment of the Second Deposit by the Company; and

    (ii) written resolutions of the shareholders and of the board of directors of Yinker Inc., each of which approving the re-designation of share capital of Yinker Inc. (reserving the Conversion Shares), adoption of the amended and restated memorandum and articles of Yinker Inc., execution and delivery of the new shareholders' agreement of Yinker Inc. and the issue of the Convertible Bonds and the Conversion Shares to the Company, which shall have been duly signed and delivered to the Company prior to the Closing.

(e) all consent which are required to be obtained by each Covenantor in connection with the consummation of the transactions and the transaction documents having been duly obtained;

(f) all waiver of pre-emption or similar rights with respect to the issue of the Convertible Bonds having been obtained by Yinker Inc. (whether in the form of express written wavier or addressed in shareholders resolutions duly signed by all shareholders of the Company) and have been provided to the Company prior to payment of the Second Deposit;

(g) all waiver of pre-emption or similar rights with respect to the issue of the Conversion Shares having been obtained by Yinker Inc. (whether in the form of express written wavier or addressed in shareholders resolutions duly signed by all shareholders of the Company) and having been provided to the Company;

(h) the Company having completed its due diligence investigation on Yinker Group to its satisfaction;

(i) no event or events which would have a material adverse effect on the Yinker Group has occurred;

(j) the board of directors of the Company having approved the execution of the Investment Agreement and the transactions contemplated thereunder and such approval shall not have been rescinded, revoked or materially amended;

(k) all approval, consent or waiver from third party required to be obtained by the Company including but not limited to (where applicable) all approval, consent or waiver from the Stock Exchange and such other related approval, consent or waiver required for compliance with the Listing Rules in connection with the execution of the Investment Agreement and the other transaction documents to which it is a party and the transactions contemplated thereunder and such approval, consent and waiver shall not have been rescinded, revoked or materially amended; and

(l) the entering into of the Investment Agreement and the performance by the Company of its obligations under the transaction documents will not result in the Company being in breach of its constitutional documents, any applicable Laws or rules of the Stock Exchange.

Termination of the Investment Agreement

The Covenantors shall use their respective best efforts to ensure the satisfaction of the Closing Conditions applicable to them as soon as possible after the signing date of the Investment Agreement but in any event on or prior to the Long-Stop Date. If Closing has not occurred on or prior to the Long-Stop Date, the Company may elect to terminate the Investment Agreement and the Deposits paid by the Company shall be forthwith released and returned to the Company without any deduction within three business days upon such termination.

Guarantee to the repayment of the Deposits

To secure the repayment of the Deposits paid or payable by the Company under the Investment Agreement, Mr. Lin Enmin, who is one of the Founders, will execute a personal guarantee in favour of the Company before payment of the First Deposit by the Company to guarantee the repayment of the Deposits by Yinker Inc. pursuant to the Investment Agreement.

Veto Rights of the Company

From the signing date of the Investment Agreement to the earlier of (i) the termination of the Investment Agreement, (ii) a new shareholders' agreement having been executed by parties thereto and becoming effective or (iii) the Company ceasing to be holder of any outstanding Convertible Bonds, Yinker Group shall not, and the Covenantors shall procure that Yinker Group shall not, take, permit or occur, approve, authorize or agree to commit to do, and each Covenantor and preferred shareholder of Yinker Inc. shall ensure that each member of the Yinker Group will not take, permit occur, approve, authorise, or agree to commit to do, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise any material action as set out in the Investment Agreement without the prior written consent of the Company (including but not limited to changes to the rights and preferences of any preferred shares, issue of new equity securities, capital restructuring, amendments of constitutional documents, winding up of any members of the Yinker Group etc).

Shareholders' Agreement

Pursuant to the terms of the Investment Agreement, a new shareholders' agreement of Yinker Inc. containing such terms satisfactory to the Company will be entered into between, among others, the Company, Yinker Inc., the Founders Parties and the Existing Preferred Shareholders on Closing, which shall become effective upon the first conversion of the Convertible Bonds. The shareholders' agreement will contain various customary rights for protection of minority including but not limited to pre-emption rights, co-sale rights, board nomination rights, information access and inspection rights and reserved matters which require approval of preferred shareholders of Yinker Inc.. Transfer of the Conversion Shares will be subject to any rights of first refusal applicable to any or all of the Conversion Shares as may be contained in the new shareholders agreement to be entered into by the parties, the memorandum and articles of association of Yinker Inc. and applicable laws.

Employee Stock Ownership Plan of Yinker Inc.

As at the date of this announcement, 240,000,000 common shares of Yinker Inc. were provided for issue under the Yinker ESOP. Pursuant to the Investment Agreement, Yinker Inc. shall additionally authorise and reserve up to 166,299,809 common shares of Yinker Inc. issuable under the Yinker ESOP after all Bonds and the Accrued Interest have been converted into Conversion Shares or redeemed and paid by the Company (as the case may be), representing approximately 5% of the equity share capital of Yinker Inc. immediately after Closing (on a fully-diluted and as-converted basis, assuming all Conversion Shares have been allotted and issued, but without taking into account any potential dilution effect resulting from the additional shares reserved for issue under the Yinker ESOP).

Completion of the Subscription

Completion of the Subscription shall take place on a date no later than the fifth business day after all Closing Conditions (except for those Closing Conditions that will be satisfied at Closing) have been satisfied or waived (or such other time and place as the Company and Yinker Inc. shall mutually agree).

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Principal amount:	RMB300,000,000.
Maturity Date:	Fifth anniversary of the issue date of the Convertible Bonds
Interest:	Compound interest at the rate of 3.3% per annum, compounded bi-annually, payable in RMB at maturity of the Convertible Bonds unless the Company elects to convert the Accrued Interest into Conversion Shares
Conversion Rights:	Subject to the terms and conditions of the Convertible Bonds instrument, the holder of the Convertible Bonds shall have the right to convert all or any part of the principal amount of the Convertible Bonds and accrued and unpaid interest into Conversion Shares at any time on and after the issue date up to the maturity date of the Convertible Bonds, provided that, for each conversion, the Company may only elect to convert the entire outstanding principal amount of the Convertible Bonds held by it (together with Accrued Interest, if applicable) or in principal amount of not less than RMB100,000,000 (together with accrued and unpaid interest, if applicable).
Automatic Conversion:	Each Convertible Bond and Accrued Interest shall automatically be converted into Conversion Shares based on the applicable then-effective Conversion Price in effect (i) at the election of the majority holders of the Convertible Bonds; or (ii) at the time immediately upon the closing of a Qualified IPO (as defined in the Convertible Bonds instrument)

Conversion Price:	The Conversion Price will initially be RMB0.7448 per Conversion Share, subject to adjustments as provided in the terms and conditions of the Convertible Bonds instrument.
Adjustment to the Conversion Price:	(i) Proportional Adjustment The Conversion Price will be proportionately adjusted as a result of share split, share division, share combination, share dividend, reorganization, mergers, consolidations, reclassifications, exchanges, substitutions, recapitalization or similar events. (ii) Anti-dilution Adjustment If at any time, the Company shall issue or sell new shares of Yinker Inc. for a per-share consideration less than the applicable then-effective Conversion Price of any Convertible Bond, then and in such event, the Conversion Price for the Convertible Bond shall be reduced and adjusted such that the Convertible Bond continues to retain the same economic interest in Yinker Inc. on a broad-based weighted average and fully diluted basis as immediately prior to such dilutive issuance.
Redemption for maturity:	Unless previously redeemed, converted or cancelled, Yinker Inc. shall redeem the Convertible Bonds at their principal amount, together with all interest, fee and other amounts accrued and unpaid on the date ending on the fifth anniversary of the issue date of the Convertible Bonds.
Redemption as a result of missed Performance Target:	If Yinker Inc. fails to achieve a performance target for (a) consolidated net profit for the 2017 financial year of not less than RMB100,000,000 or (b) consolidated net profit for the 2018 financial year of not less than RMB200,000,000, holder of the Convertible Bonds may, by notice in writing require Yinker Inc. to redeem all or any part of the outstanding Convertible Bonds within thirty (30) days from the date of such notice at their principal amount, together with all interest, fee and other amounts accrued and unpaid.

Redemption as a result of non-compliance with applicable laws and regulations:	If Yinker Inc. fails to comply with all applicable laws and regulations applicable to its principal business in all material respects or fails to obtain any material licenses or permits legally required for the continuously conducting its principal business by 31 December 2017, the Company may, by notice in writing before 1 April 2018 require Yinker Inc. to redeem all or any part of the outstanding Convertible Bonds within thirty (30) days from the date of such notice at their principal amount, together with all interest, fee and other amounts accrued and unpaid.
Events of Default:	If any event of default set out in the terms and conditions of the Convertible Bonds instrument occurs, the holder of Convertible Bonds may by notice in writing to the Company, requires the Company to redeem the Convertible Bonds in whole or in part.
Transfer:	The Convertible Bond may only be transferred in whole or in part to the Company's affiliate(s) unless with the written consent of the board of directors of Yinker Inc..

Key rights of the Series C Preferred Shares

Pursuant to the Investment Agreement, the Series C Preferred Shares that may be issued upon conversion of the Convertible Bonds shall contain the following key rights including, among other things, rights to preferred dividend, liquidation preference, redemption right, in each case, not less favourable than those available to holders of Series A Preferred Shares and Series B Preferred Shares. In addition, (i) each Series C Preferred Share is convertible into common share of Yinker Inc. at an initial conversion ratio for Series C Preferred Share to Common Share of 1:1, subject to customary anti-dilution adjustments, and (ii) holder(s) of more than 50% of the Series C Preferred Shares shall be entitled to appoint one (1) director of Yinker Inc. and of each member of the Yinker Group, provided that such holder(s) of the Series C Preferred Shares shall hold no less than 10% of the issued share capital of Yinker Inc. (on an as-converted and fully diluted basis).

INFORMATION OF YINKER GROUP

Yinker Inc. is an investment holding company incorporated on 12 August 2014 in the Cayman Islands, which through its wholly-owned subsidiaries and the Structured Contracts, is principally engaged in the internet financial business (also known as "互聯網金融服務") in the PRC through operations of websites and mobile phone applications under the "Yinker" (now known as "銀客理財"), "Jianlicai" ("簡理財") and the "Rongshidai" ("融時代") brands.

The HK Co is an investment holding company incorporated on 18 August 2014 in Hong Kong and is a wholly-owned subsidiary of Yinker Inc.

The PRC Co is a company established under the laws of the PRC on 26 November 2014 and its principal business is provision of consulting services to the OPCOs.

Yinker Finance Leasing is a company established under the laws of the PRC on 30 November 2015 and has not commenced any business as of the date of this announcement.

The OPCOs are companies established under the laws of the PRC and are principally engaged in the internet finance business in the PRC through themselves or the Domestic Companies.

The unaudited consolidated net asset value of the Yinker Group as at 30 June 2016 and 31 December 2015 were approximately RMB116,536,000 and RMB107,587,000 respectively, and the unaudited consolidated net profit for the six months ended 30 June 2016 and the two financial years ended 31 December 2015 were approximately as follows:

	For the year ended 31 December 2014 *(RMB)*	**For the year ended 31 December 2015** *(RMB)*	**For the six months ended 30 June 2016** *(RMB)*
Net profit/(loss) before taxation	(22,740,000)	(47,970,000)	7,769,000
Net profit/(loss) after taxation	(22,740,000)	(47,970,000)	4,534,000

Assuming the completion of the Subscription and the conversion rights attaching to the Convertible Bonds and the Accrued Interest are exercised in full upon maturity of the Convertible Bonds at the initial Conversion Price of RMB0.7448 per Conversion Shares, up to a total of 474,411,730 Conversion Shares will be allotted and issued, representing approximately 15.01% of the existing issued share capital of Yinker Inc. (on an as-converted and fully diluted basis but without taking into account any potential dilution effect resulting from the additional shares reseved for issue under Yinker ESOP) as at the date of this announcement. It is currently expected that the financial results of Yinker Group will not be consolidated into the consolidated financial statements of the Company upon full conversion of the Convertible Bonds.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Yinker Group, a top five PRC internet financing platform by transaction volume, is based in Beijing and primarily provides an online credit marketplace in the PRC to match borrowers with private lenders through the internet. Yinker Group's platform provides borrowers with various financing solution products, and at the same time provides private lenders with a number of products comprise of housing loans, automobile loans, and consumer loans. Yinker Group has already recorded transaction volume of over RMB14.8 billion for the last twelve months ended May 2016, representing an approximately 8 times increase of accumulated transaction volume for such period. As one of the fastest growing internet finance platform in PRC, Yinker Group had also won numerous awards, including but not limited to the Internet Society of China's 2016 Innovative Product & Services Award, as well as Zhongguancun Internet Finance Institute (CZIFI)'s 2015 Most Competitive Corporate in the PRC Internet Finance Industry Award.

The Directors are of the view that the Convertible Bonds investment provides the Group with a number of benefits. Given that the PRC internet finance industry is at its early stage and will likely experience rapid and transformative growth, the Convertible Bonds investment on the one hand puts the Group in an advantageous position to enjoy the benefit of having an interest generating investment, which exceeds the Group's current interest income rate, while on the other hand provides the Group with the option to convert the Convertible Bonds into equity shares of Yinker Inc. at any time in the next five years. During the course of these five years, when and should the Directors believe that it is beneficial to the Group to convert the Convertible Bonds into equity shares of Yinker Inc., the Group will stand to capture Yinker Group's net profit proportionately as associate income and will help boost the Group's overall net profit, which Yinker Group's management has set a net profit performance target for Yinker Group of achieving RMB100 million for the year ending 31 December 2017 and RMB200 million for the year ending 31 December 2018.

While the Group is principally engaged in developing and publishing webgames and mobile games in the PRC, the Directors believe that the present investment could enhance the Group's overall competitiveness according to the aforementioned reasons, which will in turn help retain and attract new talents and resources. These elements are of particular importance to the Group's continual implementation of its transformation plan from a developer and publisher of webgames to become a developer and publisher of mobile games, which has thus far achieved mixed results as the competition in the web and mobile gaming industry has been intense. In the future, should the investment turns out to be a success, it will provide the Group a path to further invest and expand its operations into the internet finance industry with the goal of generating higher shareholder value.

Accordingly, the Directors (including the independent non-executive Directors) consider that the Transaction is carried out on normal commercial terms which are fair and reasonable and is in the interests of the Shareholders as a whole.

INFORMATION OF THE REGISTERED SHAREHOLDER

The Registered Shareholder is a company established under the laws of the PRC on 22 November 2012 and wholly-owns the entire equity interests in the OPCOs as of the date of this announcement. The entire equity interests of the Registered Shareholder is owned as to 51% by Mr. Lin Enmin and 49% by Mr. Zhang Tianle, respectively.

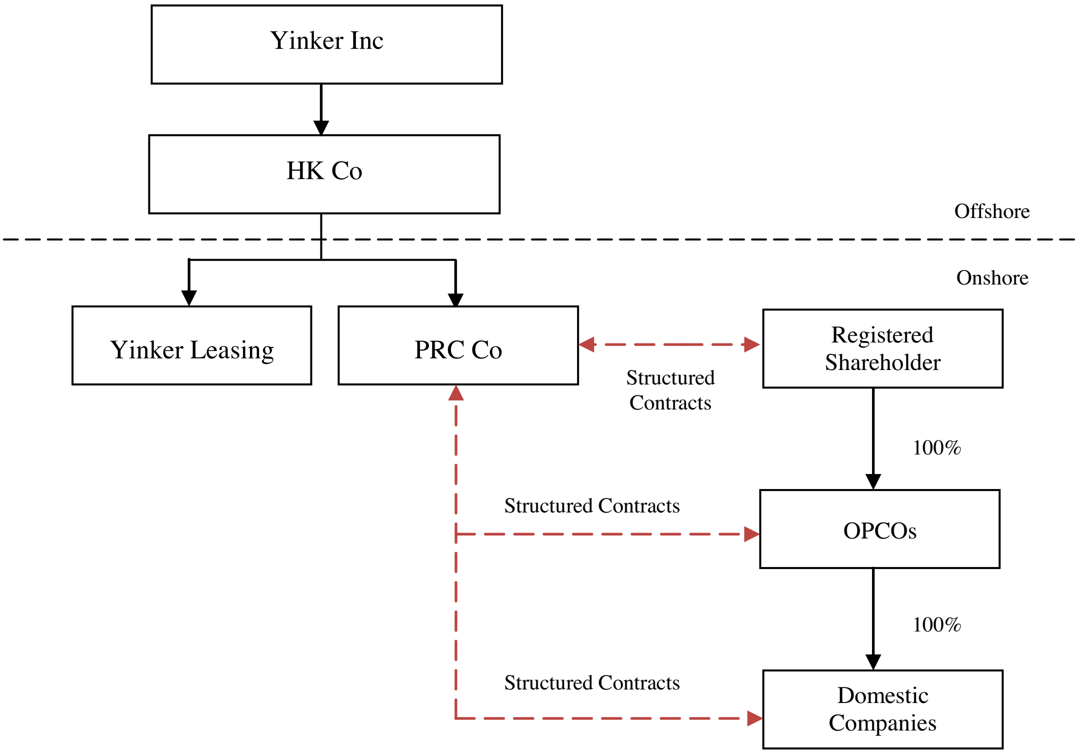
INFORMATION OF THE STRUCTURED CONTRACTS

Pursuant to the applicable PRC laws, the value-added telecommunications business (Information Service via Internet and mobile network) of Yinker Group is subject to restriction on foreign investment. As such, each of the PRC Co, the Domestic Companies, the OPCOs and the Registered Shareholder and their respective shareholders entered into the Structured Contracts to enable the financial results, the entire economic benefits and risks of the businesses of the Domestic Companies and the OPCOs to flow onto the PRC Co and to enable the PRC Co to gain the controlling right of the OPCOs and the Domestic Companies.

In the event it is permissible in the future under the relevant PRC laws, rules and regulations for the PRC Co to engage in the business which the OPCOs and the Domestic Companies have been engaging in, the PRC Co shall exercise the options under the Exclusive Option Agreement as soon as practicable and the relevant Structured Contracts shall be terminated.

Shareholding structure of the Yinker Group

Set out below is a simplified shareholding structure of the Yinker Group upon Closing:



The Structured Contracts

(1) Exclusive Option Agreements

With respect to each of the VIE Controlled Entities:

Date:	1 August 2016
Parties:	The registered shareholder(s) of the relevant VIE Controlled Entity PRC Co The VIE Controlled Entity
Subject:	The registered shareholder irrevocably agrees, to the extent permitted under the laws of the PRC, to transfer to PRC Co or any persons(s) designated by PRC Co at any time and from time to time, all or in tranches of its equity interest in the respective VIE Controlled Entity.

(2) Exclusive Business Cooperation Agreements

With respect to each of the VIE Controlled Entities:

Date: 1 August 2016

Parties: PRC Co
The respective VIE Controlled Entity

Subject: The respective VIE Controlled Entity engages the PRC Co on an exclusive basis to provide business and technical consultancy services in connection with the business of the respective VIE Controlled Entity. In consideration of the provision of business and technical consultancy services, the respective VIE Controlled Entity will pay PRC Co a service fee equivalent to 100% of the income and interests of the respective VIE Controlled Entity every year after deduction of necessary costs and expenses.

(3) Equity Pledge Agreements

With respect to each of the VIE Controlled Entities:

Date: 1 August 2016

Parties: The registered shareholder(s) of the respective VIE Controlled Entity
PRC Co
The VIE Controlled Entity

Subject: The registered shareholder agrees to pledge all equity interest in the VIE Controlled Entity held by the registered shareholder to the PRC Co.

(4) Irrevocable Power of Attorney

Date: 1 August 2016

Parties: The registered shareholder(s) of the respective VIE Entity

Subject: The registered shareholder irrevocably and unconditionally undertakes to authorise the PRC Co or any person as designated by the PRC Co to exercise on their behalf full shareholders' rights under the articles of association of the respective VIE Controlled Entity and applicable PRC laws and regulations, including, but not limited to (i) the right to convene, attend the shareholders' meeting and to sign minutes of shareholders' meeting and shareholders' resolutions, (ii) exercise all shareholder's rights under the articles of association of the respective VIE Controlled Entity, including but not limited to sell, transfer or dispose of the equity interests thereof, (iii) appoint the legal representatives, director, supervisor, chief executive or other senior management thereof, and (iv) the right to file documents with the relevant companies registry.

(5) Spousal Consent Letter

Date: 1 August 2016

Parties: The spouse of Mr. Lin Enmin

Subject: The spouse of Mr. Lin Enmin unconditionally and irrevocably, (i) acknowledges that all the equity interests of the Register Shareholder registered under the name of Mr. Lin Enmin do not form part of his matrimonial property, (ii) undertakes that she will not claim any remedy in respect of the equity interests in the Registered Shareholder, and (iii) confirms that the performance or amendments of the Structured Contracts do not require her consent or approval.

Compliance of Structured Contracts with PRC laws, rules and regulations

According to our PRC Legal Adviser, (i) each of the Structured Contracts is legal, valid and binding on the parties thereto; (ii) none of the Structured Contracts contravene the articles of association of the PRC Co and the OPCOs, and would be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law; and (iii) the Structured Contracts are enforceable, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of the OPCOs and the Domestic Companies, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration or to award interlocutory relief during the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the OPCOs and the Domestic Companies in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. Up to the date of this announcement, Yinker Group has not encountered any interference or encumbrance from any governing bodies in operating its business through the OPCOs under the Structured Contracts based on confirmation provided by Yinker Group and the interview with relevant PRC governmental authorities conducted by Yinker Group and the PRC Legal Adviser. As a result, the Directors believe that the Structured Contracts shall be enforceable under the PRC laws and regulations. The PRC Legal Adviser confirmed that they have reviewed the relevant disclosures in relation to the Structured Contracts arrangement in this announcement.

Settlement of potential dispute arising from the Structured Contracts

The Structured Contracts are governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the Structured Contracts provide that such dispute to be submitted to the China International Economic and Trade Arbitration Commission for arbitration. The decision of such arbitration is final and binding on the parties concerned. The Structured Contracts contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award any remedies over the equity interests or assets of the OPCOs and the Domestic Companies and (ii) provide the courts of competent jurisdictions (including the PRC, Hong Kong and Cayman Islands) with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel.

Measures to mitigate potential conflict of interests between the OPCOs and the Registered Shareholder

The registered shareholder(s) of the respective VIE Controlled Entity has undertaken in the Structured Contracts that it will not pay dividend from the VIE Controlled Entity without prior written consent of the PRC Co and will pay such interests to PRC Co as the service fees, and it will perform all obligations in full compliance with the Structured Contracts and it will not affect the validity or enforceability of the Structured Contracts by any act or omission. The respective VIE Controlled Entity undertakes in the Exclusive Business Cooperation Agreement that during the period that the Structured Contracts remain effective, (i) it or its subsidiaries shall not participate in any business which is beyond the business scope of their business licenses and relevant business permits and PRC Co's written consent, and (ii) it or its subsidiaries would not, directly or indirectly participate in, or invest in any business which is in competition with the businesses of the PRC Co.

Internal control measures

In order to have effective control over and to safeguard the assets of the VIE Controlled Entities, the Structured Contracts provide that, without the prior written consent of the PRC Co, the registered shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the VIE Controlled Entity, or allow any encumbrance thereon of any security interest.

The VIE Controlled Entities and their respective registered shareholder(s) shall always operate all of the VIE Controlled Entities' businesses in the ordinary and usual course of business and shall maintain the asset value of the VIE Controlled Entities and refrain from any action/ omission that may adversely affect VIE Controlled Entities' operating status and asset value.

Unwinding the Structured Contracts

PRC Co agrees that it will unwind the Structured Contracts as soon as the law allows the value-added telecommunications business in the PRC to be operated without the Structured Contracts. Pursuant to the Exclusive Option Agreements, the registered shareholder(s) of the respective VIE Controlled Entities has undertaken that the consideration the registered shareholder received in respect of the acquisition of equity interest of the VIE Controlled Entities by the PRC Co or the person designated by the PRC Co during the course of unwinding the Structured Contracts will be returned to the PRC Co subject to the PRC law.

Measures to mitigate potential conflict of interests between PRC Co and the respective registered shareholder(s) of the VIE Controlled Entities

The Structured Contracts provided that, among other things, the respective registered shareholder(s) of the VIE Controlled Entities shall (i) not directly or indirectly participate in any business in the PRC which is in competition with the businesses of the relevant VIE Controlled Entity, including any investment in domestic entities operating any business which is in competition with the businesses of the relevant VIE Controlled Entity, (ii) strictly perform its respective obligations under the Structured Contracts and not to do any act or permit any omission which may affect the validity or enforceability of the Structured Contracts, (iii) to carry out such action as may be instructed by the PRC Co to remove any conflict of interests subject to applicable PRC laws, if it is in the reasonable opinion of the PRC Co that there is conflict of interest between the relevant registered shareholder and the VIE Controlled Entity, (iv) in the event that the registered shareholder of a VIE Controlled Entity is also a director or senior management of the PRC Co (or its offshore holding company), the relevant registered shareholder(s) of the VIE Controlled Entity shall authorize such director, senior management or officer (other than the relevant registered shareholder) to exercise the rights under the Irrevocable Power of Attorney.

Insurance to cover the risks relating to the Structured Contracts

The PRC Co has not purchased any insurance to cover the risks relating to the enforcement of the Structured Contracts due to the unavailability of such insurance product in the market at the moment.

RISK FACTORS

The PRC Co does not have any direct equity ownership in the VIE Controlled Entities and has relied on the Structured Contracts to control, operate, and be entitled to the economic benefits and risks arising from the value-added telecommunications services business in the PRC conducted through the OPCOs and the Domestic Companies. However, there are risks involved with the operations of the PRC Co's value-added telecommunications business under the Structured Contracts.

There is no assurance that the Structured Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Structured Contracts do not comply with applicable regulations

Current PRC laws and regulations place certain restrictions on foreign ownership of companies that engage in value-added telecommunications business, including Information Service via Internet and mobile network. Specifically, foreign ownership of value-added telecommunications services providers, including Internet content providers, may not exceed 50%. Yinker Group's online business is related to Information Service via Internet and mobile network. Yinker Inc. is a Cayman Islands incorporated company and its wholly-owned subsidiary in the PRC, the PRC Co, may not operate Information Service via Internet and mobile network in the PRC under current PRC law. As a result, Yinker Group will have to conduct its online operations in the PRC through the Structured Contracts.

The Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Services issued by the Ministry of Industry and Information Technology of the People's Republic China (the "**MIIT**") on 13 July 2006 (the "**MIIT Circular**") provides that a domestic company that holds a licence for operating Information Service via Internet and mobile network ("**ICP**") is prohibited from leasing, transferring or selling the licence to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in the PRC. Due to a lack of interpretative materials from the authorities, the Group cannot assure that the MIIT will not consider Yinker Group's corporate structure and contractual arrangements upon Closing as a kind of foreign investment in telecommunication services, in which case Yinker Group may be found in violation of the MIIT Circular and as a result may be subject to various penalties, including fines and the discontinuation of or restrictions on Yinker Group's operations.

On 11 December 2001, the State Council promulgated Regulations for the Administration of Foreign-invested Telecommunications Enterprises (the "**FITE Regulations**"), which were subsequently amended on 10 September 2008. Under the "FITE Regulations, foreign ownership of companies that provide value-added telecommunication services is limited to 50%. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirement**"). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. If the restrictions on foreign ownership in value-added telecommunications businesses in relation to the OPCOs' online business are lifted in the PRC, Yinker Group may be required to unwind the Structured Contracts before Yinker Group is in a position to fully comply with the Qualification Requirement.

Despite the fact that there is no indication that the Structured Contracts will be interfered or objected by any PRC regulatory authorities, there is a possibility that the Ministry of Commerce and other competent authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the Structured Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the Structured Contracts.

If the authorities deny the validity, effectiveness and enforceability of the Structured Contracts, it could have a material adverse impact on Yinker Inc's businesses, financial condition and results of operations.

The Structured Contracts may not be as effective in providing control over and entitlement to the economic interests in the VIE Controlled Entities as direct ownership

The Structured Contracts may not be as effective in providing the PRC Co with control over and entitlement to the economic interests in the VIE Controlled Entities as direct ownership. If the PRC Co had direct ownership of the VIE Controlled Entities, the PRC Co would be able to directly exercise its rights as a shareholder to effect changes in the board of directors of the VIE Controlled Entities. However, under the Structured Contracts, the PRC Co can only look to and rely on the VIE Controlled Entities and their respective registered shareholders to perform their contractual obligations under the Structured Contracts such that the PRC Co can exercise effective control over the VIE Controlled Entities. The registered shareholder may not act in the best interests of the PRC Co or may not perform its/their obligations under the Structured Contracts. The PRC Co may replace the registered shareholder by its other nominees pursuant to the Structured Contracts. However, if any dispute relating to the Structured Contracts remains unresolved, the PRC Co will have to enforce its rights under the Structured Contracts and seek to interpret the terms of the Structured Contracts in accordance with the PRC laws and will be subject to uncertainties in the PRC legal system.

The Structured Contracts are governed by the PRC laws. When a dispute arises under any of the Structured Contracts, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the parties to the dispute may have to rely on legal remedies under the PRC laws. The Structured Contracts provide that dispute will be submitted to the China International Economic and Trade Arbitration Commission for arbitration to be conducted in Beijing. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of the PRC Co to enforce the Structured Contracts. There is no assurance that such arbitration result will be in favour of the PRC Co and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by the PRC Co. As the PRC Co may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over the VIE Controlled Entities and the conduct of the value-added telecommunication business could be materially and adversely affected, and may disrupt the business of the PRC Co and have a material adverse impact on the PRC Co's business, prospects and results of operation.

Potential conflicts of interest among the PRC Co, the OPCOs and Registered Shareholder may exist

The PRC Co shall rely on the Structured Contracts to exercise control over and to draw the economic benefits from the VIE Controlled Entities. The PRC Co may not be able to provide sufficient incentives to the Registered Shareholders for the purpose of encouraging it/them to act in the best interests of the PRC Co, other than stipulating the relevant obligations in the Structured Contracts. The Registered Shareholder may breach the Structured Contracts in the event of conflicts of interest or deterioration of its/their relationship with the PRC Co, the results of which may have a material adverse impact on the PRC Co's business, prospects and results of operation.

It is not assured that if conflicts arise, the Registered Shareholders will act in the best interests of the PRC Co or that the conflicts will be resolved in favour of the PRC Co. If any of the Registered Shareholders fail to perform its obligations under the respective Structured Contracts, the PRC Co may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to the PRC Co's operations and will be subject to uncertainties as discussed above.

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The Structured Contracts may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed on the PRC Co. The PRC Co may face adverse tax consequences if the PRC tax authorities determine that the Structured Contracts were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the Structured Contracts were not entered into on an arm's length basis, they may adjust the income and expenses of the PRC Co for the PRC tax purposes, which could result in higher tax liabilities on the PRC Co.

The operation results of the PRC Co may be materially and adversely affected if the tax liabilities of the OPCOs and the Domestic Companies or those of the PRC Co increase significantly or if they are required to pay interest on late payments.

The PRC Co's ability to acquire the entire equity interests in the VIE Controlled Entites may be subject to various limitations and substantial costs

In case the PRC Co exercises its options to acquire all or part of the equity interests of the VIE Controlled Entities under the Exclusive Option Agreements, the acquisition of the entire equity interests in the VIE Controlled Entities may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interests in the VIE Controlled Entities) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of the VIE Controlled Entities, which may have a material adverse impact on the PRC Co's businesses, prospects and results of operation.

DEVIATION FROM THE GUIDANCE LETTER

Paragraph 16(a)(i) of the Guidance Letter GL77-14 published by the Stock Exchange in May 2014 in relation to listed issuers using contractual arrangements for their businesses (the "**Guidance Letter**") requires that structured contracts shall be narrowly tailored to achieve the issuer's business purpose and minimise the potential for conflict with relevant PRC laws and regulations. As advised by the PRC Legal Adviser, according to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services (except for e-commerce). However, to the best knowledge of the Company and the PRC Legal Adviser, if a foreign-owned enterprise like the PRC Co applies for an ICP licence, it will be subject to more stringent requirements or additional requirements imposed by the Ministry of Industry and Information Technology of The People's Republic of China or its local counterparts (the "**Relevant Authority**") as compared to domestic enterprises in the PRC. As compared to domestic enterprises in the PRC, the Relevant Authority will require more information, documents and other proof from an applicant which is a foreign-owned enterprise in various aspects, such as the identity and nationality of its ultimate individual shareholders, its prior experience in operating value-added telecommunications businesses and a proven track record of its overseas business operations (collectively, the "**Additional Information**"). No criteria, standard, guidance or interpretation documents have been published by the Relevant Authority on how the Additional Information will be assessed, whether in qualitative or quantitative aspect, and on the extent or form of requirements of the Additional Information. Moreover, for certain Domestic Companies currently not intend to apply for ICP licence, it is contemplated that, based on the advice from the legal adviser to Yinker Group, such Domestic Companies are or will be operating the internet related telecommunication business which is subject to restriction on foreign investment.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Transactions are more than 5% but less than 25%, the entering into of the Investment Agreement and the Transactions contemplated thereunder constitute discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

CHANGE IN USE OF PROCEEDS

Use of IPO Proceeds

Reference is made to the prospectus issued by the Company dated 19 September 2013 ("**Prospectus**") in relation to the public offer and international placing of the Shares ("**Global Offering**") for listing on the Main Board of the Stock Exchange. It was disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus that the Company intended to use the net proceeds of the Global Offering (assuming that the net proceeds was HK$904.5 million) for the follow purposes:

1. Approximately HK$180.9 million to further expand our webgame and mobile game businesses, including but not limited to, building related network infrastructure, hiring more personnel and investment in research and development of game analytics.

2. Approximately HK$542.7 million to (i) acquire webgame and mobile game licneses and IP rights or other related assets in the PRC or invest in or acquire PRC webgame and mobile game developers through our overseas subsidiaries or Feidong, (ii) indirectly invest in or acquire PRC webgame and mobile game publishers through contractual arrangements, or (iii) acquire equity interests or assets of overseas webgame and mobile game companies through our overseas subsidiaries.

3. Approximately HK$90.4 million to find the expansion of our international operations, including the development of overseas subsidiaries and the establishment of overseas offices.

4. The balance of the net proceeds, which is approximately HK$90.4 million will be used for working capital and other general corporate purposes.

The actual net proceeds from the Global Offering was approximately HK$982.8 million ("**IPO Proceeds**"). There is approximately HK$405 million of the IPO Proceeds remain unutilized as at the date of this announcement.

Use of Placing Proceeds

Reference is made to the announcements of the Company dated 23 May 2015 and 5 June 2015 in relation to the Placing (the "**Placing Announcements**"). It was disclosed in the Placing Announcements that Company expects to use the net proceeds from the Placing for any potential mergers and acquisitions transactions of the Group related to domestic internet businesses and/or international game-related businesses as and when appropriate investment opportunities arise, as well as for additional working capital of the Group.

The gross proceeds from the Placing amounted to HK$314,191,350 and the net proceeds, after the deduction of the placing commission and other related expenses, were approximately HK$310,160,000 (the "**Placing Proceeds**"). The Placing Proceeds remain unutilized as at the date of this announcement.

Change in use of IPO Proceeds and Placing Proceeds

For the reasons highlighted in the section headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION", the Board has resolved to change the use of approximately HK$289,840,000 out of the remaining unutilised IPO Proceeds and approximately HK$310,160,000 out of the remaining unutilised Placing Proceeds for investments in the internet, media, and technology ("TMT") industry, and such investments may include equity, bonds, hyrbrid products such as convertible bonds in the primary or secondary market. The balance of the IPO Proceeds of approximately HK$115.2 million will be used for working capital and other general corporate purposes.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

"Accrued Interest"	interest accrued on the Convertible Bonds
"Beijing Jinweilai"	北京金未來金融信息服務有限公司 (Beijing Jinweilai Financial Information Service Company Limited*), a company established under the laws of the PRC on 16 October 2014
"Beijing Rongshidai"	北京融時代資產管理有限公司 (Beijing Rongshidai Asset Management Company Limited) , a company established under the laws of the PRC on 4 February 2015
"Board"	the board of Directors
"Closing"	completion of the Subscription pursuant to the Investment Agreement
"Closing Conditions"	the conditions precedent to completion of the Subscription as set out in section headed "Conditions Precedent to completion of the Subscription" of this announcement
"Company"	Forgame Holdings Limited (雲遊控股有限公司), a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Conversion"	the conversion of the Convertible Bonds to be subscribed by the Company pursuant to the terms and conditions of the Convertible Bonds
"Conversion Price"	the conversion price of the Convertible Bonds
"Conversion Shares"	Series C preferred shares and/or common shares (at the sole option of the Company) in the capital of Yinker Inc.
"Convertible Bonds"	the 3.3% coupon convertible bonds in the principal amount of RMB300,000,000 due 2021 to be issued by Yinker Inc.

"Covenantors"	each of the members of the Yinker Group and the Founder Parties
"Domestic Companies"	the respective subsidiaries of the OPCOs
"Equity Pledge Agreements"	the equity pledge agreements dated 1 August and entered into among the PRC Co, the VIE Controlled Entities and their respective registered shareholder(s)
"Exclusive Business Cooperation Agreements"	the exclusive business cooperation agreements dated 1 August and entered into between the PRC Co and the VIE Controlled Entities
"Exclusive Option Agreements"	the exclusive purchase option agreements dated 1 August and entered into among the PRC Co, the VIE Controlled Entities and their respective registered shareholder(s)
"Deposits"	the First Deposit and the Second Deposit
"Directors"	directors of the Company
"Existing Preferred Shareholders"	the existing Series A preferred shareholders and Series B preferred shareholders of Yinker Inc.
"Feidong"	Guangzhou Feidong Software Technology Co., Ltd. (also referred to as Guangzhou Feidong Software Technology Company Limited) (廣州菲動軟件科技有限公司), an indirect, wholly-owned subsidiary of the Company, incorporated under the laws of the PRC on June 13, 2012
"First Deposit"	the first deposit of RMB100,000,000 payable by the Company pursuant to the Investment Agreement
"Founders"	Mr. Lin Enmin, Mr. Guo Xintao and Mr. Zhang Tianle
"Founder Holdco"	Yinker Group Limited, a company incorporated under the laws of the British Virgin Islands
"Founder Parties"	the Founders and the Founder Holdco
"Group"	the Company and its subsidiaries

"HKCo"	Yinker (HK) Limited, a company incorporated under the laws of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Irrevocable Power of Attorney"	the irrevocable power of attorney dated 1 August 2016 executed by the respective registered shareholder(s) of the VIE Controlled Entity in favour of the PRC Co
"Investment Agreement"	the investment agreement dated 3 August 2016 entered into between the Company and Yinker Inc., among others, in relation to the subscription of the Convertible Bonds by the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long-Stop Date"	31 December 2016 (or such later date as agreed by the Company)
"OPCOs"	collectively Yinker Weilai, Beijng Jinweilia and Beijing Rongshidai
"Placing"	placing of 19,041,900 Shares at the placing price of HK$16.50 per Share pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2014, details of which are set out in the announcement of the Company dated 23 May 2015
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Co"	北京簡變快樂信息技術有限公司 (Beijing Jianbian Happy Information and Technology Co., Ltd.*), a company established under the laws of the PRC on 26 November 2014
"PRC Legal Adviser"	Jingtian & Gongcheng
"Registered Shareholder"	北京麥圈互聯科技有限公司(Beijing Myquan Internet Technology Company Limited*), a company established under the laws of the PRC on 22 November 2012

"RMB"	Renminbi, the lawful currency of the PRC
"Second Deposit"	the second deposit of RMB100,000,000 payable by the Company pursuant to the Investment Agreement
"Series A Preferred Shares"	Series A preferred shares in the capital of Yinker Inc.
"Series B Preferred Shares"	Series B preferred shares in the capital of Yinker Inc.
"Series C Preferred Shares"	Series C preferred shares in the capital of Yinker Inc.
"Subscription"	the subscription of the Convertible Bonds contemplated under the Investment Agreement
"Subscription Price"	the subscription price of the Convertible Bonds in the amount of RMB300,000,000
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Spousal Consent Letter"	the spousal consent letter dated 1 August 2016 executed by the spouse of Mr. Lin Enmin
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Irrevocable Power of Attorney, the Equity Pledge Agreements, the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Spousal Consent Letter
"Transactions"	the transactions contemplated under the Investment Agreement, including the Subscription and the Conversion
"VIE Controlled Entities"	collectively the Domestic Companies, the OPCOs and the Registered Shareholder
"Yinker ESOP"	the employee stock ownership plan duly adopted by Yinker Inc.
"Yinker Group"	collectively Yinker Inc., HKCo, PRC Co, Yinker Leasing, the OPOCs and the Domestic Companies

"Yinker Inc."	Yinker Inc., a company incorporated under the laws of the Cayman Islands
"Yinker Leasing"	銀客融資租賃有限公司 (Yinker Finance Leasing Co., Ltd.*), a company established under the laws of the PRC on 30 November 2015
"Yinker Weilai"	銀客未來科技(北京)有限公司 (Yinker Weilai Technology (Beijing) Company Limited*), a company established under the laws of the PRC on 17 January 2012
"%"	per cent.

** for identification purposes only*

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 3 August 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.