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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)

CONTINUING CONNECTED TRANSACTIONS STRATEGIC COOPERATION FRAMEWORK AGREEMENT

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The Board is pleased to announce that on 5 September 2019 (after trading hours), the Company entered into the Strategic Cooperation Framework Agreement with KongZhong Corporation, pursuant to which the Group has agreed to offer and KongZhong Group has agreed to procure the VR Experience Services, in consideration of the fees payable by KongZhong Group to the Group.

The Strategic Cooperation Framework Agreement is for a term commencing from 5 September 2019 and ending on 31 December 2021. The Company expects that the aggregate amount of fees to be received by the Group under the Strategic Cooperation Framework Agreement for the years ending 31 December 2019, 31 December 2020 and 31 December 2021 will not be more than RMB15,000,000, RMB15,000,000 and RMB15,000,000, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, KongZhong Corporation is interested in 32,471,076 Shares, representing approximately 20.37% of the issued share capital of the Company. Accordingly, KongZhong Corporation is a substantial shareholder and hence a connected person of the Company. As such, the entering into of the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the annual caps in respect of the Strategic Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the entering into of the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions and are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 5 September 2019 (after trading hours), the Company entered into the Strategic Cooperation Framework Agreement with KongZhong Corporation, pursuant to which the Group has agreed to offer and KongZhong Group has agreed to procure the VR Experience Services, in consideration of the fees payable by KongZhong Group to the Group.

STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The principal terms of the Strategic Cooperation Framework Agreement are summarised below.

Date

5 September 2019 (after trading hours)

Parties

- (i) the Company
- (ii) KongZhong Corporation

Term

The Strategic Cooperation Framework Agreement is for a term commencing from 5 September 2019 and ending on 31 December 2021.

Scope of strategic cooperation

Pursuant to the Strategic Cooperation Framework Agreement, the Group shall offer and KongZhong Group shall procure the VR Experience Services including but not limited to the followings:

- (i) *Organising events*

The Group will utilise the VR experience stores run by the Group all over the PRC which are equipped with advanced VR devices and space positioning technology, to provide KongZhong Group with the venues for organising game events, VR eSports tournaments and other events or campaigns.

(ii) Displaying materials

The Group will, in accordance with the specific event needs or promotion campaign requirements to be agreed according to the Specific Agreement(s), devise the overall display plan(s), prepare and setup display materials for the games or other events or campaigns, as well as be responsible for handling the transport and logistics of the display materials to facilitate the smooth operation of the events. The Group shall also provide daily maintenance services on the display materials to KongZhong Group.

(iii) Providing information services

The Group will launch promotion campaign(s) and provide information services for the products and services of KongZhong Group via both offline and online platforms of the Group. The information services may include, amongst others, displaying posters, trailers and/or demos relating to KongZhong Group's products and services at the VR experience stores operated and/or franchised by the Group and/or in the virtual scenes in the VR games, for the purpose of attracting visiting customers' attention to the said products and/or services, followed by an introduction of the said products and/or services presented by the Group to the customers.

(iv) Selling VR game experience vouchers and/or prepaid cards

KongZhong Group may purchase VR game experience vouchers and/or prepaid cards from the Group. Each of the VR game experience vouchers and/or prepaid cards is valid for a period from the date of issuance and can be redeemed for VR game experience services at the VR experience stores operated and/or franchised by the Group.

(v) Selling and/or licensing the use of VR products

The Group will sell to KongZhong Group and/or grant to KongZhong Group the license to use the VR related software products, such as VR education and VR films, which are developed by the Group and/or the use of which has been lawfully licensed to the Group, or the VR related hardware equipment developed or purchased by the Group.

(vi) Distributing products of KongZhong Group

The Group will sell or distribute the games or other products of KongZhong Group in its VR experience stores and/or in the virtual scenes in the VR games, draw the attention of visiting customers to the said games and products, followed by product introduction presented by the Group. The Group will receive a portion of the sales proceeds from KongZhong Group.

The Group may from time to time enter into the Specific Agreements, provided that such terms shall be consistent with the Strategic Cooperation Framework Agreement.

Pricing policy

The fees receivable by the Group for provision of the VR Experience Services to KongZhong Group under the Strategic Cooperation Framework Agreement are calculated at a rate to be agreed by the Group and KongZhong Group on normal commercial terms following arm's length negotiations, with reference to the prevailing market rates but are in any event no more favourable to KongZhong Group than those offered by the Group to Independent Third Parties for the same or similar type of the VR Experience Services.

The fees receivables by the Group will depend on the nature and actual scope of the Specific Agreement(s) on a case-by-case basis and be determined based on a number of factors including but not limited to (i) the number and scale of the specific event or promotion campaign to be organised; (ii) the total number of participating players or customers in the event or campaign; (iii) the duration of the specific event or promotion campaign; (iv) the geographical location of the VR experience stores; (v) the total number of copies of posters to be displayed; (vi) the length of the relevant trailers or demos; (vii) the period of information services to be provided on the platforms of the Group; (viii) the unit price and bulk volume of VR game experience vouchers and/or prepaid cards to be purchased by KongZhong Group; (ix) the unit price and bulk volume of VR products to be sold and/or licensed by the Group to KongZhong Group; and (x) the unit price and bulk volume of game or other products of KongZhong Group to be sold or distributed by the Group.

Payment terms

The payment terms would depend on the terms and conditions under the Specific Agreement(s), subject to the following general principles:

- (i) for the transactions to be calculated on a lump-sum basis, KongZhong Group shall:
 - (a) pay to the Group 50% of the fees for providing the relevant services or products within seven (7) business days after the date of the respective Specific Agreement(s) and the receipt of the bill issued by the Group to KongZhong Group in respect of the said fees; and
 - (b) pay to the Group the remaining fees for providing the relevant services or products within seven (7) business days from the conclusion of the respective services or transactions and the receipt of the bill issued by the Group to KongZhong Group in respect of the remaining fees;
- (ii) for the transactions to be calculated on a monthly basis, the Group shall issue a bill to KongZhong Group in respect of the said monthly fees before the fifth day of each month, which shall be settled by KongZhong Group within five (5) business days after KongZhong Group receives the bill.

ANNUAL CAPS AND BASIS OF DETERMINING THE ANNUAL CAPS

Historical transaction amounts

As at the date of this announcement, save as disclosed below, there had been no transaction similar to those under the Strategic Cooperation Framework Agreement carried out between the Group and KongZhong Group.

Pursuant to the Beijing KongZhong Service Agreement, Xigua Huyu has agreed to provide and Beijing KongZhong has agreed to procure game event services similar to those under the Strategic Cooperation Framework Agreement, in relation to a number of game events for a term of two months from 1 July 2019 to 31 August 2019, in consideration of service fees totaling RMB1,250,000 (equivalent to approximately HK\$1,390,125). Pursuant to the Shanghai KongZhong Service Agreement, Xigua Huyu has agreed to provide and Shanghai KongZhong has agreed to procure game event services similar to those under the Strategic Cooperation Framework Agreement, in relation to a number of game events for a term of two months from 1 July 2019 to 31 August 2019, in consideration of service fees totaling RMB1,250,000 (equivalent to approximately HK\$1,390,125).

Both Beijing KongZhong and Shanghai KongZhong are companies wholly owned by Shanghai Dacheng, which is in turn wholly controlled by KongZhong Corporation by way of contractual arrangements. Accordingly, each of Beijing KongZhong and Shanghai KongZhong is a connected person of the Company. As such, the entering into of the Beijing KongZhong Service Agreement and the Shanghai KongZhong Service Agreement and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Nonetheless, the aggregate consideration received by the Group under the Beijing KongZhong Service Agreement and the Shanghai KongZhong Service Agreement would not exceed HK\$3,000,000 and the applicable percentage ratios would be less than 5%. Therefore, the transactions contemplated under the Beijing KongZhong Service Agreement and the Shanghai KongZhong Service Agreement were fully exempted under Chapter 14A of the Listing Rules.

Annual caps

The following table sets forth the annual caps of the fees specified under the Strategic Cooperation Framework Agreement for each of the years ending 31 December 2019, 31 December 2020 and 31 December 2021:

	Annual caps for the year ending 31 December		
	2019	2020	2021
	(RMB)	(RMB)	(RMB)
VR Experience Services	<u>15,000,000^(Note)</u>	<u>15,000,000</u>	<u>15,000,000</u>

Note: For the avoidance of doubt, the annual cap for the year ending 31 December 2019 set out above has taken into account and aggregated the total service fees received or to be received by the Group under the Beijing KongZhong Service Agreement and the Shanghai KongZhong Service Agreement. Accordingly, the annual cap for the year ending 31 December 2019 set out above is an aggregation of the service fees specified under the Beijing KongZhong Service Agreement, the Shanghai KongZhong

Service Agreement and the Strategic Cooperation Framework Agreement. As such, the maximum service fees received or to be received by the Group from KongZhong Group for the year ending 31 December 2019 will not exceed RMB15,000,000 in any event.

Basis of determining the annual caps

The annual caps have been determined after taking into account:

- (i) the historical transaction amounts between the Group and KongZhong Group, including the historical rate of usage and demand for the Group's services during the term of the Beijing KongZhong Service Agreement and the Shanghai KongZhong Service Agreement;
- (ii) the estimated number of the specific event(s) or promotion campaign(s) to be organised in the VR experience stores and the capacity of the VR experience stores for participating players and customers;
- (iii) the types, forms, nature, methods of promotion of products and services;
- (iv) the estimated future business needs of KongZhong Group with reference to, amongst others, the size, profile, preferences and needs of KongZhong Group's customers, as well as the historical and/or current events and benefits offered by KongZhong Group to its customers;
- (v) the current service demand of KongZhong Group on other comparable platforms or channels; and
- (vi) an additional buffer on top to provide for operational flexibility and potential increment in the transaction volume, which will accommodate (a) any unexpected increase in the aforesaid transaction volume amount (as a result of any unexpected increase in market demand for the relevant products and/or services by KongZhong Group); and (b) any unexpected increase in the prices of the relevant products and/or services.

INTERNAL CONTROL FOR THE CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the pricing mechanism and terms of the transactions under the Strategic Cooperation Framework Agreement are fair and reasonable and no more favourable to KongZhong Group than those offered to any Independent Third Parties, the Group has established and has adopted the following measures:

- (i) the Group has requested and KongZhong Group has provided a list of entities of KongZhong Group (including KongZhong Corporation, its subsidiaries and companies controlled by KongZhong Corporation) and the Group will scrutinize all the transactions between the Group and the KongZhong Group regularly;
- (ii) the Group will monitor the maximum transaction amount of the transactions under the Strategic Cooperation Framework Agreement on a monthly basis to ensure that the aggregate transaction amount does not exceed the annual caps;

- (iii) the Group will prepare a report once every six (6) months which will be submitted to the Group's audit and compliance committee for consideration. The content of the report shall include, amongst others, (a) the transaction amount under the Strategic Cooperation Framework Agreement; (b) a summary and comparison of the transactions under the Strategic Cooperation Framework Agreement and the transactions with other Independent Third Parties during the relevant reporting period; and (c) the status of compliance with the annual caps and utilisation of the annual caps, etc.;
- (iv) the Group's audit and compliance committee will convene meetings at least twice a year to discuss and assess the implementation of the transactions contemplated under the Strategic Cooperation Framework Agreement;
- (v) the external auditors of the Group will conduct a review on the interim financial information of the Group for the six months period ending 30 June of each financial year, and an audit of the consolidated financial statements of the Group for each financial year ending 31 December. The external auditors of the Group will also issue a letter to the Board in relation to the transactions contemplated under the Strategic Cooperation Framework Agreement of the Group for each financial year in accordance with Rule 14A.56 of the Listing Rules confirming whether anything has come to their attention that causes them to believe that the said transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions, i.e. the Strategic Cooperation Framework Agreement and the Specific Agreement(s);
 - (d) have exceeded the relevant cap(s); and
- (vi) the independent non-executive Directors will conduct an annual review with respect to the continuing connected transactions of the Group throughout the preceding financial year and give confirmation on the transaction amounts and terms of the transactions in each annual report of the Group.

In view of the above, the Company considers that there are adequate internal control procedures and external supervision measures to ensure that the transactions contemplated under the Strategic Cooperation Framework Agreement will comply with the relevant regulatory guidelines and the terms of the Strategic Cooperation Framework Agreement and Specific Agreement(s).

REASONS FOR AND BENEFITS OF ENTERING INTO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

KongZhong Corporation, being a leading developer and operator of military games in the PRC, has abundant resources in game publishing and other entertainment carriers within the PRC. The Group, through Xigua Huyu, has over 100 self-operated and franchised VR experience stores in operation or in preparation in 28 provinces (including autonomous regions and municipalities) across the country that are equipped with VR game technology and is also planning to open over 300 VR experience stores in the PRC gradually. These VR experience stores serve as excellent offline customer traffic portals, which are relatively cost-efficient channels for attracting extensive community of potential and high-quality military game enthusiasts and other young target customers.

As the internet industry in the PRC continues to mature, online traffic costs keep rising, whereas offline traffic resources are gaining increasing commercial value. While the Group can make use of its extensive offline customer traffic portals to boost KongZhong Group's efficiency in advertising and maintaining customer relationship, KongZhong Group can utilise its resources in game publishing and other entertainment carriers to help the Group achieve traffic monetisation, thereby forming a strategic alliance between the Group and KongZhong Group. By entering into the Strategic Cooperation Framework Agreement, the Group would be able to formulate a stable partnership with KongZhong Group for the purpose of creating synergies that are beneficial for all the parties involved. At the same time, the Strategic Cooperation Framework Agreement facilitates the Group in making a solid progress towards its strategic disposition to achieve a VR eco-industrial chain with the combination of online content with offline gamer traffic.

Having reviewed the terms of the Strategic Cooperation Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that the terms of the Strategic Cooperation Framework Agreement are fair and reasonable and on normal commercial terms or better to the Group and that the entering into of the Strategic Cooperation Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, KongZhong Corporation is interested in 32,471,076 Shares, representing approximately 20.37% of the issued share capital of the Company. Accordingly, KongZhong Corporation is a substantial shareholder and hence a connected person of the Company. As such, the entering into of the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the annual caps in respect of the Strategic Cooperation Framework Agreement exceeds 0.1% but is less than 5%, the entering into of the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions and are subject to the reporting, annual review and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The entering into of the Strategic Cooperation Framework Agreement was approved by the Board.

No Director has a material interest in the Strategic Cooperation Framework Agreement and the transactions contemplated thereunder. Accordingly, none of the Directors is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the same.

INFORMATION ON THE PARTIES TO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

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 and providing VR experience services as well as providing internet micro-credit service in the PRC.

KongZhong Group

KongZhong Corporation is a company incorporated under the laws of the Cayman Islands with limited liability and is an investment holding company. KongZhong Group is principally engaged in the business of software development, operation of internet games and mobile games, as well as the provision of computer system and comprehensive technical solutions.

DEFINITIONS

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

“Beijing KongZhong”	北京空中信使信息技术有限公司 (Beijing KongZhong Xinshi Information Technology Co., Ltd*), a company established in the PRC with limited liability and is wholly owned by Shanghai Dacheng, being a member of the KongZhong Group
“Beijing KongZhong Service Agreement”	the agreement dated 1 July 2019 entered into between Xigua Huyu and Beijing KongZhong pursuant to which Xigua Huyu has agreed to provide Beijing KongZhong with the venues, display materials and certain logistics services for certain game events

“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	a party or parties that is or are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive, substantial shareholders of the Company, our subsidiaries or any of their respective associates
“KongZhong Corporation”	KongZhong Corporation, a company incorporated in the Cayman Islands with limited liability
“KongZhong Group”	collectively, KongZhong Corporation, its subsidiaries and companies controlled by KongZhong Corporation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Dacheng”	上海大承網絡技術有限公司 (Shanghai Dacheng Network Technology Co., Ltd.*), a company established in the PRC with limited liability and a company wholly controlled by KongZhong Corporation pursuant to contractual arrangements, being a member of the KongZhong Group

“Shanghai KongZhong”	上海空中宏電網絡技術有限公司 (Shanghai KongZhong Hongdian Network Technology Co., Ltd*), a company established in the PRC with limited liability and wholly owned by Shanghai Dacheng pursuant to contractual arrangements, being a member of the KongZhong Group
“Shanghai KongZhong Service Agreement”	the agreement dated 1 July 2019 entered into between Xigua Huyu and Shanghai KongZhong pursuant to which Xigua Huyu has agreed to provide Shanghai KongZhong with the venues, display materials and certain logistics services for certain game events
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Specific Agreement(s)”	the separate agreement(s) to be entered into between the Group and KongZhong Group from time to time which set(s) out the specific terms of a particular service or project
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the framework agreement dated 5 September 2019 entered into between the Company and KongZhong Corporation (after trading hours) in relation to the provision of services by the Group to KongZhong Group; please refer to the section headed “STRATEGIC COOPERATION FRAMEWORK AGREEMENT” in this announcement for details
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“US\$”	U.S. dollars, the lawful currency of the United States of America
“VR”	virtual reality
“VR Experience Services”	the VR experience services to be provided by the Group to KongZhong Group pursuant to the Strategic Cooperation Framework Agreement; please refer to the section headed STRATEGIC COOPERATION FRAMEWORK AGREEMENT — Scope of Strategic Cooperation” in this announcement for details

“Xigua Huyu” 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 indirectly owned as to 69.84% by the Company

“%” per cent

* For identification purpose only

For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is calculated at the exchange rate of RMB1.00 to HK\$1.1121. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 5 September 2019

As at the date of this announcement, the executive Directors are Mr. WANG Dongfeng, Ms. LIANG Na and Ms. LI Luyi; 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.