

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Forgame Holdings Limited, you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



Forgame Holdings Limited

雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

**(1) PROPOSED CHANGE OF AUDITORS
(2) RE-ELECTION OF DIRECTORS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 3 to 8 of this circular. A letter from PwC is set out as Appendix I on pages I-1 to I-8 of this circular. Details of Directors proposed for re-election are set out as Appendix II on pages II-1 to II-3 of this circular. A notice convening the EGM to be held at Units 01-02, 60/F, International Metropolitan Plaza, 68 Huacheng Avenue, Tianhe District, Guangzhou, China on Friday, 3 July 2020 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 1 July 2020) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish and in such event, the proxy shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	3
Appendix I — Letter from PwC	I-1
Appendix II — Details of Directors Proposed for Re-election	II-1
Notice of EGM	EGM-1

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Audit and Compliance Committee”	the audit and compliance committee of the Company
“Board”	the board of Directors
“Company”	Forgame Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Committee”	the corporate governance committee of the Company
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Units 01–02, 60/F, International Metropolitan Plaza, 68 Huacheng Avenue, Tianhe District, Guangzhou, China on Friday, 3 July 2020 at 2:00 p.m. or any adjournment thereof (as the case may be), the notice of which is set out on pages EGM-1 to EGM-3 of this circular
“FY2019 Financials”	the consolidated financial statements of the Group for the year ended 31 December 2019
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	10 June 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Nomination Committee”	the nomination committee of the Company
“Proposed Appointment”	the proposed appointment of ZHONGHUI ANDA as the new auditors of the Group, subject to the approval of the Shareholders at the EGM

<h2 style="text-align: center;">DEFINITIONS</h2>
--

“Proposed Change of Auditors”	collectively, the Proposed Removal and the Proposed Appointment
“Proposed Removal”	the proposed removal of PwC as the auditors of the Group, subject to the approval of the Shareholders at the EGM
“PwC”	PricewaterhouseCoopers, the existing auditors of the Group proposed to be removed at the EGM
“Remuneration Committee”	the remuneration committee of the Company
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, the new auditors of the Group proposed to be appointed at the EGM
“%”	per cent.

LETTER FROM THE BOARD



Forgame Holdings Limited

雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

Executive Directors:

Mr. HAN Jun (*Chief Executive Officer*)

Ms. LIANG Na (*Joint Chief Financial Officer*)

Non-executive Director:

Mr. ZHANG Qiang (*Chairman*)

Independent Non-executive Directors:

Mr. WANG Dong

Mr. WONG Chi Kin

Mr. CUI Yuzhi

Registered office:

Suite #4-210, Governors Square

23 Lime Tree Bay Avenue

P.O. Box 32311

Grand Cayman KY1-1209

Cayman Islands

Corporate Headquarters:

Room 01-02, 60/F

International Metropolitan Plaza

68 Huacheng Avenue

Guangzhou China

Principal Place of Business

in Hong Kong:

16/F, Man Yee Building

60-68 Des Voeux Road Central

Central

Hong Kong

11 June 2020

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED CHANGE OF AUDITORS

(2) RE-ELECTION OF DIRECTORS

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide Shareholders with information to enable Shareholders to make an informed decision on whether to vote for or against the resolutions in connection with the Proposed Change of Auditors and re-election of Directors to be proposed at the forthcoming EGM.

LETTER FROM THE BOARD

PROPOSED REMOVAL OF PWC

Reference is made to the announcements of the Company dated 29 May 2020 and 8 June 2020 in relation to the Proposed Change of Auditors.

PwC was re-appointed as auditors of the Group at the last annual general meeting of the Company held on 28 May 2019 to hold office until the conclusion of the next annual general meeting of the Company.

During the course of auditing the FY2019 Financials, the Company has been given the impression that PwC has been reluctant to issue an audited report for the FY2019 Financials.

After an extended period of preparation and tolerance, the Board has come to a unanimous view that it may not be in the interest of the Company to continue satisfying PwC's never-ending request for information, which the Board considers unreasonable and which may further prolong the finalization of the audit of the FY2019 Financials. Accordingly, the Board believes it may be detrimental to the interest of the Company and its shareholders to continue spending endless time with PwC, paying astronomical amount of fees, providing mountainous volume of analyses, but to eventually fail to publish an audited report for the FY2019 Financials.

After careful but reluctant consideration, taking into account of the interests of stakeholders and shareholders of the Company, the need to be able to publish the FY2019 Financials, the Audit and Compliance Committee recommended, and the Board agreed, to propose the Proposed Removal and the Proposed Appointment, subject to the passing of ordinary resolutions at the EGM pursuant to the Articles of Association.

In reaching its recommendation, the Audit and Compliance Committee has considered, among others,

- (i) the prolonged delay to the publication of the Company's results announcement and annual report that has been caused by PwC's failure to deliver its audit report for FY2019 Financials;
- (ii) the numerous requests from PwC which was not made by PwC during the course of the auditing process;
- (iii) the interests of the Company and its shareholders to have the audit work for FY2019 Financials completed as soon as practicable; and
- (iv) the experience of ZHONGHUI ANDA and its proposed remuneration.

Based on the foregoing, the Audit and Compliance Committee recommended the Board, and the Board resolved, to put forward the Proposed Removal and Proposed Appointment for consideration by the Shareholders at the EGM.

LETTER FROM THE BOARD

MATTERS TO BE BROUGHT TO THE ATTENTION OF THE SHAREHOLDERS

On 4 June 2020, an outgoing letter dated 4 June 2020 from PwC and addressed to the Board and the Audit and Compliance Committee (the “**PwC Letter**”) was received by the Company. The PwC Letter was provided by PwC to the Board and the Audit and Compliance Committee in accordance with the Code of Ethics for Professional Accountants Section 300 “Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong” setting out, inter alia, matters that PwC considers necessary to be brought to the attention of the Shareholders and creditors of the Company. The PwC Letter also serves as PwC’s written representations pursuant to Rule 13.88 of the Listing Rules.

Full text of the PwC Letter has been set out in the section headed “Appendix I — Letter from PwC” on pages I-1 to I-8 of this circular.

As stated in the announcement of the Company dated 15 May 2020, due to the travel restrictions in force in parts of the PRC and the delay in resumption of work of business partners of the Group to combat the Epidemic which resulted in delay in the completion of the necessary audit work for finalizing the audited FY2019 Financials, and the publication of the audited FY2019 Financials and the annual report for the year ended 31 December 2019 was delayed. As a result of the Proposed Removal and upon discussion with ZHONGHUI ANDA, it is expected that the publication of the audited FY2019 Financials and the annual report for the year ended 31 December 2019 will be further delayed and will be published on or around 30 August 2020. Further announcement(s) will be made as and when necessary if there are other material development in the audit process and the timetable of the FY2019 Financials and the annual report.

To the best of the Directors’ knowledge, information and belief, save as disclosed above, there are no other circumstances or matters in connection with the Proposed Removal that need to be brought to the attention of the Shareholders.

PROPOSED APPOINTMENT OF ZHONGHUI ANDA

The Audit and Compliance Committee has assessed and considered that ZHONGHUI ANDA are eligible and suitable to act as auditors of the Group. The Board, with the recommendation of the Audit and Compliance Committee, proposes to appoint ZHONGHUI ANDA as the new auditors of the Group until the conclusion of the next annual general meeting of the Company. The Proposed Appointment will be subject to the Proposed Removal becoming effective and the passing of an ordinary resolution for the Proposed Appointment at the EGM.

IMPLICATIONS UNDER THE ARTICLES OF ASSOCIATION AND THE LISTING RULES

Pursuant to Article 158(2) of the Articles of Association, the removal of auditors before the expiration of his term of office shall require the approval by ordinary resolution of the members at a general meeting of the Company, and the new auditors shall by ordinary resolution at that meeting be appointed in his stead for the remainder of his term.

LETTER FROM THE BOARD

Pursuant to Rule 13.88 of the Listing Rules, the Company must send a circular proposing the removal of the auditors to the Shareholders with any written representations from the auditors not less than 10 business days before the general meeting; and the Company must allow the auditors to attend the general meeting and make written and/or verbal representations to the Shareholders at the general meeting.

In compliance with the Articles of Association and the Listing Rules, the Proposed Removal and the Proposed Appointment will be proposed at the EGM for the Shareholders to consider and, if thought fit, to approve by way as ordinary resolutions.

Accordingly, the Company has, at the time of despatch of this circular together with a notice convening the EGM to the Shareholders, also despatched a copy to PwC to invite them to attend the EGM to make written or verbal representations to the Shareholders at the EGM, if any.

RE-ELECTION OF DIRECTORS

As at the Latest Practicable Date, the Board consists of six Directors, comprising two executive Directors, namely, Mr. HAN Jun and Ms. LIANG Na, one non-executive Director, namely, Mr. ZHANG Qiang and three independent non-executive Directors, namely, Mr. WANG Dong, Mr. WONG Chi Kin and Mr. CUI Yuzhi.

According to Article 99(3) of the Articles of Association, the Directors shall have the power from time to time and at any time to appoint any person as a Director to fill a casual vacancy on the Board provided that at least one-third, or three members, of the Board, whichever is greater, shall be independent non-executive Directors. Any Director so appointed to fill a casual vacancy by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Mr. HAN Jun was appointed to fill a casual vacancy on the Board as an executive Director with effect from 11 November 2019 and Mr. CUI Yuzhi was appointed to fill a casual vacancy on the Board as an independent non-executive Director with effect from 7 May 2020. Accordingly, each of Mr. HAN Jun and Mr. CUI Yuzhi shall hold office as Director only until the EGM and being eligible, has offered himself for re-election as Director at the EGM.

According to the recommendation of the Nomination Committee, the Board proposes that each of Mr. HAN Jun and Mr. CUI Yuzhi, who has offered himself for re-election as Director at the EGM, stands for re-election as Director by way of separate resolution at the EGM.

Details of Mr. HAN Jun and Mr. CUI Yuzhi are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

EGM

Notice of the EGM to be held at Units 01–02, 60/F, International Metropolitan Plaza, 68 Huacheng Avenue, Tianhe District, Guangzhou, China on Friday, 3 July 2020 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, separate ordinary resolutions

LETTER FROM THE BOARD

will be proposed to the Shareholders to consider and, if thought fit, to approve (i) the Proposed Removal; (ii) the Proposed Appointment; (iii) the re-election of Mr. HAN Jun as executive Director and (iv) the re-election of Mr. CUI Yuzhi as independent non-executive Director.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.forgame.com.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. before 2:00 p.m. on Wednesday, 1 July 2020) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish and in such event, the proxy shall be deemed to be revoked.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, 29 June 2020 to Friday, 3 July 2020, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 26 June 2020.

RECOMMENDATION

The Directors considered that each of (i) the Proposed Removal; (ii) the Proposed Appointment; (iii) the re-election of Mr. HAN Jun as executive Director; and (iv) the re-election of Mr. CUI Yuzhi as independent non-executive Director is in the interests of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of all the resolutions at the EGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

ADDITIONAL INFORMATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on any resolution to be proposed at the EGM.

Your attention is also drawn to the letter from PwC set out in Appendix I to this circular, details of Directors proposed for re-election set out in Appendix II to this circular and the notice convening the EGM.

The English texts of this circular and the accompanying proxy form shall prevail over the Chinese texts in case of inconsistency.

By order of the Board
Forgame Holdings Limited
ZHANG Qiang
Chairman



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
Room 01-02, 60/F
International Metropolitan Plaza
68 Huacheng Avenue
Guangzhou
China

4 June 2020

Dear Sirs

Termination of audit appointment – Forgame Holdings Limited

We were notified by the Company on 29 May 2020 that the Company's Board of Directors has resolved to remove PricewaterhouseCoopers ("PwC") as the auditors of the Company. The Company also published an announcement on 29 May 2020 (the "Announcement") on its proposal to change auditors and to remove PwC as the auditors of the Company. We were not provided with a copy of the Company's draft announcement beforehand.

In accordance with the Code of Ethics for Professional Accountants Section 300 "Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong", we are required to write to the Audit Committee and to the Board of Directors of the Company to set out the matters leading to our termination as the auditors of the Company. These matters are set out below and also represent those that we consider should be brought to the attention of the Company's members and creditors. It also serves as our written representations pursuant to the Listing Rule 13.88 and we take this opportunity to correct certain inaccurate and misleading statements in the Announcement. The Company therefore, needs to issue a further announcement to reflect the full contents of this letter.

1. Matters Subject to the Independent Investigation

As described in the Company's announcement dated 11 November 2019, Ms. Li Luyi ("Ms. Li"), a former executive director, the former chairman and the former chief executive officer of the Company, was assisting a government department in relation to an investigation in the People's Republic of China (the "PRC"). As further described in the Company's announcement dated 20 December 2019, in response to management's discovery that seven corporate loan borrowers were unreachable, among other things, the Company has established an independent investigation committee and engaged an independent investigator (the "Independent Investigator") to conduct an independent investigation (the "Independent Investigation") on the outstanding corporate loans in relation to the internet micro-credit business and sales revenue of virtual reality gaming business. The Independent Investigation was completed in April 2020, and the Independent Investigator issued the final investigation reports on the Company and its subsidiaries (the "Group")'s corporate loans business and virtual reality game business (the "Investigation Reports") on 15 April 2020 and 4 May 2020 respectively. The Investigation Reports identified certain findings and a number of transactions (the "Alleged Transactions"), certain of which involved or allegedly involved Ms. Li or parties closely related to her, that may have significant impacts on the financial reporting and other implications, and are described below in more details.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

There were a number of limitations encountered during the Independent Investigation as described in the Investigation Reports and these included, but were not limited to, the availability of certain key information and persons involved (including Ms. Li and her team, including a business general manager and a credit risk manager of the internet micro-credit business) for the purpose of drawing definitive conclusions and the lack of relevant supporting documents. In addition, as described below, management of the Company set limitations in its draft letter of representation to us, which was sent to us by the Chief Financial Officer of the Company on 13 May 2020 (the "Draft Letter of Representation"), with regards to the true and fair view of the Group's consolidated financial statements for the year ended 31 December 2019.

(i) Certain corporate loan receivables without sufficient evidence supporting business substance

Corporate loan receivables of RMB24,700,000 in aggregate, after netting off cash deposits received from borrowers, were granted in 2019 to six borrowers established in Changchun, Jilin Province, the PRC (the "Changchun Borrowers"), and a corporate loan receivable of RMB15,000,000 was granted in 2019 to one borrower established in Ningbo, Zhejiang Province, the PRC (the "Ningbo Borrower"). Full impairment loss allowances in respect of the outstanding loan receivables of RMB24,700,000 and RMB15,000,000 due from the Changchun Borrowers and the Ningbo Borrower respectively had been made as at 31 December 2019 in the Group's unaudited consolidated financial statements for the year ended 31 December 2019 ("the Group's 2019 Unaudited Consolidated Financial Statements") included in the Company's announcement dated 31 March 2020.

During the course of our audit and in connection with the Independent Investigation, we noted that:

- the Changchun Borrowers and the Ningbo Borrower are unreachable;
- the information contained in the loan application documents of Changchun Borrowers was incorrect, inaccurate and incomplete; the information contained in the loan application of Ningbo Borrower was inaccurate and insufficient;
- Changchun Borrowers may be shell companies;
- Changchun Borrowers and Ningbo Borrowers might be connected to an online "peer-to-peer" lending platform, Beijing Haitouhui (www.htouhui.com) ("Beijing Haitouhui"), which is controlled by Ms. Li, or otherwise related, and/or be connected to KongZhong Corporation (collectively together with its subsidiaries the "KongZhong Group"), a shareholder of the Company.

As at the date of this letter, management was not able to provide us with sufficient evidence and reasonable explanation to substantiate the nature of the relevant transactions and the relationship between the Group and the Changchun Borrowers and the Ningbo Borrower. Management was also unable to provide sufficient evidence to justify the basis of impairment loss allowance made against the corporate loan receivables from the Changchun Borrowers and the Ningbo Borrower.

According to the Draft Letter of Representation, management is unable to confirm in its representation to us: (i) the Changchun Borrowers and the Ningbo Borrower are not related parties of the Group, and (ii) the appropriateness of the impairment loss allowance made for the Group's corporate loan receivables from the Ningbo Borrower.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

(ii) Impairment loss allowance of corporate loan receivables from Other Borrowers unsupported

Outstanding corporate loans granted in 2019 to other corporate borrowers excluding the Changchun Borrowers and the Ningbo Borrower (the “Other Borrowers”) amounted to RMB75,792,000, against which impairment loss allowance of RMB43,700,000 had been made as at 31 December 2019 in the Group’s 2019 Unaudited Consolidated Financial Statements.

During the course of our audit and in connection with the Independent Investigation, we noted that:

- some of the Other Borrowers and/or their guarantors might be connected to the KongZhong Group and/or Beijing Haitouhui;
- the validity of certain guarantees and pledges provided to the Group might be in doubt;
- the purported valuation amounts of the assets pledged to the Group estimated at the time when the loans were granted might be higher than their then respective market values.

As at the date of this letter, management was unable to provide us with sufficient evidence and reasonable explanation to substantiate the relationship between some of the Other Borrowers and/or their guarantors and the Group. Management was also unable to provide us with sufficient supportive evidence to justify the basis of impairment loss allowances made in 2019 against these corporate loan receivables from Other Borrowers or enable us to evaluate the financial positions of the Other Borrowers and their guarantors, and the value of pledges.

According to the Draft Letter of Representation, management is also unable to confirm in its representation to us the appropriateness of the impairment loss allowance made for the Group’s corporate loan receivables from Other Borrowers.

(iii) Unusual and unsupported transactions and arrangements of Beijing Xigua

According to the announcements dated 26 June 2019, the Group acquired 69.84% equity interest of Beijing Xigua Huyu Technology Co., Ltd. (“Beijing Xigua”) on 26 June 2019. Ms. Li had been responsible for the management and operation of Beijing Xigua until late-October 2019 when she became unreachable.

During the course of our audit and in connection with the Independent Investigation, we noted that:

- VR stores operating revenue of RMB16,622,000 included in revenue in the Group’s 2019 Unaudited Consolidated Financial Statements cannot be reconciled to Beijing Xigua’s operation data;
- Certain unusual large-sum deposits of RMB1,120,000, which were included in other payables in the Group’s 2019 Unaudited Consolidated Financial Statements, were provided by relatives or acquaintances of Ms. Li;
- Certain customer deposits of RMB3,000,000 were recorded under the names of Beijing Xigua’s employees, out of which RMB2,720,000 were recognised as revenue in its 2019 financial statements;



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

- Seven franchisees were found to be connected to the employees of Beijing Xigua, Beijing Haitouhui or KongZhong Group, or to Ms. Li, including being relatives and/or acquaintances of Ms. Li or certain Changchun Borrowers. Out of these seven franchisees, five were unreachable, while two had funding sourced from related entities of Beijing Haitouhui and/or KongZhong Group under unclear business arrangements. Moreover, Beijing Xigua originally recognised franchise and management revenue from these seven franchisees of RMB15,205,000, of which RMB14,262,000 were subsequently reversed in 2019, and only the amounts fully settled by these franchisees of RMB943,000 were recognised in the Group's 2019 Unaudited Consolidated Financial Statements;
- In the Group's 2019 Unaudited Consolidated Financial Statements, leasehold improvement cost of RMB4,851,000 and game facilities cost of RMB43,000 were recognised for the purchases from a decoration service supplier and an equipment supplier. Certain employees of Beijing Xigua also worked for the decoration service supplier and the equipment supplier of Beijing Xigua, certain employees of Beijing Xigua and Ms. Li are the approvers of the financial approval processes of both the decoration service supplier and the equipment supplier, and the legal representative of the equipment supplier was also unreachable;
- The deferred promotional services revenue of RMB4,100,000 included in other payables were unsupported in term of whether services were rendered by Beijing Xigua or rendered under respective contract term, and price set with a promotional service customer was unreasonably high.

As at the date of this letter, management is unable to provide us with sufficient information and reasonable explanation as to the relationships between these franchisees and suppliers and the Group, if any, together with the commercial substance and rationale of the above mentioned transactions and arrangements. We were unable to confirm with the franchisees, decoration service and equipment suppliers, promotional service customers and counterparties of unusual large-sum deposits of the nature, terms and business substance of these arrangements, or obtain other collaborative evidence to substantiate the nature of the above-mentioned arrangements and transactions. We were also unable to confirm with the above franchisees, decoration service and equipment suppliers of their relationships with the Group.

Management is also unable to confirm in its Draft Letter of Representation: (i) franchisees of Beijing Xigua are not related parties of the Group, and (ii) whether the financial information of Beijing Xigua included in the Group's consolidated financial statements gives a true and fair view in accordance with International Financial Reporting Standards.

2. Frozen Shares of Certain PRC Operational Entities

The Group's web game and mobile game business and internet micro-credit business are carried out through Guangzhou Weidong Internet Technology Co., Ltd. ("Weidong"), Guangzhou Feiyin Information Technology Co., Ltd. ("Feiyin"), and Guangzhou Jieyou Software Co., Ltd. ("Jieyou") (together, "PRC Operational Entities") and their subsidiaries. Mr. Wang Dongfeng ("Mr. Wang") and other four individuals (collectively as the "Founders") are legal equity holders of these PRC Operational Entities. Neither the Company, nor any entities legally owned by the Company within the Group, have any equity interests in these PRC Operational Entities.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

The Company established a subsidiary, Guangzhou Feidong Software Technology Co., Ltd. ("Feidong"), which is a wholly foreign owned enterprise incorporated in the PRC. Feidong has entered into a series of contractual arrangements (the "Contractual Arrangements") with the PRC Operational Entities and their respective equity holders, which enable Feidong and the Company to have rights to variable returns derived from the involvements with these PRC Operational Entities and the Company has the ability to affect those returns through its power over the PRC Operational Entities and it is considered to control the PRC Operational Entities. Consequently, the Company regards the PRC Operational Entities as consolidated structured entities under the provisions of the International Financial Reporting Standards. The Group has accordingly included the financial position and results of the PRC Operational Entities in its consolidated financial statements.

We found through internet search on 4 May 2020 that a civil ruling paper (Document 2019 Yue 0106 Caibao 43) was issued by a court in the PRC (the "Court"), pursuant to which, legal shares of 23.75% (representing paid up capital of RMB2,375,000), 23.75% (representing paid up capital of RMB2,375,000) and 20.94% (representing paid up capital of RMB2,094,000) of Feiying, Weidong and Jieyou, respectively, which are held by Mr. Wang (collectively defined as the "Frozen Shares") have been frozen by the Court due to lawsuits undertaken against Mr. Wang as a defendant.

The frozen period is from 26 February 2019 to 25 February 2021. During the frozen period, the Frozen Shares cannot be transferred to other parties without the agreement of the Court, and the Frozen Shares might also be demanded by the Court to be disposed of in order to settle any damages, as determined by the Court, arising from the lawsuits.

During the course of the audit, management did not inform us of the incidence of the Frozen Shares. We notified the Company of the above finding relating to the Frozen Shares on 4 May 2020. We also reminded management and the Board of Directors on 6 May 2020 to discuss with the legal counsel and assess whether this matter should be disclosed by way of an announcement of the Company. Management first approached a law firm for the legal opinion on the implication if the Frozen Shares are to be disposed of. A draft legal opinion from the first law firm was provided to us on 9 May 2020 and we provided our comments to the Company on 9 May 2020 and 12 May 2020. Since then, the Company approached another law firm for the legal opinion. Another draft legal opinion from the second law firm was provided to us on 21 May 2020 and we provided our comments to the Company during the period from 22 May 2020 to 29 May 2020.

According to the Articles of Association of Feiying, Weidong and Jieyou, all resolutions made on the shareholders' meeting of Feiying shall be approved by all shareholders unanimously; and for Weidong and Jieyou, a resolution made at a shareholders' meeting on amending the articles of association, increasing or reducing the registered capital, merger, split-up, dissolution or change of the company form shall be approved by the shareholders representing 2 / 3 or more of the voting rights.

Up to the date of this letter, management has not yet fully addressed our comments and questions on the two draft legal opinion. Those comments and questions are important to assess the accounting implication of the Frozen Shares. Furthermore, management has not yet provided us with any legal opinion on the probability of the Frozen Shares being disposed of by the demand of the court. As such, we have not been able to obtain necessary information to perform our assessment on the accounting implication should the Frozen Shares be disposed of.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

3. An Alleged Lawsuit relating to Right of Publicity

According to the Company's announcement dated 22 April 2020, there were certain media reports reporting that an American singer has filed a lawsuit (the "Alleged Lawsuit") against Mutant Box Limited ("Mutant Box") and Feidong, two wholly owned subsidiaries of the Company, alleging that Mutant Box and Feidong have portrayed her character, and profited off her likeness, for a mobile fashion game, "Clothes Forever" without her consent.

The Company provided us with a signed legal opinion issued by a PRC law firm on 21 May 2020 in relation to the Alleged Lawsuit. Management represented to us that pursuant to the legal opinion, the Group had not yet received any notice of the Alleged Lawsuit and therefore the Group was unable to reasonably estimate the potential loss arising from the Alleged Lawsuit without the relevant court documents, and the legal opinion was prepared on this basis.

Management did not recognise nor disclose any contingent liabilities in relation to the Alleged Lawsuit in the Group's 2019 Unaudited Consolidated Financial Statements.

We found through internet searches the relevant court documents relating to the Alleged Lawsuit and sent a copy of the court documents to management on 23 May 2020. We suggested management engage a US legal counsel for the purpose of assessing contingencies arising from the Alleged Lawsuit. We also reminded management and the Board of Directors of the Company to discuss with the legal counsel and assess whether the existence of the court documents should be disclosed in the form of an announcement by the Company.

Up to the date of this letter, management has not yet provided us with any legal opinion issued by the US legal counsel as to the Group's compliance with relevant laws on the right of publicity, estimation of the potential loss arising from the Alleged Lawsuit and the basis. As such, we have not obtained necessary information to perform our assessment on the accounting implication of the Alleged Lawsuit, including the nature and extent of the required disclosures, if any, in the Group's 2019 Unaudited Consolidated Financial Statements.

4. Other major outstanding audit procedures

Up to the date of this letter, although we have requested a number of times, we have not been able to obtain necessary information or have necessary communications as set out in sections 1 to 3 above and to perform the following audit procedures:

- We have not been provided with the meeting minutes of the Board of Directors meeting held on 27 April 2020, subsequent bank statements of certain selected bank accounts for the purpose of performing subsequent events review.
- We have not had any meetings with the audit committee of the Company comprising the three newly appointed independent non-executive directors, who were appointed on 27 April 2020 and 7 May 2020, after the resignation of all previous independent non-executive directors on 30 April 2020, although we have requested to the audit committee and management a number of times for conducting such meeting.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

- As mentioned in the above section headed “Matters subject to Independent Investigation”, management of the Company set limitations in the Draft Letter of Representation with regards to the true and fair view of the Group’s consolidated financial statements for the year ended 31 December 2019. Such limitations refer to that management is unable to confirm (i) the Changchun Borrowers and the Ningbo Borrower are not related parties of the Group; (ii) the appropriateness of the impairment loss allowance made for the Group’s corporate loan receivables from the Ningbo Borrower and Other Borrowers; (iii) franchisees of Beijing Xigua are not related parties of the Group; (iv) financial information of Beijing Xigua as included in the Group’s consolidated financial statements for the year ended 31 December 2019 gives true and fair view. Management informed us that they might further amend the Draft Letter of Representation, but up to the date of this letter we have not been provided with an updated version of the draft letter of representation or a final signed letter of representation from management.

Given that certain of the alleged transactions disclosed in the Investigation Reports potentially involved Ms. Li who was former senior executive of the Group, these findings indicate significant potential governance and internal controls issues of the Group during the year ended 31 December 2019. These matters, together with the limitations identified in the Investigation Reports, affected our ability to carry out appropriate and sufficient audit procedures to identify whether there existed other potential transactions that might significantly affect the consolidated financial position and operating results of the Group. As a result, apart from the scope limitations and outstanding information described above, up to the date of this letter we were unable to satisfy ourselves as to whether there existed other transactions or arrangements relating to the Group which have not been disclosed above or identified in the Independent Investigation, that could have significant and pervasive impacts on the Group’s consolidated financial statements but which have not been properly accounted for or otherwise disclosed in the Group’s 2019 Unaudited Consolidated Financial Statements.

PwC had requested for information and materials stated above, in our emails and written letters to the Company’s Board of Directors, audit committee and management on 5 May 2020, 6 May 2020, 13 May 2020, 14 May 2020, 18 May 2020, 23 May 2020 and 28 May 2020 and have clearly explained the reasons why we requested such information and materials and the impact of not obtaining such information or materials to our audit opinion. Nonetheless, we have been working to deal with the above-mentioned accounting and audit issues in a timely manner and intended to continue to carry out the necessary audit procedures to complete the audit and issue the auditor’s report on the Group’s consolidated financial statement according to the signed engagement letter. Therefore, the statement in the Company’s Announcement referring to the fact that “PwC has been reluctant to issue an audited report for the FY19 Financials” and “PwC’s never-ending request for information, which the Board considers unreasonable and which may further prolong the finalization of the audit of the FY2019 Financials” is wholly inaccurate and misleading.

Most of the information /materials were still not forthcoming from the Company as at 29 May 2020. Therefore, if there has been a material delay in the finalisation of the audit, it was not because of PwC but instead, due to the Company’s failure to respond and provide the necessary information enabling PwC to complete the audit.



羅兵咸永道

The Board of Directors
The Audit Committee
Forgame Holdings Limited
4 June 2020

Pursuant to Chapter 13, 13.51(4) of the Listing Rules, the Company is required to publish an announcement regarding the change of auditors setting out the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the Company. As we need to assess whether the matters that led to our termination as set out in this letter and which in our opinion need to be brought to the attention of the shareholders, are reflected in the announcement, please provide us with the draft announcement for our comments before it is published.

Further, please note that this letter (i) has been prepared for the purpose to comply with the requirements under the Code of Ethics for Professional Accountants Section 300 "Change of Auditors of a Listed Issuer of The Stock Exchange of Hong Kong" and the relevant provisions of the Listing Rules and may be circulated to the Stock Exchange of Hong Kong; and (ii) serves as our written representation pursuant to Rule 13.88 of the Listing Rules which needs to be brought to the attention of the Company's shareholders. Please ensure that the full contents of this letter be included with the relevant circular prior to its dispatch. Other than as set out in (i) and (ii) above, this letter is not to be used for any other purpose or to be distributed to any other parties.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Remington', written over a horizontal line.

The following are the particulars of the Directors (as required by the Listing Rules) proposed to be re-elected at the EGM.

Mr. HAN Jun, aged 48, was appointed as an executive Director on 11 November 2019. Mr. Han is the chief executive officer of the Company and a member of the Remuneration Committee.

Mr. Han has over 18 years of experience in the internet industry. Before 2000, Mr. Han worked in China Potevio Co., Ltd, responsible for the development of software for operation service of telecommunication main network. He acted as the vice-president of TOM.COM LIMITED from January 2000 to June 2004, where he was mainly responsible for the website content of Tom.com and establishment of mobile value-added services channel and financial performance target. He acted as the general manager of 北京閃聯互動網路科技有限責任公司 (Beijing Shanlian Hudong Network Technology Co., Ltd.*) from August 2004 to March 2018, where he was mainly responsible for daily operation of the business. He also held various positions in Prosten Technology Holdings Limited (now known as China Brilliant Global Limited, stock code: 8026.HK, a company principally engaged in the provision of solution integration services and wireless mobile value-added services), including non-executive director from December 2013 to February 2015 and executive director from February 2015 to February 2018. He also acted for the chief operations officer of KongZhong Corporation (a company listed on NASDAQ in the United States in July 2004 and subsequently privatised in April 2017) from September 2017 to October 2019, where he was responsible for the daily operation of the business, data analysis and co-ordination and execution of the financial indicator and business target.

Mr. Han graduated from the College of Computer Science of Beijing University of Technology, majoring in computer software. Save as disclosed above, Mr. Han has not held any directorship in any other listed companies in Hong Kong or overseas in the past three years.

As at the Latest Practicable Date, Mr. Han has entered into a service agreement with the Company which has a term ending on 10 November 2022 (unless otherwise terminated pursuant to the terms of such service agreement). He is subject to retirement by rotation and election at general meeting(s) of the Company in accordance with the Articles of Association. Mr. Han is currently entitled to a remuneration of RMB100,000 per month under his service agreement with the Company, which was determined with reference to his responsibilities, abilities and performance, as well as the remuneration benchmark in the industry and the prevailing market conditions.

Mr. CUI Yuzhi, aged 54, was appointed as an independent non-executive Director on 7 May 2020. Mr. Cui is the chairman of the Corporate Governance Committee and a member of both the Audit and Compliance Committee and the Nomination Committee.

Mr. Cui is a seasoned independent investment advisor. He holds a Bachelor of Science degree in Applied Physics from the University of Notre Dame (graduated with highest honour), and Master of Business Administration from the University of Chicago Booth School of Business. Mr. Cui has more than 20 years' experience in finance with deep expertise in international capital market and enterprise operations. Mr. Cui held senior positions at various

organisations, including the executive president of Tendcare Medical Group, the Portfolio Manager at Atlantis Investment Hong Kong, the general manager of investment and operations at China Dili Group (formerly known as Renhe Commercial Holdings Company Limited), the shares of which are listed on the Stock Exchange (Stock code: 1387), the chief financial officer of Zhong An Group Limited (formerly known as Zhong An Real Estate Limited), the shares of which are listed on the Stock Exchange (Stock code: 672), the chief financial officer of Excellence Group, the chief financial officer of Treasury Holdings China Limited and the vice president of Shanghai Forte Group. Since 2016, Mr. Cui has been serving as independent non-executive director, chairman of the audit committee and member of the nomination committee of Sino ICT Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 365). Saved as disclosed above, Mr. Cui has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

As at the Latest Practicable Date, Mr. Cui has entered into a letter of appointment with the Company for a fixed term of three years commencing from 7 May 2020 (unless otherwise terminated pursuant to the terms of such appointment letter). He is subject to retirement by rotation and re-election at general meeting(s) of the Company in accordance with the Articles of Association. Mr. Cui is currently entitled to an annual emolument of US\$80,000 under his appointment letter with the Company which was determined with reference to his responsibilities, abilities and performance, as well as the remuneration benchmark in the industry and the prevailing market conditions.

The Nomination Committee has assessed and reviewed the annual written confirmation of independence of Mr. CUI Yuzhi and considers that, based on the independence criteria as set out in Rule 3.13 of the Listing Rules, Mr. CUI Yuzhi remains independent. The Nomination Committee has considered and nominated Mr. CUI Yuzhi who has offered himself for re-election as Director at the EGM to the Board for it to propose to the Shareholders for re-election at the EGM.

The Board would consider to enhance its diversity with different expertise when appointing or re-electing an independent non-executive Director. Mr. Cui has given his annual written confirmation of independence to the Company and the Nomination Committee had assessed and reviewed it based on the independence criteria as set out in Rule 3.13 of the Listing Rules. Mr. Cui does not have any other relationships with any of the other Directors, chief executives or substantial or controlling Shareholders of the Company. Having considered the recommendation of the Nomination Committee, the Board considers Mr. Cui remains independent and is not aware of any circumstance that might influence Mr. Cui in exercising independent judgment, and is satisfied that he has the required character, integrity, independence and experience to fulfill the role of an independent non-executive Director and that he will be able to maintain an independent view of the Group's affairs.

The Board is of the view that Mr. Cui as an independent non-executive Director promotes the Board diversity with his comprehensive experience and invaluable expertise in finance and investment and contributes continuity and stability to the Board, and the Company has benefited greatly from his contribution and valuable insights derived from his in-depth knowledge of the Company as an independent non-executive Director. The Board believes that he will continue to contribute effectively to the Board.

DIRECTORS' INTEREST AND OTHER INFORMATION

As at the Latest Practicable Date, each of Mr. HAN Jun and Mr. CUI Yuzhi did not have, and was not deemed to have any interests or short positions in any Shares, underlying Shares or interests in debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, as at the Latest Practicable Date, each of Mr. HAN Jun and Mr. CUI Yuzhi did not hold any other position with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management or substantial or controlling Shareholders of the Company.

Save as disclosed above, there are no other matters concerning each of Mr. HAN Jun and Mr. CUI Yuzhi that need to be brought to the attention of the Shareholders in connection with his re-election and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.



Forgame Holdings Limited

雲遊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00484)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Forgame Holdings Limited (the “**Company**”) will be held at Units 01–02, 60/F, International Metropolitan Plaza, 68 Huacheng Avenue, Tianhe District, Guangzhou, China on Friday, 3 July 2020 at 2:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

- (1) “**THAT** PricewaterhouseCoopers be and is hereby removed as auditors of the Company and its subsidiaries pursuant to Article 158(2) of the articles of association of the Company with immediate effect (the “**Removal**”) and the board of directors of the Company (the “**Board**”) and each of the directors of the Company (the “**Directors**”) be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they may consider necessary, desirable or expedient or in the interest of the Company to give effect to the Removal.”
- (2) “**THAT** conditional upon the passing of ordinary resolution (1) above:
 - (a) ZHONGHUI ANDA CPA Limited be and is hereby appointed as auditors of the Company and its subsidiaries pursuant to Article 158(2) of the articles of association of the Company with immediate effect and to hold office until the conclusion of the next annual general meeting of the Company (the “**Appointment**”);
 - (b) the Board and each of the Directors be and are hereby authorised to exercise such discretion to complete and do all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as they may consider necessary, desirable or expedient or in the interest of the Company to give effect to the Appointment; and

NOTICE OF EGM

- (c) the Board be and is hereby authorised to fix the remuneration of ZHONGHUI ANDA CPA Limited.”
- (3) To re-elect Mr. HAN Jun as executive Director and the Board be and is hereby authorised to fix his remuneration.
- (4) To re-elect Mr. CUI Yuzhi as independent non-executive Director and the Board be and is hereby authorised to fix his remuneration.

By order of the Board
Forgame Holdings Limited
ZHANG Qiang
Chairman

Hong Kong, 11 June 2020

Registered Office:

Suite #4-210, Governors Square
23 Lime Tree Bay Avenue
P.O. Box 32311
Grand Cayman KY1-1209
Cayman Islands

Corporate Headquarters:

Room 01-02, 60/F
International Metropolitan Plaza
68 Huacheng Avenue
Guangzhou
China

Principal Place of Business in Hong Kong:

16/F, Man Yee Building
60-68 Des Voeux Road Central
Central
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her and vote on his/her/its behalf at the Meeting. On a poll, votes may be given either personally or by proxy.
2. In the case of joint holders of shares of the Company, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share of the Company as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF EGM

3. In order to be valid, a form of proxy must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above Meeting (i.e. before 2:00 p.m. on Wednesday, 1 July 2020) or any adjournment thereof.
4. The transfer books and register of members of the Company will be closed from Monday, 29 June 2020 to Friday, 3 July 2020, both days inclusive, during which period no share transfers can be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 26 June 2020.
5. Completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above Meeting (or any adjourned meeting thereof) if they so wish.
6. The resolutions set out in this notice of extraordinary general meeting will be put to shareholders of the Company to vote taken by way of a poll.

As at the date of this notice, the executive Directors are Mr. HAN Jun and Ms. LIANG Na; the non-executive Director is Mr. ZHANG Qiang; the independent non-executive Directors are Mr. WANG Dong, Mr. WONG Chi Kin and Mr. CUI Yuzhi.