

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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Reference is made to the announcement of Forgame Holdings Limited (the “**Company**”) dated 5 September 2019 (the “**Announcement**”) in relation to, among others, the entering into of the Strategic Cooperation Framework Agreement. Unless otherwise specified, capitalised terms used herein shall have the same meaning ascribed to them in the Announcement.

The Company wishes to provide the Shareholders and the public with the following additional information in relation to the Strategic Cooperation Framework Agreement, in particular the pricing policies of the VR Experience Services:

PRICING POLICY AND TERMS

(I) Organising events

The total fees payable by KongZhong Group to the Group in relation to organising events shall be (i) the fee per event organised multiplied by (ii) the total number of events organised.

In order to ensure that the fees received by the Group for organising events are fair and reasonable and in line with existing market practices, the Group will keep itself abreast of the prevailing fee level in the market and the market conditions. The Group will obtain market data in the public domain by checking the price list of our competitors from time to time or inviting quotations from at least two (2) Independent Third Party suppliers through email or telephone on an anonymous basis for comparison to ascertain that our level of fee charged for the same or similar services does not deviate much from those charged by our peers in the market.

Meanwhile, the Group will compare the service fees for organising events relating to KongZhong Group with the service fees for the latest prevailing comparable events which the Group charges its Independent Third Party customers for, subject to the following factors: (i) the nature and scale of the event or campaign (including size of venues, duration of the event or campaign and expected number of participants), (ii) the project schedule, (iii) the geographical location and setting of the venue, (iv) the costs for holding the events, include labour and equipment costs, and (v) the specific requirements from the customer (KongZhong Group in this case). To serve the comparison purpose, the sales and marketing department will extract the previous transaction records for the same or similar event organisation services that the Group charged Independent Third Party customers within one year. The price will be determined on arm's length negotiation on normal commercial terms and in any event be no more favorable to KongZhong Group than those offered by the Group to Independent Third Party customers for organising the same or similar type of event or campaign.

(II) Displaying materials and providing information services

The total fees payable by KongZhong Group to the Group in relation to displaying materials and providing information services shall be (i) the prescribed monthly service fee multiplied by (ii) the total number of months of services.

When determining the monthly service fee for displaying materials, the Group will ascertain and take into account (i) the number of VR experience stores involved and their geographical locations, (ii) the duration of display, (iii) the volume or number of materials to be displayed, and (iv) the costs for undertaking such service which amongst others, include labour, rental, material and transportation costs.

When determining the monthly service fee for providing information services, the Group will ascertain and take into account (i) the number of VR experience stores involved and their geographical locations, (ii) the duration of the services required, (iii) the number of posters to be displayed, (iv) the length of the trailers and/or demos, and (v) the costs for undertaking such services which amongst others, include labour and rental costs.

In order to ensure that the monthly service fees received by the Group for displaying materials and providing information services are fair and reasonable and in line with market practices, the Group will make reference to the latest prevailing comparable fees charged by the Group on Independent Third Party customers for providing services of similar scale and nature. To serve the comparison purpose, the sales and marketing department will extract the previous transaction records for the same or similar material display and information services that the Group charged Independent Third Party customers within one year.

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

The total price of VR game experience vouchers and/or prepaid cards charged by the Group shall be (i) the unit price of the voucher and/or prepaid card multiplied by (ii) the discount rate, and (iii) the total number of vouchers and/or prepaid cards.

The unit price of the voucher and/or prepaid card is standardised, which means that it is the same as those provided by the Group to Independent Third Party customers, and will be reviewed from time to time after having considered the fee charged by Independent Third Party suppliers for similar or comparable VR game experience vouchers and/or prepaid cards.

The discount rate offered to KongZhong Group by the Group shall be no more favorable than that offered to Independent Third Party customers. For the purpose of this announcement and illustration only (which for the avoidance of doubt, does not constitute a representation that any discount(s) could have been or may be offered by the Group at this rate or any other rate at all), the discount rate offered by the Group's VR experience stores in operation to Independent Third Party customers is approximately from 17% to 50% as at the date of this announcement.

The Group will review and consider the discount rate offered to KongZhong Group with reference to (i) the volume of vouchers and/or prepaid cards purchased by KongZhong Group in one batch, and (ii) the discount rate offered by the Group to Independent Third Party customers for the vouchers and/or prepaid cards for similar bulk purchase volume. To serve the comparison purpose, the sales and marketing department will extract the previous discount rate of transaction records for the vouchers and/or prepaid cards for similar bulk purchased volume that the Group offered to Independent Third Party customers within one year.

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

In relation to selling VR products, the price charged by the Group shall be determined with reference to the latest prevailing selling prices of the same VR products sold to Independent Third Party customers. The Group will assess if adjustment is needed having considered factors including (i) the nature, scarcity and demand of the products in the market, (ii) the purchase volume, (iii) the development or procurement costs, and (iv) after-sale service provided by the Group (if any), but will in any event be no more favorable to KongZhong Group than those offered by the Group to Independent Third Party customers for the same type of VR products.

If there is no historical record of the same type of VR products sold by the Group to Independent Third Party customers, the price charged by the Group shall be determined with reference to the same or similar type of VR products in the market. At least two (2) quotes from Independent Third Party suppliers of same or similar type of VR products in the market shall be obtained.

In relation to licensing the use of VR products, the total price charged by the Group shall be (i) the monthly licensing price of the VR products multiplied by (ii) the number of months of the licensing. The monthly licensing price is determined with reference to quotes from at least two (2) Independent Third Party licensors of the same or similar (in case there is no same products in the market) types of VR products in the market, and is arrived at after taking into consideration the development costs or original licensing expenses and after-sale service provided by the Group (if any), but will in any event be no more favorable to KongZhong Group than those offered by the Group to Independent Third Party customers for the licensing of the same or similar type of VR products.

The procurement officer will approach other Independent Third Party suppliers who offer same or similar VR products or licensing services through email or telephone on anonymous basis so as to obtain the required number of quotations for comparison purposes. The procurement officer will also pay attention to the pricing trend of the peers in the industry. Meanwhile, the sales and marketing department will extract the previous transaction records for the same or similar VR products or licensing services that the Group charged Independent Third Parties within one year.

(V) Distributing products of KongZhong Group

The fee charged by the Group in relation to distribution of products of KongZhong Group shall be a percentage of total sales to customers.

The percentage charged shall be determined with reference to the prevailing market practice by comparing at least two (2) same or similar (in case there is no same product in the market) market comparables obtained. The procurement officer will approach other Independent Third Party suppliers who offer similar product distribution services through email or telephone on anonymous basis so as to obtain the required number of quotations for comparison purpose. The Group will also consider the nature and volume of the products being distributed by the Group when determining the fee to be charged, but the fee will in any event be no more favorable to KongZhong Group than those offered by the Group to Independent Third Party customers for the distribution of products.

PRICING PROCEDURES

The procedures for pricing of the products and/or services offered by the Group to KongZhong Group are summarised as follows:

1. The procurement officer will obtain the required number of quotations for comparison purpose via email or telephone on anonymous basis and then pass the said quotations to the sales and marketing department;
2. The sales and marketing department will propose a price for the offer of the products and/or services with reference to (i) the quotations obtained, and/or (ii) the price data for historical transactions for the same or similar products and/or service offered to Independent Third Parties customers (the “**Historical Price Data**”), and adjust after taking into the specific factors mentioned in the section headed “**PRICING POLICY AND TERMS**” above;
3. The finance department will review the transaction prices with reference to the quotations obtained, the Historical Price Data and all the above-mentioned factors to verify that the prices are proposed after arm’s length negotiations and in line with the prevailing market price. For example, if the price for the product or services proposed by the sales and marketing department is out of the range of quotations obtained and/or is more favorable than offered to Independent Third Parties customers, the finance department will reject the proposal after review;

4. The management of the Group will make the final decision on the prices of the products and/or service offered to KongZhong, after taking into account all the relevant factors and market comparables; and
5. The external auditors of the Group and the independent non-executive Directors will conduct review on the transactions regularly. Please refer to the section headed “INTERNAL CONTROL FOR THE CONTINUING CONNECTED TRANSACTIONS” in the Announcement for details of the relevant internal control measures for continuing connected transactions of the Group.

By order of the Board
Forgame Holdings Limited
WANG Dongfeng
Chairman

Hong Kong, 18 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.