Huan Yue Interactive Holdings Limited
歡悅互娛控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 505)

PROFIT WARNING AND GOODWILL IMPAIRMENT

This announcement is made by Huan Yue Interactive Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**") pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the "**Board**") of the Company wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a decline in its net profit for the six months ended 30 June 2018 as compared to the net profit for the corresponding period in 2017, which is mainly attributable to: (1) a decrease in gross margin of copper processing business due to an increase in raw material costs; (2) an impairment loss on goodwill related to the acquisition of 100% interest in Funnytime Limited ("**Funnytime**") in August 2016 as disclosed in the announcement dated 21 June 2016. Such impairment loss is primarily attributable to the fact that Funnytime's financial performance is less than expected for the first six months of 2018 and it is likely that Funnytime will not meet the performance target of net profit of RMB30 million for year 2018. During the first six months of 2018, Funnytime's existing game products experienced a slow down in revenue growth, and the development progress of some new game products was behind schedule. As a result, the revenue growth of the operation of web games is lower than forecasted, and net profit from the Group's online game business is also lower than the first six months ended 30 June 2017. Therefore, impairment of goodwill will be recorded for the six months ended 30 June 2018. The exact amount of the goodwill impairment is yet to be determined but is estimated to be in the range of RMB10 million to RMB20 million. The Board would like to emphasise that the impairment loss on goodwill is a non-cash item and has no effect on the cash flow of the Group's operations; (3) a net loss on foreign exchange of approximately RMB11 million.

This profit warning announcement is only based on a preliminary assessment by management of the Company on the unaudited consolidated management accounts of the Group for the six months ended 30 June 2018 and the current information available, which have not been reviewed or audited by the Company's auditors. The unaudited interim results of the Group for the six months ended 30 June 2018 will be announced by the Company before the end of August 2018.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Huan Yue Interactive Holdings Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 3 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie, Mr. CHEN Jianhua, Mr. REN Hao and Mr. ZHU Wenjun, the non-executive director of the Company is Mr. DAI Jianchun and the independent non-executive directors of the Company are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.