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**IMAGE FRAME INVESTMENT (HK) LIMITED**  
*(Incorporated in Hong Kong with limited liability)*

**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)**

## **JOINT ANNOUNCEMENT**

- (1) PROPOSED TAKE PRIVATE OF  
LEYOU TECHNOLOGIES HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES LAW**
- (2) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**
- (3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**
- (4) PROPOSED WITHDRAWAL OF LISTING OF  
LEYOU TECHNOLOGIES HOLDINGS LIMITED**
- AND**
- (5) RESUMPTION OF TRADING**

**Financial Adviser to the Offeror**

**BofA SECURITIES** 

**Financial Adviser to the Company**

**MOELIS & COMPANY**

**Independent Financial Adviser to the Independent Board Committee**

  
**Optima Capital Limited**

## **INTRODUCTION**

On 27 August 2020, in response to the Offeror's Proposal put forward to the Board, the Company provided the Implementation Undertaking in favour of the Offeror, pursuant to which the Company irrevocably undertook to the Offeror to put forward to the Scheme Shareholders the Scheme which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Scheme becomes effective:

- (a) all of the Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price to each Scheme Shareholder by the Offeror;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares;
- (c) immediately upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled;
- (d) the reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (e) the Company will become wholly-owned by the Offeror; and
- (f) the Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, with effect immediately following the Effective Date.

The Offeror has appointed BofA Securities as its financial adviser in connection with the Proposal.

As at the date of this announcement, neither the Offeror nor any person acting in concert with it holds any Shares.

## **THE PROPOSAL**

### **The Scheme**

Under the Proposal, if the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$3.3219 per Scheme Share.

### **Comparisons of value**

The Cancellation Price represents:

- a premium of approximately 30.27% over the closing price of HK\$2.5500 per Share on 19 September 2019, which was the last trading day prior to the first announcement issued by the Company pursuant to Rule 3.7 of the Takeovers Code regarding a possible transaction involving the acquisition of interests in the Company on 20 September 2019;
- a premium of approximately 4.46% over the closing price of HK\$3.1800 per Share on the Last Trading Day;
- a premium of approximately 5.86% over the average closing price of approximately HK\$3.1380 per Share based on the daily closing prices as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- a premium of approximately 5.66% over the average closing price of approximately HK\$3.1440 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 8.32% over the average closing price of approximately HK\$3.0667 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 17.44% over the average closing price of approximately HK\$2.8287 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 25.03% over the average closing price of approximately HK\$2.6569 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 29.17% over the average closing price of approximately HK\$2.5718 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 435.78% over the audited consolidated net asset value per Share of approximately US\$0.08 (equal to approximately HK\$0.6200, using an exchange rate of US\$1 = HK\$7.7502 as at the date of this announcement) per Share as at 31 December 2019; and
- a premium of approximately 435.78% over the unaudited consolidated net asset value per Share of approximately US\$0.08 (equal to approximately HK\$0.6200, using an exchange rate of US\$1 = HK\$7.7502 as at the date of this announcement) per Share as at 30 June 2020.

### **The Option Offer**

As at the date of this announcement, there are an aggregate of 408,859,122 outstanding Options granted under the Share Option Scheme, each relating to one Share, of which a total of 250,677,642 Options are exercisable at the date of this announcement.

The full exercise of all outstanding Options granted under the Share Option Scheme would result in the issue of 408,859,122 new Shares, representing approximately 13.25% of the issued share capital of the Company as at the date of this announcement and approximately 11.70% of the issued share capital of the Company as enlarged by the issue of such new Shares.

To the extent that the outstanding Options have not otherwise lapsed, been cancelled or exercised, the Offeror will make (or procure to be made on its behalf) the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel every vested and unvested outstanding Option (regardless of whether they are exercisable on, before or after the Scheme Record Date), subject to the Scheme becoming effective.

Under the Option Offer, the Offeror will offer Optionholders the “see-through” Option Offer Price (being the Cancellation Price minus the relevant exercise price) for each outstanding Option held in exchange for the cancellation of every vested and unvested Option. The number of outstanding Options to which each Option exercise price applies as at the date of this announcement and the corresponding Option Offer Price is set out in the table below:

<b>Option exercise price</b> <i>(HK\$)</i>	<b>Option Offer Price</b> <i>(HK\$)</i>	<b>Number of outstanding Options as at the date of this announcement</b>
1.91	1.4119	262,071,200
2.50	0.8219	48,353,260
2.80	0.5219	49,217,312
3.10	0.2219	49,217,350

The Company does not intend to grant any further Options between the date of this announcement and the Effective Date.

The Company does not intend to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders between the date of this announcement and the Effective Date. If, after the date of this announcement, any dividend or other distribution (whether of profit or capital) is made or paid in respect of the Scheme Shares, the Offeror reserves the right to reduce the Cancellation Price and the Option Offer Prices by an amount equal to the amount of such dividend or other distribution made or paid on each Scheme Share.

**The Offeror will not increase the Cancellation Price or the Option Offer Prices and does not reserve the right to increase the Cancellation Price or the Option Offer Prices. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price or the Option Offer Prices.**

## **Conditions of the Proposal and the Scheme**

The Proposal and the Scheme are conditional upon the satisfaction or valid waiver (as applicable) of the conditions described in the section headed “The Proposal – Conditions of the Proposal and the Scheme” below.

All Conditions will have to be satisfied or validly waived (as applicable) on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. When all the Conditions are satisfied or validly waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders.

## **FINANCIAL RESOURCES**

On the basis of the Cancellation Price of HK\$3.3219 per Scheme Share and 3,085,158,171 Scheme Shares in issue as at the date of this announcement, the Scheme Shares are in aggregate valued at approximately HK\$10,249 million. On the assumption that:

- (a) (i) no outstanding Options are exercised, cancelled or have lapsed, and (ii) no further Shares are issued, on or before the Scheme Record Date, the amount of cash required to implement the Proposal (taking into account the Option Offer) is approximately HK\$10,695 million; and
- (b) (i) all outstanding Options are fully exercised and none of such Options are cancelled or have lapsed, and (ii) no further Shares (other than the Shares to be issued pursuant to the exercise of all outstanding Options) are issued, on or before the Scheme Record Date, the amount of cash required to implement the Proposal (taking into account the Option Offer) is approximately HK\$11,607 million.

The maximum cash consideration payable for the Proposal (including the Option Offer) is therefore approximately HK\$11,607 million.

The Offeror intends to finance the entire cash amount required to implement the Proposal from its internal cash resources.

BofA Securities, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal (including the Option Offer) in accordance with its terms.

## **IRREVOCABLE UNDERTAKINGS**

### **Controlling Shareholder Irrevocable Undertaking**

As at the date of this announcement, the aggregate number of Committed Shares owned by Port New and Novel New that are subject to the Controlling Shareholder Irrevocable Undertaking is 1,613,994,522 Shares, representing approximately 52.31% of the issued share capital of the Company.

On 27 August 2020, Port New and Novel New (each as a covenantor), Mr. Yuk (as the covenantors' guarantor) and the Offeror entered into the Controlling Shareholder Irrevocable Undertaking in favour of the Offeror, pursuant to which each of Port New and Novel New irrevocably and unconditionally undertook to the Offeror that it will, and will procure and ensure that each of its affiliates will, amongst other things, vote all of the Committed Shares owned by it at the Court Meeting and the EGM (a) in favour of (i) the Scheme, (ii) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (iii) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (b) against any resolution which (i) might prevent or delay implementation of the Proposal, or (ii) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares.

The Controlling Shareholder Irrevocable Undertaking also includes other undertakings described in the section headed "Irrevocable Undertakings – Controlling Shareholder Irrevocable Undertaking" below.

The Controlling Shareholder Irrevocable Undertaking will be terminated and will cease to be binding (a) upon the delivery of a termination notice by one party thereof to the other party in the event one or more of the Conditions are not satisfied or waived by the Offeror on or prior to the Long Stop Date, provided that the non-satisfaction of such Condition identified in the termination notice shall not have been caused by or as a result of such party's breach of the relevant obligations thereunder, (b) if the Scheme and the Option Offer are withdrawn in circumstances permitted under the Takeovers Code, or (c) by the mutual written consent of the parties.

### **Alpha Frontier Irrevocable Undertaking**

As at the date of this announcement, the number of Committed Shares owned by Alpha Frontier (through LaGuardia) that are subject to the Alpha Frontier Irrevocable Undertaking is 518,700,000 Shares, representing approximately 16.81% of the issued share capital of the Company.

On 27 August 2020, LaGuardia (as the covenantor), Alpha Frontier (as LaGuardia's guarantor) and the Offeror entered into the Alpha Frontier Irrevocable Undertaking in favour of the Offeror, pursuant to which LaGuardia irrevocably and unconditionally undertook to the Offeror that it will, and will procure and ensure that each of its affiliates will, amongst other things, vote all of the Committed Shares owned by it at the Court Meeting and the EGM (a) in favour of (i) the Scheme, (ii) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (iii) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (b) against any resolution which (i) might prevent or delay implementation of the Proposal, or (ii) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares.

The Alpha Frontier Irrevocable Undertaking will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer are withdrawn in circumstances permitted under the Takeovers Code.

### **Li Irrevocable Undertaking**

As at the date of this announcement, Mr. Li Yang (an executive Director and the Deputy Chairman of the Company) holds, directly and indirectly (through his wholly-owned company DC Capital Management Inc.), an aggregate of 2,895,000 Shares, representing approximately 0.09% of the issued share capital of the Company. Mr. Li Yang also directly holds a total of 12,750,000 Options (of which 4,250,000 Options have an exercise price of HK\$2.50 per Option, 4,250,000 Options have an exercise price of HK\$2.80 per Option and 4,250,000 Options have an exercise price of HK\$3.10 per Option).



On 27 August 2020, Mr. Li Yang and the Offeror entered into the Li Irrevocable Undertaking in favour of the Offeror, pursuant to which Mr. Li Yang irrevocably and unconditionally undertook to the Offeror that he will, and will procure and ensure that each of his affiliates will, amongst other things, (a) vote all of the Committed Shares owned by him at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares; and (b) refrain from exercising any Committed Option held by him in the event such Option becomes exercisable, and accept the Option Offer in respect of all of the Committed Options held by him.

The Li Irrevocable Undertaking will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer lapse or are withdrawn in circumstances permitted under the Takeovers Code, or if by the mutual written consent of the parties.

#### **Director Irrevocable Undertakings**

As at the date of this announcement, the aggregate number of Committed Options held by Mr. Xu Yiran (an executive Director, the Chairman and Chief Executive Officer of the Company) and Mr. Gu Zhenghao (an executive Director) that are subject to the Director Irrevocable Undertakings is 58,493,600 Options which have an exercise price of HK\$1.91.

On 27 August 2020, each of Mr. Xu Yiran, Mr. Gu Zhenghao and the Offeror entered into the Director Irrevocable Undertakings in favour of the Offeror, pursuant to which each of Mr. Xu Yiran and Mr. Gu Zhenghao irrevocably and unconditionally undertook to the Offeror that he will, and will procure and ensure that each of his affiliates will, amongst other things, (a) vote all of the Committed Shares owned by him at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares; and (b) refrain from exercising any Committed Option held by him in the event such Option becomes exercisable, and accept the Option Offer in respect of all of the Committed Options held by him.

The Director Irrevocable Undertakings will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer lapse or are withdrawn in circumstances permitted under the Takeovers Code, or if by the mutual written consent of the parties.

## **SHAREHOLDING STRUCTURE**

As at the date of this announcement:

- (a) the authorized share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares, and the Company has 3,085,158,171 Shares in issue;
- (b) the Scheme Shares, comprising 3,085,158,171 Shares, represent 100% of the issued share capital of the Company; and
- (c) neither the Offeror nor any person acting in concert with it holds any Shares.

## **WITHDRAWAL OF LISTING OF THE SHARES**

The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect immediately after the Effective Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or the Scheme does not become effective.

## **GENERAL**

### **The Independent Board Committee**

The Independent Board Committee, which comprises Mr. Eric Todd, Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit, being all of the non-executive Directors, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the Proposal is, or is not, fair and reasonable and as to voting in respect of the Scheme at the Court Meeting and the Proposal at the EGM.

### **The Independent Financial Adviser**

The Board, with the approval of the Independent Board Committee, has appointed Optima Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal and the Scheme pursuant to Rule 2.1 of the Takeovers Code.

### **Despatch of the Scheme Document**

The Company will send to the Shareholders a Scheme Document containing, among other things, further details about the Scheme, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and the EGM as soon as possible in accordance with the Takeovers Code and the orders of the Grand Court.

### **Resumption of trading**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 26 August 2020 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 August 2020.

**WARNING: Shareholders and/or potential investors should be aware that the implementation of the Proposal will only become effective upon all of the Conditions being satisfied or validly waived (as applicable) and thus the Proposal and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.**

This announcement does not constitute an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. This announcement does not constitute a prospectus or a prospectus equivalent document. Shareholders are advised to read carefully the formal documentation in relation to the Proposal once it has been despatched.

## INTRODUCTION

Reference is made to the Rule 3.7 Announcement. On 27 August 2020, in response to the Offeror's Proposal put forward to the Board, the Company provided the Implementation Undertaking in favour of the Offeror, pursuant to which the Company irrevocably undertook to the Offeror to put forward to the Scheme Shareholders the Scheme which, if approved and implemented, will result in the Company being taken private by the Offeror and the withdrawal of the listing of the Shares on the Stock Exchange.

If the Scheme becomes effective:

- (a) all of the Scheme Shares held by the Scheme Shareholders will be cancelled in exchange for the payment of the Cancellation Price to each Scheme Shareholder by the Offeror;
- (b) the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares;
- (c) immediately upon such reduction, the issued share capital of the Company will be increased to its former amount by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled;
- (d) the reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued, credited as fully paid, to the Offeror;
- (e) the Company will become wholly-owned by the Offeror; and
- (f) the Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange pursuant to Rule 6.15 of the Listing Rules, with effect immediately following the Effective Date.

The Offeror has appointed BofA Securities as its financial adviser in connection with the Proposal.

As at the date of this announcement, neither the Offeror nor any person acting in concert with it holds any Shares.

## **THE PROPOSAL**

### **The Scheme**

Under the Proposal, if the Scheme becomes effective, all of the Scheme Shares will be cancelled in exchange for the Cancellation Price of HK\$3.3219 per Scheme Share to be paid by the Offeror.

### **Comparisons of value**

The Cancellation Price represents:

- a premium of approximately 30.27% over the closing price of HK\$2.5500 per Share on 19 September 2019, which was the last trading day prior to the first announcement issued by the Company pursuant to Rule 3.7 of the Takeovers Code regarding a possible transaction involving the acquisition of interests in the Company on 20 September 2019;
- a premium of approximately 4.46% over the closing price of HK\$3.1800 per Share on the Last Trading Day;
- a premium of approximately 5.86% over the average closing price of approximately HK\$3.1380 per Share based on the daily closing prices as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- a premium of approximately 5.66% over the average closing price of approximately HK\$3.1440 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 8.32% over the average closing price of approximately HK\$3.0667 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 17.44% over the average closing price of approximately HK\$2.8287 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 25.03% over the average closing price of approximately HK\$2.6569 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 29.17% over the average closing price of approximately HK\$2.5718 per Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- a premium of approximately 435.78% over the audited consolidated net asset value per Share of approximately US\$0.08 (equal to approximately HK\$0.6200, using an exchange rate of US\$1 = HK\$7.7502 as at the date of this announcement) per Share as at 31 December 2019; and
- a premium of approximately 435.78% over the unaudited consolidated net asset value per Share of approximately US\$0.08 (equal to approximately HK\$0.6200, using an exchange rate of US\$1 = HK\$7.7502 as at the date of this announcement) per Share as at 30 June 2020.

### **Highest and lowest prices**

During the six-month period ending on the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$3.2000 per Share on 24 August 2020, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$1.5700 per Share on 19 March 2020.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among other things, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange, the financial information of the Group including the financial position of the Group as at 31 December 2019, the Offeror's review of the Group's business and its future prospects and with reference to other privatization transactions in Hong Kong in recent years.

### **The Option Offer**

As at the date of this announcement, there are an aggregate of 408,859,122 outstanding Options granted under the Share Option Scheme, each relating to one Share, of which a total of 250,677,642 Options are exercisable at the date of this announcement.

The full exercise of all outstanding Options granted under the Share Option Scheme would result in the issue of 408,859,122 new Shares, representing approximately 13.25% of the issued share capital of the Company as at the date of this announcement and approximately 11.70% of the issued share capital of the Company as enlarged by the issue of such new Shares.

In accordance with the terms of the Share Option Scheme, if a general offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders and such offer becomes or is declared unconditional prior to the expiry of the Options, the Optionholders are entitled to exercise the Options in full (to the extent such Options have become exercisable but have not already been exercised) at any time within one calendar month after the later of: (a) the despatch of the offer document; and (b) the date on which the offer becomes or is declared unconditional (the “**Exercise Period**”).

**Any Options granted under the Share Option Scheme that are not exercised or cancelled pursuant to the acceptance of the Option Offer will lapse automatically upon the expiry of such Exercise Period.**

To the extent that the outstanding Options have not otherwise lapsed, been cancelled or been exercised, the Offeror will make (or procure to be made on its behalf) the Option Offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel every vested and unvested outstanding Option (regardless of whether they are exercisable on, before or after the Scheme Record Date), subject to the Scheme becoming effective.

An Optionholder may, therefore, (a) exercise the outstanding (and exercisable) Options on or before the Scheme Record Date, and any Shares allotted and issued pursuant to which will be subject to and be entitled to participate in the Scheme; (b) accept the Option Offer and receive the “see-through” Option Offer Price (being the Cancellation Price minus the relevant exercise price of those outstanding Options); and (c) take no action, and the outstanding Options will lapse after the expiry of the Exercise Period.

Under the Option Offer, the Offeror will offer Optionholders the “see-through” Option Offer Price (being the Cancellation Price minus the relevant exercise price) for each outstanding Option held in exchange for the cancellation of every vested and unvested Option. The number of outstanding Options to which each Option exercise price applies as at the date of this announcement and the corresponding Option Offer Price is set out in the table below:

<b>Option exercise price</b> <i>(HK\$)</i>	<b>Option Offer Price</b> <i>(HK\$)</i>	<b>Number of outstanding Options</b> <b>as at the date of this announcement</b>
1.91	1.4119	262,071,200
2.50	0.8219	48,353,260
2.80	0.5219	49,217,312
3.10	0.2219	49,217,350

The Company does not intend to grant any further Options between the date of this announcement and the Effective Date.

Further information on the Option Offer will be set out in a letter to the Optionholders, which will be despatched at or around the same time as the despatch of the Scheme Document.

The Company does not intend to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders between the date of this announcement and the Effective Date. If, after the date of this announcement, any dividend or other distribution (whether of profit or capital) is made or paid in respect of the Scheme Shares, the Offeror reserves the right to reduce the Cancellation Price and the Option Offer Prices by an amount equal to the amount of such dividend or other distribution made or paid on each Scheme Share.

**The Offeror will not increase the Cancellation Price or the Option Offer Prices and does not reserve the right to increase the Cancellation Price or the Option Offer Prices. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price or the Option Offer Prices.**



## Conditions of the Proposal and the Scheme

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Scheme Shareholders, subject to the satisfaction or a valid waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Shares held by the Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting, provided that:
  - (i) the Scheme is approved (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Shares held by the Disinterested Shareholders that are voted, either in person or by proxy, at the Court Meeting; and
  - (ii) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting, either in person or by proxy, at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Shares held by all Disinterested Shareholders;
- (b)
  - (i) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and
  - (ii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting, either in person or by proxy, at the EGM to immediately thereafter increase the issued share capital of the Company to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror;

- (c) the sanction of the Scheme (with or without modifications) and the confirmation of the reduction of the issued share capital of the Company by the Grand Court and the delivery of a copy of the Court Orders to the Registrar of Companies for registration;
- (d) to the extent necessary, the compliance by the Company with the procedural requirements of sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of the Company;
- (e) all Authorisations in connection with the Proposal or the Scheme having been obtained from the relevant Governmental Authorities in Canada, the United States of America, Germany, Austria and any other relevant jurisdiction;
- (f) with respect to any applicable antitrust review in the U.S. under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the regulations thereunder, the expiration or termination of any applicable waiting period (including any extensions thereof) in connection with the Proposal;
- (g) with respect to the competition review in Canada under the Competition Act (Canada) and the regulations thereunder, (i) an advance ruling certificate having been obtained from the Commissioner of Competition, or (ii) the expiration, termination or waiver of any applicable waiting period (including any extensions thereof) and a letter having been obtained from the Commissioner of Competition indicating that he does not intend to make an application under section 92 of the Competition Act (Canada), in each case in connection with the Proposal;
- (h) with respect to the national security review in Canada under the Investment Canada Act (Canada), as amended, and the regulations thereunder, (i) the expiration or termination of the applicable waiting period (including any extensions thereof) for national security review without any order or notice being given for national security review, or (ii) if any notice for national security review has been given during the applicable waiting period, a notice having been given by the applicable Canadian minister that either no order for national security review will be made, or no further action will be taken under the Investment Canada Act (Canada), or the Governor-in-Council for Canada having made an order authorizing the implementation of the Proposal provided that any conditions imposed upon such implementation are satisfactory to the Offeror at its discretion;

- (i) with respect to the competition review by the competition authorities in both Germany and Austria, (i) a decision having been made by such competition authorities that the Proposal does not give rise to a concentration falling within the scope of the relevant competition laws; (ii) a written confirmation having been issued by such competition authorities that the merger control regime applied by such competition authorities does not apply to the Proposal; (iii) a decision having been made by such competition authorities that allows the Proposal to be completed; or (iv) such competition authorities having not made any decision within the waiting period under the relevant merger control regime as it may have been validly suspended by the relevant competition authority, with the effect that the Proposal may be completed;
- (j) the Authorisations in connection with the Proposal or the Scheme remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any relevant Governmental Authority which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Proposal or any matters, documents (including circulars) or things relating thereto, in each case up to the date immediately prior to the date on which a copy of the Court Orders has been delivered to the Registrar of Companies for registration;
- (k) between the date of this announcement up to immediately prior to the date on which a copy of the Court Orders has been delivered to the Registrar of Companies for registration, no government, governmental, quasi-governmental, statutory or regulatory, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted, made, proposed, issued, enforced or imposed (including without limitation through interpreting, amending, restating or supplementing) any Laws or other legal restraint or prohibition that would make the Proposal, the Scheme or its implementation in accordance with its terms void, unenforceable or illegal, impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms or otherwise restrain or prohibit the implementation of the Proposal or the Scheme, or cause any transaction contemplated by the Proposal or the Scheme to be rescinded or otherwise disposed of after its implementation; and

- (l) since the date of this announcement, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal).

Subject to the requirements of the Executive, the Offeror reserves the right (but is in no way obliged) to waive in whole or in part Conditions (e) and (j) to (l) in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (d) and (f) to (i) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. As at the date of this announcement, the Offeror is not aware of any such circumstances.

All of the above Conditions will have to be satisfied or validly waived (as applicable) on or before the Long Stop Date (or such later date as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and the Grand Court may direct), failing which the Proposal and the Scheme will lapse. When all of the above Conditions are satisfied or validly waived (as applicable), the Scheme will become effective and binding on the Company and all Scheme Shareholders. Implementation of the Option Offer will be conditional upon the Scheme becoming effective only. As at the date of this announcement, save for the Authorisations set out above in Conditions (c) and (f) to (i), the Offeror is not aware of any other mandatory Authorisations required to be obtained prior to the Scheme becoming effective in respect of Conditions (e) and (j). As at the date of this announcement, none of the Conditions have been satisfied.

**WARNING: Shareholders and/or potential investors should be aware that the implementation of the Proposal will only become effective upon all of the Conditions being satisfied or validly waived (as applicable) and thus the Proposal and the Scheme may or may not become effective. Shareholders and/or potential investors should therefore exercise caution when dealing in Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.**

## **FINANCIAL RESOURCES**

On the basis of the Cancellation Price of HK\$3.3219 per Scheme Share and 3,085,158,171 Scheme Shares in issue as at the date of this announcement, the Scheme Shares are in aggregate valued at approximately HK\$10,249 million. On the assumption that:

- (a) (i) no outstanding Options are exercised, cancelled or have lapsed, and (ii) no further Shares are issued, on or before the Scheme Record Date, the amount of cash required to implement the Proposal (taking into account the Option Offer) is approximately HK\$10,695 million; and
- (b) (i) all outstanding Options are fully exercised and none of such Options are cancelled or have lapsed, and (ii) no further Shares (other than the Shares to be issued pursuant to the exercise of all outstanding Options) are issued, on or before the Scheme Record Date, the amount of cash required to implement the Proposal (taking into account the Option Offer) is approximately HK\$11,607 million.

The maximum cash consideration payable for the Proposal (including the Option Offer) is therefore approximately HK\$11,607 million.

The Offeror intends to finance the entire cash amount required to implement the Proposal from its internal cash resources.

BofA Securities, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for the full implementation of the Proposal (including the Option Offer) in accordance with its terms.

## **IRREVOCABLE UNDERTAKINGS**

### **Controlling Shareholder Irrevocable Undertaking**

#### ***Committed Shares owned by Port New and Novel New***

As at the date of this announcement, Port New beneficially holds 1,539,894,522 Shares, representing approximately 49.91% of the issued share capital of the Company and Novel New beneficially holds 74,100,000 Shares, representing approximately 2.40% of the issued share capital of the Company. Both Port New and Novel New are wholly-owned by Mr. Yuk. As such, the aggregate number of Committed Shares owned by Port New and Novel New that are subject to the Controlling Shareholder Irrevocable Undertaking is 1,613,994,522 Shares, representing approximately 52.31% of the issued share capital of the Company.

#### ***Controlling Shareholder Irrevocable Undertaking***

On 27 August 2020, Port New and Novel New (each as a covenantor), Mr. Yuk (as the covenantors' guarantor) and the Offeror entered into the Controlling Shareholder Irrevocable Undertaking in favour of the Offeror, pursuant to which each of Port New, Novel New and Mr. Yuk irrevocably and unconditionally undertook to the Offeror that it or he will, and will procure and ensure that each of its or his affiliates or the legal holder(s) of its Shares (where appropriate) will:

- (a) vote all of the Committed Shares owned by it at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares;
- (b) not, directly or indirectly, except with the prior written consent of the Offeror:
  - (i) sell, transfer, charge, create or grant any option over or otherwise dispose of (or permit any such action to occur in respect of), directly or indirectly, all or any of the Committed Shares owned by it or any interest therein;

- (ii) create or permit to subsist any encumbrances (other than the Kingston Share Charge and certain margin financing facilities granted by Kingston Securities Limited) over all or any of the Committed Shares owned by it or any interest therein;
  - (iii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to, any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of the Committed Shares owned by it by any person other than the Offeror;
  - (iv) enter into any agreement in respect of the votes or other rights attached to any of the Committed Shares owned by it (including entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership to such Committed Shares owned by it or any interest therein);
  - (v) purchase, acquire, subscribe for or otherwise deal in any Shares or other securities of the Company or any interest therein; or
  - (vi) enter into any discussion, negotiation, agreement or arrangement or incur any obligation with any person (other than the Offeror and any other person authorized in writing by the Offeror) (A) in relation to any of the Committed Shares owned by it, (B) to do any of the acts referred to in (i) to (v) above, or (C) make available any information to any person (other than the Offeror and any other person authorized in writing by the Offeror) in connection with the foregoing, except for such discussion or negotiation with Kingston in relation to the Kingston Share Charge and with Kingston Securities Limited in relation to certain margin financing facilities granted by it; and
- (c) except as required under the Takeovers Code, the Listing Rules or any applicable laws or regulations, not to take any action which has or may have the effect of prejudicing, preventing, delaying or disrupting the Proposal, otherwise causing the Proposal not to become effective at the earliest practicable time or at all, or otherwise conflicting with or diminishing its or his obligations under such irrevocable undertaking.

The Controlling Shareholder Irrevocable Undertaking also includes certain representations, warranties and indemnities given to the Offeror, and undertakings to, amongst others, procure that the Group conducts its business as a going concern in the ordinary course, use commercially reasonable efforts to preserve intact in all material respects the business organization of the Group, maintain its existing relationships with material suppliers and customers, ensure all material Authorisations or intellectual property (including domain names) registrations required for the business of the Group are maintained and/or renewed as necessary upon expiry, and comply with certain other customary restrictive covenants in relation to the Group, in each case before the Effective Date, as well as the following undertakings, for which none of Port New, Novel New and Mr. Yuk will receive any consideration other than the receipt of the Cancellation Price for the Scheme Shares owned by them upon the Scheme becoming effective:

- (a) as soon as practicable after the date of the Controlling Shareholder Irrevocable Undertaking and in any case before 31 December 2020, Port New, Novel New and Mr. Yuk shall use their best efforts to procure (and shall, in respect of the period following the Effective Date, provide such assistance as may be reasonably requested by the Offeror, or as may be reasonably necessary for the Offeror or its affiliates, to procure) the applications for transfer of certain trademarks to Digital Extremes and for registration of certain trademarks owned by Digital Extremes in relation specified services, in each case, to be duly accepted and registered by the competent Governmental Authority in the PRC;
- (b) to indemnify the Group for any amount by which the aggregate amount of costs, expenses, charges, interest and penalties incurred or suffered by any member of the Group, Tencent Holdings or any of its subsidiaries arising from or in connection with the engagement letter entered into between the Company and Moelis & Company Asia Limited dated 20 May 2019 and all of the related or ancillary agreements and the transactions contemplated thereby (including all legal and other professional fees and disbursements incurred in the conduct of any claim, action, litigation or other proceeding in relation thereto) exceeds US\$16 million;



- (c) as soon as practicable after the date of the Controlling Shareholder Irrevocable Undertaking and in any case before the Effective Date, Port New, Novel New and Mr. Yuk shall procure the Group to obtain written consent from lending banks to the Group and to notify in writing counterparties under certain business contract to which the Group is a party, in each case in relation to the change of control in the Company as contemplated by the Scheme; and
- (d) during a period of no more than two (2) years after the Effective Date, Port New, Novel New and Mr. Yuk shall not, and shall procure that none of its or his affiliates shall, directly or indirectly, without the Offeror's prior written consent, solicit or induce any director, officer, employee, consultant, provider, supplier, vendor, customer, partner or agent of any member of the Group or any of its affiliates to leave or terminate such person's employment or other relationship with a member of the Group or any of its affiliates, or employ or engage any director, officer or employee of any member of the Group.

The Controlling Shareholder Irrevocable Undertaking will be terminated and cease to be binding (a) upon the delivery of a termination notice by one party thereof to the other party in the event one or more of the Conditions are not satisfied or waived by the Offeror on or prior to the Long Stop Date, provided that the non-satisfaction of such Condition identified in the termination notice shall not have been caused by or as a result of such party's breach of the relevant obligations thereunder, (b) if the Scheme and the Option Offer are withdrawn in circumstances permitted under the Takeovers Code, or (c) by the mutual written consent of the parties.

### **Alpha Frontier Irrevocable Undertaking**

#### ***Committed Shares owned by Alpha Frontier through LaGuardia***

As at the date of this announcement, Alpha Frontier (through LaGuardia) beneficially holds 518,700,000 Shares, representing approximately 16.81% of the issued share capital of the Company. Alpha Frontier has exercised the Put Option with respect to such Shares but, as at the date of this announcement, Port New has not paid the transfer price in connection with the Put Option and the transfer to Port New in accordance with the terms of the Put Option has not yet been completed, and Port New does not expect to pay the transfer price and complete the transfer of such Shares before the Court Meeting and the EGM is convened or the Effective Date.

### ***Alpha Frontier Irrevocable Undertaking***

On 27 August 2020, LaGuardia (as the covenantor), Alpha Frontier (as LaGuardia's guarantor) and the Offeror entered into the Alpha Frontier Irrevocable Undertaking in favour of the Offeror, pursuant to which LaGuardia irrevocably and unconditionally undertook to the Offeror that during the period from the date of the Alpha Frontier Irrevocable Undertaking to its termination pursuant to the terms thereof, it will, and will procure and ensure that each of its affiliates or the legal holder(s) of its Shares (where appropriate) will:

- (a) vote all of the Committed Shares owned by it at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares;
- (b) not, directly or indirectly, except with the prior written consent of the Offeror:
  - (i) sell, transfer, charge, create or grant any option over or otherwise dispose of (or permit any such action to occur in respect of), directly or indirectly, all or any of the Committed Shares owned by it or any interest therein;
  - (ii) create or permit to subsist any encumbrances over all or any of the Committed Shares owned by it or any interest therein;
  - (iii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to, any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of the Committed Shares owned by it by any person other than the Offeror;
  - (iv) enter into any agreement in respect of the votes or other rights attached to any of the Committed Shares owned by it (including entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership to such Committed Shares owned by it or any interest therein);

- (v) purchase, acquire, subscribe for or otherwise deal in any Shares or other securities of the Company or any interest therein; or
  - (vi) enter into any discussion, negotiation, agreement or arrangement or incur any obligation with any person (other than the Offeror and any other person authorized in writing by the Offeror) (A) in relation to any of the Committed Shares owned by it, (B) to do any of the acts referred to in (i) to (v) above, or (C) make available any information to any person (other than the Offeror and any other person authorized in writing by the Offeror) in connection with the foregoing; and
- (c) except as required under the Takeovers Code, the Listing Rules or any applicable laws or regulations, not to, and to procure that each of its affiliates does not, take any action which has or is reasonably expected to have the effect of prejudicing, preventing, delaying or disrupting the Proposal, otherwise causing the Proposal not to become effective at the earliest practicable time or at all, or otherwise conflicting with or diminishing his obligations under such irrevocable undertaking.

The Alpha Frontier Irrevocable Undertaking will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer are withdrawn in circumstances permitted under the Takeovers Code.

### **Li Irrevocable Undertaking**

#### ***Committed Shares and Committed Options held by or owned by Mr. Li Yang***

As at the date of this announcement, Mr. Li Yang (an executive Director and the Deputy Chairman of the Company) holds, directly and indirectly (through his wholly-owned company DC Capital Management Inc.), an aggregate of 2,895,000 Shares, representing approximately 0.09% of the issued share capital of the Company. Mr. Li Yang also directly holds a total of 12,750,000 Options (of which 4,250,000 Options have an exercise price of HK\$2.50 per Option, 4,250,000 Options have an exercise price of HK\$2.80 per Option and 4,250,000 Options have an exercise price of HK\$3.10 per Option).

### ***Li Irrevocable Undertaking***

On 27 August 2020, Mr. Li Yang and the Offeror entered into the Li Irrevocable Undertaking in favour of the Offeror, pursuant to which Mr. Li Yang irrevocably and unconditionally undertook to the Offeror that he will, and will procure and ensure that each of his affiliates or the legal holder(s) of its Shares (where appropriate) will:

- (a) vote all of the Committed Shares owned by him at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares;
- (b) refrain from exercising any Committed Option in the event such Option becomes exercisable, and accept the Option Offer in respect of all of the Committed Options held by him;
- (c) not, directly or indirectly, except with the prior written consent of the Offeror:
  - (i) sell, transfer, charge, create or grant any option over or otherwise dispose of (or permit any such action to occur in respect of), directly or indirectly, all of any of the Committed Shares and Committed Options held by or owned by him or any interest therein;
  - (ii) create or permit to subsist any encumbrances over all or any of the Committed Shares owned by him or any interest therein;
  - (iii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to, any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of the Committed Shares or the Committed Options held by or owned by him by any person other than the Offeror;

- (iv) enter into any agreement in respect of the votes or other rights attached to any of the Committed Shares and Committed Options held by or owned by him (including entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership to such Committed Shares and Committed Options held by or owned by him or any interest therein);
  - (v) purchase, acquire, subscribe for or otherwise deal in any Shares or other securities of the Company or any interest therein; or
  - (vi) enter into any discussion, negotiation, agreement or arrangement or incur any obligation with any person (other than the Offeror and any other person authorized in writing by the Offeror) (A) in relation to any of the Committed Shares or the Committed Options held by or owned by him, (B) to do any of the acts referred to in (i) to (v) above, or (C) make available any information to any person (other than the Offeror and any other person authorized in writing by the Offeror) in connection with the foregoing; and
- (d) except as required under the Takeovers Code, the Listing Rules or any applicable laws or regulations, not to take any action which has or may have the effect of prejudicing, preventing, delaying or disrupting the Proposal, otherwise causing the Proposal not to become effective at the earliest practicable time or at all, or otherwise conflicting with or diminishing his obligations under such irrevocable undertaking.

The Li Irrevocable Undertaking will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer lapse or are withdrawn in circumstances permitted under the Takeovers Code, or if by the mutual written consent of the parties.

## **Director Irrevocable Undertakings**

### ***Committed Options held by Mr. Xu Yiran and Mr. Gu Zhenghao***

As at the date of this announcement, Mr. Xu Yiran (an executive Director, the Chairman and Chief Executive Officer of the Company) and Mr. Gu Zhenghao (an executive Director) each holds 29,246,800 Committed Options which have an exercise price of HK\$1.91. As such, the aggregate number of Committed Options held by Mr. Xu Yiran and Mr. Gu Zhenghao that are subject to the Director Irrevocable Undertaking is 58,493,600 Options which have an exercise price of HK\$1.91.

### ***Director Irrevocable Undertakings***

On 27 August 2020, each of Mr. Xu Yiran, Mr. Gu Zhenghao and the Offeror entered into the Director Irrevocable Undertakings in favour of the Offeror, pursuant to which each of Mr. Xu Yiran and Mr. Gu Zhenghao irrevocably and unconditionally undertook to the Offeror that he will, and will procure and ensure that each of his affiliates will:

- (a) refrain from exercising any Committed Option in the event such Option becomes exercisable, and accept the Option Offer in respect of all of the Committed Options held by him;
- (b) vote all of the Committed Shares owned by him at the Court Meeting and the EGM (i) in favour of (A) the Scheme, (B) the resolutions to be proposed at the EGM to approve and give effect to the reduction of the share capital of the Company, and (C) any resolutions proposed at the EGM to assist the implementation of the Proposal or are necessary for the Proposal to become effective; and (ii) against any resolution which (A) might prevent or delay implementation of the Proposal, or (B) purports to approve or give effect to a proposal by a person other than the Offeror to acquire any Shares;
- (c) not, directly or indirectly, except with the prior written consent of the Offeror:
  - (i) sell, transfer, charge, create or grant any option over or otherwise dispose of (or permit any such action to occur in respect of), directly or indirectly, all or any of the Committed Shares and Committed Options held by or owned by him or any interest therein;

- (ii) create or permit to subsist any encumbrances over all or any of the Committed Shares owned by him or any interest herein;
  - (iii) accept, or give any undertaking (whether conditional or unconditional) to accept, or otherwise agree to, any offer, scheme of arrangement, merger or other business combination made or proposed to be made in respect of the Committed Shares or the Committed Options held by or owned by him by any person other than the Offeror;
  - (iv) enter into any agreement in respect of the votes or other rights attached to any of the Committed Shares and Committed Options held by or owned by him (including entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership to such Committed Shares and Committed Options held by or owned by him or any interest therein);
  - (v) purchase, acquire, subscribe for or otherwise deal in any Shares or other securities of the Company or any interest therein; or
  - (vi) enter into any discussion, negotiation, agreement or arrangement or incur any obligation with any person (other than the Offeror and any other person authorized in writing by the Offeror) (A) in relation to any of the Committed Shares or the Committed Options held by or owned by him, (B) to do any of the acts referred to in (i) to (v) above, or (C) make available any information to any person (other than the Offeror and any other person authorized in writing by the Offeror) in connection with the foregoing; and
- (d) except as required under the Takeovers Code, the Listing Rules or any applicable laws or regulations, not to take any action which has or may have the effect of prejudicing, preventing, delaying or disrupting the Proposal, otherwise causing the Proposal not to become effective at the earliest practicable time or at all, or otherwise conflicting with or diminishing his obligations under such irrevocable undertaking.

The Director Irrevocable Undertakings will be automatically terminated and cease to be binding on the earlier of: (a) the Long Stop Date, and (b) the date on which the Scheme and the Option Offer lapse or are withdrawn in circumstances permitted under the Takeovers Code, or if by the mutual written consent of the parties.

## SHAREHOLDING STRUCTURE

As at the date of this announcement:

- (a) the authorized share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares, and the Company has 3,085,158,171 Shares in issue;
- (b) the Scheme Shares, comprising 3,085,158,171 Shares, represent 100% of the issued share capital of the Company; and
- (c) neither the Offeror nor any person acting in concert with it holds any Shares.

On the assumption that no outstanding Options are exercised on or before the Scheme Record Date and there is no change in shareholding of the Company before the Effective Date, the table below sets out the shareholding structure of the Company as at the date of this announcement and immediately upon completion of the Proposal:

	As at the date of this announcement		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
<b>Shareholders</b>				
Offeror and persons acting in concert with it	–	–	3,085,158,171	100.00
<b>Disinterested Shareholders and Scheme Shareholders</b>				
Port New <sup>1,2</sup>	1,539,894,522	49.91	–	–
Novel New <sup>1</sup>	74,100,000	2.40	–	–
LaGuardia <sup>3</sup>	518,700,000	16.81	–	–
Mr. Li Yang	2,895,000	0.09	–	–
Public Shareholders	949,568,649	30.79	–	–
<b>Total</b>	<b>3,085,158,171</b>	<b>100.00</b>	<b>3,085,158,171<sup>4</sup></b>	<b>100.00</b>



Note:

- 1 Port New and Novel New are both wholly-owned by Mr. Yuk. Accordingly, Mr. Yuk is deemed to be interested in the shares in which Port New and Novel New are respectively interested. Mr. Li Zhigang, a former non-executive Director, is one of the two directors of Port New.
- 2 As disclosed in the notices of disclosure of interests filed in respect of Kingston's interest in the Company, the 1,539,894,522 Shares owned by Port New are pledged to Kingston pursuant to the Kingston Share Charge. As such, Kingston has a security interest in 1,539,894,522 Shares. Kingston is wholly controlled by Ample Cheer Limited, which is in turn controlled as to 80% by Best Forth Limited and 20% by Insight Glory Limited, both of which are wholly-controlled by Mrs. Chu Yuet Wah.
- 3 LaGuardia is wholly controlled by Alpha Frontier, which is held as to 42.04% by Chongqing Cibi Business Information Consultancy Co., Ltd.\* (重慶賜比商務信息諮詢有限公司) (“**Chongqing Cibi**”), 32.95% by Hazlet Global Limited (“**Hazlet**”), 10.87% by Shanghai Lingyi Internet Technology Partnership (Limited Partnership)\* (上海瓚逸互聯網科技合夥企業(有限合夥)), 10.87% by Shanghai Lingyi Internet Technology Partnership (Limited Partnership)\* (上海瓚熠互聯網科技合夥企業(有限合夥)) and 3.27% by Chongqing Jiezi Business Information Consultancy Partnership (Limited Partnership)\* (重慶傑資商務信息諮詢合夥企業(有限合夥)) respectively. Chongqing Cibi is a company controlled by Mr. Shi Yuzhu (史玉柱) and the de facto controller of Hazlet is Ms. Shi Jing (史靜), who is the daughter of Mr. Shi Yuzhu. Hazlet is a person acting in concert with Chongqing Cibi. Mr. Shi Yuzhu is the de facto controller of LaGuardia and Alpha Frontier.
- 4 Under the Scheme, all of the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that (i) no outstanding Options are exercised on or before the Scheme Record Date and (ii) there is no change in shareholding of the Company before the Effective Date, immediately upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

By reason of being the financial adviser to the Offeror, BofA Securities is presumed to be acting in concert with the Offeror in accordance with class 5 of the definition of “acting in concert” in the Takeovers Code. Details of holdings or borrowings or lendings of, and dealings in, Shares (or options, rights over Shares, warrants or derivatives in respect of them) by other parts of the BofA Securities group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code.

Immediately following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Offeror will hold 100% of the issued share capital of the Company, on the assumption that there are no other changes in shareholding in the Company before completion of the Proposal.

## **REASONS FOR AND BENEFITS OF THE PROPOSAL**

### **Benefits of the Proposal to the Scheme Shareholders**

#### ***An opportunity for Scheme Shareholders to monetize Shares***

The average daily trading volume of Shares for the six-month period, 12-month period and 24-month period up to and including the Last Trading Day were approximately 7.7 million Shares, 7.0 million Shares and 5.1 million Shares per day, representing only approximately 0.25%, 0.23% and 0.17% respectively of the total number of issued Shares as at the date of this announcement.

The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Scheme Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the price of the Shares occurs.

As such, the Scheme presents an immediate opportunity for Scheme Shareholders to monetize their investments for cash and redeploy the proceeds from accepting the Scheme into other investment opportunities.

#### ***Cancellation Price represents an attractive exit premium***

The Proposal allows an exit for the Scheme Shareholders at a compelling premium to the current market price. As set out in the section headed “The Proposal – Comparisons of value” of this announcement, the Cancellation Price represents a significant premium of approximately 5.66% and 25.03% over the average closing price of approximately HK\$3.1440 and HK\$2.6569 per Share for the 10 and 90 trading days up to and including the Last Trading Day, respectively, and a premium of 3.81% over the highest closing price of HK\$3.2000 per Share during the six-month period ending on the Last Trading Day. The Cancellation Price also represents a premium of approximately 435.78% to the unaudited consolidated net asset value per Share of approximately US\$0.08 (equal to approximately HK\$0.6200, using an exchange rate of US\$1 = HK\$7.7502 as at the date of this announcement) per Share as at 30 June 2020.

## **Benefits of the Proposal to the Company**

The taking private of the Company will permit the Offeror and the Company to make strategic decisions focused on long-term growth and benefits, free from regulatory constraints, the pressure of market expectations and share price fluctuations which arise from being a publicly listed company.

The Proposal, which entails the delisting of the Company, is also expected to reduce the administrative costs and management resources associated with maintaining the Company's listing status and compliance with regulatory requirements and, in turn, allow greater flexibility for the Offeror and the Company to manage the Group's business.

## **OFFEROR'S INTENTION IN RELATION TO THE GROUP**

It is the intention of the Offeror for the Group to maintain its existing business following the implementation of the Proposal. The Offeror has no immediate plans, in the event the Scheme becomes effective, (i) to make any material changes to the business and/or disposal or redeployment of assets of the Group other than the possible exercise in 2021 of the buyout option in respect of the remaining 80% interest in Certain Affinity which the Company has an existing right to exercise, or (ii) to discontinue the employment of employees of the Group.

## **INFORMATION ON THE GROUP AND THE OFFEROR**

### **Information on the Company and the Group**

The Company is an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the development and publishing of online multi-player PC/console video games and is a leading player in the niche market of high quality PC/console free-to-play games.

### **Information on the Offeror**

The Offeror is a company incorporated in Hong Kong with limited liability. Its primary businesses are the provision of telecommunication services and investment holding. It is a wholly-owned subsidiary of Tencent Holdings, which is a leading provider of Internet services in the PRC.

## OTHER ARRANGEMENTS

The Offeror confirms that, as at the date of this announcement:

- (a) neither the Offeror nor any person acting in concert with it had any dealings for value in the Shares during the period commencing six months prior to 20 September 2019, which is the date of the first announcement issued by the Company pursuant to Rule 3.7 of the Takeovers Code regarding a possible transaction involving the acquisition of interests in the Company, and up to the date of this announcement;
- (b) neither the Offeror nor any person acting in concert with it owns or controls or directs any existing holding of voting rights and rights over shares in the Company;
- (c) save for the Irrevocable Undertakings, neither the Offeror nor any person acting in concert with it has received any irrevocable commitment from any Disinterested Shareholder to accept the Proposal;
- (d) neither the Offeror nor any person acting in concert with it holds convertible securities, warrants or options in the Company;
- (e) there is no outstanding derivative in respect of securities in the Company entered into by the Offeror or any person acting in concert with it;
- (f) save for the Irrevocable Undertakings, there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Proposal;
- (g) save for the Implementation Undertaking, there are no agreements or arrangements to which the Offeror (or any person acting in concert with it) is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (h) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror (or any person acting in concert with it) has borrowed or lent;

- (i) save for the Cancellation Price and the Option Offer Prices, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any person acting in concert with it to the Scheme Shareholders or any person acting in concert with the Scheme Shareholders in connection with the cancellation of the Scheme Shares or the Options (as applicable);
- (j) save for the Irrevocable Undertakings, there is no understanding, arrangement, agreement or special deal between the Offeror or any person acting in concert with it on the one hand, and the Scheme Shareholders or any person acting in concert with the Scheme Shareholders on the other hand; and
- (k) save for the Irrevocable Undertakings, there is no understanding, arrangement, agreement or special deal between any shareholder of the Company and (i) the Offeror and any person acting in concert with it or (ii) the Company, its subsidiaries or associated companies.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, which comprises Mr. Eric Todd, Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit, being all of the non-executive Directors, has been established by the Board to make a recommendation to the Disinterested Shareholders as to whether the Proposal is, or is not, fair and reasonable and as to voting in respect of the Scheme at the Court Meeting and the Proposal at the EGM.

The Board, with the approval of the Independent Board Committee, has appointed Optima Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal pursuant to Rule 2.1 of the Takeovers Code.

## **WITHDRAWAL OF LISTING OF THE SHARES**

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules, with effect immediately after the Effective Date. The Scheme Shareholders will be notified by way of a public announcement of the exact dates of the last day of dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares will become effective. A detailed timetable will be set out in the Scheme Document, which will also contain, among other things, further details of the Scheme.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or does not become effective. If the Scheme is withdrawn or not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

## **COSTS OF THE SCHEME**

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme will be borne by the Offeror.

If the Proposal is recommended by the Independent Board Committee, and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that each party will bear their own costs, charges and expenses.

## **DESPATCH OF SCHEME DOCUMENT**

The Company will send to the Shareholders a Scheme Document containing, among other things, further details about the Proposal, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and the EGM, as soon as practicable in accordance with the Takeovers Code, the Companies Law, the orders of the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Scheme Shareholders and the Optionholders should read the Scheme Document containing such disclosures carefully before casting any vote at (or providing any proxy in respect of) the Court Meeting or the EGM or accepting the Option Offer (as the case may be). Any voting, acceptance or other response to the Proposal should be made on the basis of information in the Scheme Document or any other document by which the Proposal is made.

## **THE SCHEME SHARES, MEETING OF THE SCHEME SHAREHOLDERS AND THE EGM**

As at the date of this announcement, neither the Offeror nor any person acting in concert with it holds any Shares. As such, as at the date of this announcement, all Scheme Shareholders are Disinterested Shareholders, and all of the Scheme Shares will be voted on the Scheme at the Court Meeting. The Offeror will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders will be entitled to attend the EGM to vote on (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling the Scheme Shares; and (b) the ordinary resolution to (i) approve the increase in the issued share capital of the Company immediately thereafter to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, for issuance to the Offeror; and (ii) authorize any one of the Directors to do all acts and things considered by him or her to be necessary or desirable in connection with the implementation of the Scheme and to apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective.

## DISCLOSURE OF DEALINGS

Respective associates (as defined under the Takeovers Code) of the Company and the Offeror (including shareholders holding 5% or more of any class of relevant securities issued by the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company. In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*



## **OVERSEAS SCHEME SHAREHOLDERS**

The making of the Proposal to and acceptance of the Proposal by Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal or regulatory requirements of their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders wishing to accept the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any taxes, duties and other amounts required to be paid in such jurisdictions. Any acceptance by such Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to the Company and the Offeror that those local laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the receipt of the Scheme Document by overseas Shareholders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Offeror regards as unduly onerous or burdensome (or otherwise not in the best interests of the Offeror), the Scheme Document may not be despatched to such overseas Shareholders. For that purpose, the Offeror will apply for any waiver(s) as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, the Company, BofA Securities, Moelis or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 26 August 2020 pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 28 August 2020.

## DEFINITIONS

*In this announcement, the following expressions have the meaning set out below unless the context requires otherwise:*

“acting in concert”	has the meaning given to it under the Takeovers Code and “concert party” or “concert parties” shall be construed accordingly
“Alpha Frontier”	Alpha Frontier Limited, an exempted company incorporated in the Cayman Islands, which wholly-owns LaGuardia
“Alpha Frontier Irrevocable Undertaking”	the irrevocable undertaking given by LaGuardia (as the covenantor) and Alpha Frontier (as LaGuardia’s covenantor) dated 27 August 2020 in favour of the Offeror in connection with the Proposal, details of which are set out in the section headed “Irrevocable Undertakings – Alpha Frontier Irrevocable Undertaking” in this announcement
“associates”	has the meaning given to it under the Takeovers Code
“Authorisations”	any license, permit, consent, authorization, permission, clearance or approval of any Governmental Authority or any other person
“Board”	the board of Directors from time to time
“BofA Securities”	Merrill Lynch (Asia Pacific) Limited, a licensed corporation under the SFO, registered to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror
“Business Day”	a day on which the Stock Exchange is open for the transaction of business

“Cancellation Price”	HK\$3.3219 for every Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“Certain Affinity”	Certain Affinity, Inc., a company incorporated under the laws of Delaware, U.S., in which the Company holds a 20% equity interest as at the date of this announcement
“Committed Optionholders”	Mr. Li Yang, Mr. Xu Yiran and Mr. Gu Zhenghao
“Committed Options”	an aggregate of 71,243,600 Options held by the Committed Optionholders and in respect of which the Committed Optionholders have irrevocably undertaken, among other things, to accept the Option Offer pursuant to the Li Irrevocable Undertaking and the Director Irrevocable Undertaking
“Committed Shareholders”	Port New, Novel New, LaGuardia and Mr. Li Yang
“Committed Shares”	in respect of any of the Committed Shareholders, (a) the Shares it is interested in as at the date of the relevant Irrevocable Undertaking, (b) any other Shares which it may acquire on or after the date of the relevant Irrevocable Undertaking (having obtained the prior written consent of the Offeror for such acquisition), and (c) any other Shares attributable to or derived from the Shares referred to in (a) and (b)
“Companies Law”	the Cayman Islands Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised)
“Company”	Leyou Technologies Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 1089)

“Condition(s)”	the condition(s) of the Proposal, details of which are set out in the section headed “The Proposal – Conditions of the Proposal and the Scheme” in this announcement
“Controlling Shareholder Irrevocable Undertaking”	the irrevocable undertaking given by each of Port New and Novel New (as the covenantors) and Mr. Yuk (as the covenantors’ guarantor) dated 27 August 2020 in favour of the Offeror in connection with the Proposal, details of which are set out in the section headed “Irrevocable Undertakings – Controlling Shareholder Irrevocable Undertaking” in this announcement
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Grand Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“Court Orders”	the orders of the Grand Court sanctioning the Scheme and confirming reduction of the issued share capital of the Company as required by the Companies Law
“Digital Extremes”	Digital Extremes Ltd., a company incorporated under the laws of Ontario, Canada with limited liability, which is principally engaged in development of video games and which is owned as to 97% by Multi Dynamic Games Group Inc., an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Director Irrevocable Undertakings”	the irrevocable undertaking given by each of Mr. Xu Yiran (an executive Director, the Chairman and Chief Executive Officer of the Company) and Mr. Gu Zhenghao (an executive Director) dated 27 August 2020 in favour of the Offeror in connection with the Proposal, details of which are set out in the section headed “Irrevocable Undertakings – Director Irrevocable Undertakings” in this announcement

“Disinterested Shareholder(s)”	the Scheme Shareholders other than the Offeror and persons acting in concert with it
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“EGM”	the extraordinary general meeting of the Shareholders to be duly convened and held in accordance with the Company’s articles of association to consider and vote on, among other things, the necessary resolutions for the implementation of the Proposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate for the time being of the Executive Director
“Governmental Authority”	any government of any national or any federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of any country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organisation
“Governmental Order”	any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Undertaking”	the undertaking given by the Company in favour of the Offeror on 27 August 2020 pursuant to which, among other things, the Company irrevocably undertook to put forward the Scheme to the Scheme Shareholders on the terms set out therein
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Eric Todd, Mr. Hu Chung Ming, Mr. Chan Chi Yuen and Mr. Kwan Ngai Kit, being all of the non-executive Directors, formed for the purpose of advising the Disinterested Shareholders in respect of the Proposal
“Independent Financial Adviser”	Optima Capital Limited, a licensed corporation under the SFO, registered to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee
“Irrevocable Undertakings”	the Controlling Shareholder Irrevocable Undertaking, the Alpha Frontier Irrevocable Undertaking, the Li Irrevocable Undertaking and the Director Irrevocable Undertakings
“Kingston”	Kingston Finance Limited
“Kingston Share Charge”	certain charge or security interest dated 27 December 2018 over all of the 1,539,894,522 Shares owned by Port New, representing approximately 49.91% of the issued share capital of the Company, by and between Port New and Kingston
“LaGuardia”	LaGuardia Venture Limited, a company incorporated in the British Virgin Islands, which directly and beneficially holds 518,700,000 Shares, representing approximately 16.81% of the issued share capital of the Company, and is wholly-owned by Alpha Frontier

“Last Trading Day”	25 August 2020, being the last trading day of the Shares prior to their suspension in trading on the Stock Exchange pending the publication of this announcement
“Law” or “Laws”	any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Li Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Li Yang dated 27 August 2020 in favour of the Offeror in connection with the Proposal, details of which are set out in the section headed “Irrevocable Undertakings – Li Irrevocable Undertaking” in this announcement
“Long Stop Date”	31 December 2020
“Moelis”	Moelis & Company Asia Limited, a licensed corporation under the SFO, licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company
“Mr. Yuk”	Mr. Yuk Kwok Cheung Charles, a controlling shareholder of the Company
“Novel New”	Novel New Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yuk

“Offeror”	Image Frame Investment (HK) Limited, a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent Holdings
“Option(s)”	outstanding option(s) granted by the Company under the Share Option Scheme from time to time
“Optionholder(s)”	the holder(s) of the Options
“Option Offer”	the cash offer to be made by or on behalf of the Offeror to the Optionholders for the cancellation of all outstanding Options in accordance with the Takeovers Code
“Option Offer Price(s)”	the respective offer price(s) for cancellation of each outstanding Option as stated under the section headed “The Proposal – The Option Offer” in this announcement
“Port New”	Port New Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Yuk
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposal”	the proposed taking private of the Company by the Offeror by way of the Scheme, the implementation of the Option Offer and the withdrawal of the listing of the Shares from the Stock Exchange, in each case, on the terms and subject to the Conditions set out in this announcement
“Put Option”	the put option pursuant to which Alpha Frontier has the right to sell to Port New the 518,700,000 Shares owned by LaGuardia pursuant to the agreement between Port New and Alpha Frontier dated 8 November 2018 (as supplemented by a supplemental deed dated 18 October 2019)



“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Rule 3.7 Announcement”	the announcement dated 10 July 2020 issued by the Company pursuant to, amongst others, Rule 3.7 of the Takeovers Code relating to the Proposal
“Scheme”	the scheme of arrangement under Section 86 of the Companies Law involving the cancellation of all the Scheme Shares, with or subject to any modification, addition or condition approved or imposed by the Grand Court or agreed by the Company and the Offeror, and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	the document to be despatched to the Shareholders and the Optionholders containing details of the Scheme and the Option Offer, a letter from the Board, a letter of advice from the Independent Financial Adviser to the Independent Board Committee, the recommendations of the Independent Board Committee and notices to convene the Court Meeting and the EGM
“Scheme Record Date”	the record date to be announced for determining entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	Share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	the Shareholder(s) as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share of par value of HK\$0.10 each in the share capital of the Company

“Shareholder(s)”	registered holder(s) of Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 25 August 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700)
“U.S.”	the United States of America
“%”	per cent.

\* *for identification purposes only*

*In this announcement, amounts denominated in US\$ have been translated into HK\$ at the rate of US\$1 = HK\$7.7502. Such conversion rates are for illustration purposes only and should not be construed as representations that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

By order of the board of  
**IMAGE FRAME INVESTMENT (HK)  
LIMITED**  
**Ma Huateng**  
*Director*

By order of the board of  
**LEYOU TECHNOLOGIES  
HOLDINGS LIMITED**  
**Xu Yiran**  
*Chairman*

Hong Kong, 27 August 2020

*As at the date of this announcement, the directors of the Offeror are Mr. Ma Huateng and Mr. Charles St Leger Searle, who jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*As at the date of this announcement, the Directors are 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.*

*The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement in relation to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement by the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement misleading.*