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 significant decline in its net profit for the year ended 31 December 2018 as compared to the net profit for the year ended 31 December 2017, which is mainly attributable to: (1) a decrease in gross margin of the copper manufacturing 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 lower than previously forecast for the year ended 31 December 2018 and Funnytime did not meet the performance target of net profit of RMB30 million for year 2018. During the year of 2018, Funnytime's existing game products experienced a slow down in revenue growth, and the development progress of certain new game products was behind schedule. This is mainly because the authority supervising the online gaming industry in China had stopped issuing permits for new games since March 2018, which affected the whole industry. As the business environment remain uncertain, the future revenue growth of the operation of online games will be lower than forecasted. Therefore, impairment of goodwill will be recorded for the year ended 31 December 2018. The exact amount of the goodwill impairment is yet to be determined but is estimated to be in the range of RMB90 million to RMB100 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 RMB15.5 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 year ended 31 December 2018 and the current information available, which have not been reviewed or audited by the Company's auditors. The audited annual results of the Group for the year ended 31 December 2018 will be announced by the Company before the end of March 2019.

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, 26 February 2019

As at the date of this announcement, the executive directors of the Company are Mr. HU Changyuan, Mr. HU Minglie, 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.