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LEYOU TECHNOLOGIES HOLDINGS LIMITED
樂遊科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

DISCLOSEABLE TRANSACTION
SECOND AMENDMENT AGREEMENT
IN RELATION TO THE PROVISION OF LOAN
FOR GAME DEVELOPMENT

DISCLOSURE PURSUANT TO
RULES 13.13 AND 13.16 OF THE LISTING RULES

Reference is made to the announcements of the Company dated 16 October 2017 and 7 January 2019 in relation to, among other things, (i) the entering into of the Game Development Agreement, pursuant to which Certain Affinity shall develop and produce for the Company the Game based on certain intellectual property (namely, the TRANSFORMERS Property) and the Company shall provide Certain Affinity with the Loan in the amount of up to US\$15 million to pay for costs and expenses incurred in connection with the provision of the development services relating to the Game; and (ii) increasing the maximum principal amount of the Loan from US\$15 million to US\$33 million.

PRINCIPAL TERMS OF THE LOAN UNDER THE GAME DEVELOPMENT AGREEMENT

Date:	15 October 2017
Lender:	The Company
Borrower:	Certain Affinity
Principal amount:	US\$15 million (as supplemented and varied by the First Amendment Agreement to US\$33 million)
Interest rate:	Interest-free
Repayment:	The Loan was granted on a non-recourse basis which was solely recoupable by the Company from its share of the revenues derived from the exploitation of the Game

THE SECOND AMENDMENT AGREEMENT IN RELATION TO THE INCREASE IN PRINCIPAL AMOUNT OF THE LOAN

On 6 July 2020, the Company entered into the Second Amendment Agreement with Certain Affinity.

Pursuant to the Second Amendment Agreement, the Company agreed, among other things, to increase the maximum principal amount of the Loan from US\$33,000,000 to approximately US\$43,000,000, representing an increase of nearly US\$10 million. Save as disclosed herein, all other terms of the Loan shall remain in full force and effect. The Loan will continue to be interest-free and be granted on a non-recourse basis and solely recoupable by the Company from its share of the revenues derived from exploitation of the Game. The Company's equity position in Certain Affinity and the Company's percentage ownership in Certain Affinity remain unchanged.

REASONS FOR AND THE BENEFITS OF THE INCREASE IN THE PRINCIPAL AMOUNT OF THE LOAN

The Game Development is progressing well with approximately 70% of the core gameplay of the Open Beta version completed. With the increase in the principal amount of the Loan, which is essentially the development budget for the Game, Certain Affinity will be able to start volume production towards a higher-quality Open Beta version of the Game.

The increase in the principal amount of the Loan is in the ordinary course of business of the Company, on normal commercial terms and arrived after arm's length negotiations.

Taking into consideration that the Game is expected to bring significant revenue to the Group upon its commercial launch, the Directors consider that the increase in the principal amount of the Loan is fair and reasonable and in the best interest of the Company and its shareholders as a whole.

The increase in the principal amount of the Loan will be funded by internal resources.

INFORMATION OF CERTAIN AFFINITY

Certain Affinity was founded in 2006 and is an independent video game development studio based on Austin, Texas of the United States of America known for creating innovative, high-quality action games. Certain Affinity employs over 200 full-time employees and has worked on a number of notable products and games in the video gaming market, including development of original games, co-development of multiple Call of Duty and Halo games, co-development of DOOM, and development of extensive downloadable competitive and cooperative content for the Call of Duty and Halo franchises.

Pursuant to a sale and purchase agreement dated 15 October 2017 entered into between the Company and Certain Affinity, the Company acquired 20% interest in Certain Affinity and the acquisition was completed on 30 October 2017. Further details of the said acquisition were set out in the announcement of the Company dated 16 October 2017.

INFORMATION ON THE GROUP AND THE COMPANY

The Group is principally engaged in the development and publishing of online multiplayer PC and console video games. It mainly focuses on high-quality video game products and is a leading player in the niche market of PC and console free-to-play games. The Company is an investment holding company.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under the Listing Rules) in respect of the total maximum principal amount of the Loan granted to Certain Affinity under the Game Development Agreement exceed 5% but are less than 25%, the increase in the principal amount of the Loan under the Game Development Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements.

As the amount of the Loan advanced to Certain Affinity as supplemented and varied by the Second Amendment Agreement exceeds 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the grant of the Loan is subject to the general disclosure obligation under Rule 13.13 of the Listing Rules.

In addition, as the amount of the Loan provided by the Group to Certain Affinity, an affiliated company of the Company as defined under Rule 13.11(2) of the Listing Rules, exceeds 8% of the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the grant of the Loan is also subject to the general disclosure obligation under Rule 13.16 of the Listing Rules.

DEFINITIONS

The following terms have the following meanings when used in this announcement, unless the context requires otherwise:

“Board”	the board of Directors
“Certain Affinity”	Certain Affinity, Inc., a limited liability company organised under the laws of the State of Delaware, the United States of America, and a developer of licensed games (including associated computer software product and add-ons)

“Company”	Leyou Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 1089)
“Director(s)”	the director(s) of the Company
“First Amendment Agreement”	the amendment agreement dated 7 January 2019 entered into among the Company, Certain Affinity and Mr. Hoberman supplementing and amending the Game Development Agreement
“Game”	a third person shooting game based on certain intellectual property, including the TRANSFORMERS Property
“Game Development”	the development and production of the Game
“Game Development Agreement”	the game development agreement dated 15 October 2017 entered into between the Company and Certain Affinity in relation to the Game Development (as amended by a first amendment agreement dated 4 May 2018, the First Amendment Agreement, a third amendment agreement dated 13 November 2019 and the Second Amendment Agreement, among which, only the First Amendment Agreement and the Second Amendment Agreement are in relation to modifying the terms of the Loan)
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Loan”	an interest-free loan facility under the Game Development Agreement as supplemented and amended by the First Amendment Agreement and Second Amendment Agreement
Mr. Hoberman	the founder, President and controlling shareholder of Certain Affinity
“Second Amendment Agreement”	the amendment agreement dated 6 July 2020 entered into between the Company and Certain Affinity supplementing and amending the Game Development Agreement
“Shares”	ordinary share(s) of HK\$0.10 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
“TRANSFORMERS Property”	the TRANSFORMERS property, including associated logos, copyrights, and characters and their respective likenesses (as portrayed in products sold during the period beginning 1984 and ending 1995 sometimes referred to as “TRANSFORMERS GENERATION I” and which may also include iconography and various stylized iterations of the same created such as TRANSFORMERS GENERATIONS launched in 2010 and relaunched in 2012)

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board
Leyou Technologies Holdings Limited
Xu Yiran
Chairman and Chief Executive Officer

Hong Kong, 6 July 2020

As at the date of this announcement, the Board comprises Mr. Xu Yiran (Chairman and Chief Executive Officer), Mr. Li Yang (Deputy Chairman), Dr. Alan Chen (Chief Operating Officer), Mr. Gu Zhenghao and Mr. Cao Bo as executive Directors, Mr. Eric Todd as non-executive Director, and Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit as independent non-executive Directors.