



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 204 OF 2020 ()

IN THE MATTER of sections 14 to 16 and section 86 of the Companies Law (2020 Revision)

AND IN THE MATTER of Leyou Technologies Holdings Limited 樂遊科技控股有限公司



PETITION



To: The Grand Court of the Cayman Islands

THE HUMBLE PETITION OF LEYOU TECHNOLOGIES HOLDINGS LIMITED 樂遊科技控股有限公司 of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands (hereinafter referred to as the "**Company**") SHEWETH as follows:

1 Introduction

1.1 The objects of this Petition are to seek:

- (a) the sanction of the Court pursuant to section 86 of the Companies Law (2020 Revision) (the "**Companies Law**") of a proposed Scheme of Arrangement (the "**Scheme**") between the Company and the Scheme Shareholders, as defined in the Scheme and as set out at paragraph 5.1 below; and
- (b) the confirmation of the Court, pursuant to section 16 of the Companies Law, of the intended resolution of the Company's shareholders to reduce the Company's share capital to give effect to the Scheme, which is intended to be passed by the Company's shareholders as a special resolution as further set out at paragraph 8.2 below.

2 Incorporation, Objects and Share Capital

- 2.1 On 22 February 2010, the Company was incorporated as an exempted company limited by shares pursuant to the Companies Law under the name Sumpo Food Holdings Limited and 森寶食品控股有限公司 was adopted as the Company's Chinese name. By special resolution dated 27 January 2015, the Company changed its name to Leyou Technologies Holdings Limited, and adopted 樂遊科技控股有限公司 as its Chinese name. The registered office of the Company is and has always been situated at Conyers Trust Company (Cayman) Limited (rebranded from its previous name of Codan Trust Company (Cayman) Limited in or after 2017), Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's head office is at Suite 3201, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.
- 2.2 The objects for which the Company was established are unrestricted. The Company is an international game development and distribution company which, together with its subsidiaries (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.
- 2.3 The authorised share capital of the Company is HK\$1,000,000,000.00 divided into 10,000,000,000 ordinary shares of a single class with a par value of HK\$0.10 each (each a "**Share**"). As at 11 September 2020, the issued share capital of the Company is HK\$308,520,668.10 divided into 3,085,206,681 Shares, all of which are fully paid. Since 11 January 2011, the issued Shares of the Company have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HK Stock Exchange**").

3 Shareholder Profile

- 3.1 The profile of the Company's shareholders, as at 11 September 2020, is as follows:
- (a) Port New Limited ("**Port New**"), a business company incorporated in the British Virgin Islands with limited liability that is wholly-owned by Mr. YUK Kwok Cheung Charles, holds 1,539,894,522 Shares comprising approximately 49.91% of the Company's issued Shares. All of the Shares

held by Port New are held indirectly through HKSCC Nominees Ltd ("**HKSCC Nominees**"), a clearing house shareholder more particularly described in paragraph 3.1(e) below;

- (b) Novel New Limited ("**Novel New**"), a business company incorporated in the British Virgin Islands with limited liability that is also wholly-owned by Mr. YUK Kwok Cheung Charles, holds 74,100,000 Shares comprising approximately 2.40% of the Company's issued Shares. All of the Shares held by Port New are held indirectly through HKSCC Nominees. As a result of his ownership of Port New and Novel New, Mr. YUK Kwok Cheung Charles indirectly holds a controlling interest in the Company;
- (c) LaGuardia Venture Limited ("**LaGuardia**"), a business company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Alpha Frontier Limited, an exempted company incorporated in the Cayman Islands, holds 518,700,000 Shares comprising approximately 16.81% of the Company's issued Shares. 244,095,000 Shares comprising approximately 7.91% of the Company's issued Shares held by LaGuardia are held directly, and 274,605,000 Shares comprising approximately 8.9% of the Company's issued Shares held by LaGuardia are held indirectly through HKSCC Nominees;
- (d) Mr. LI Yang (an executive director and deputy chairman of the Company) holds 1,895,000 Shares comprising approximately 0.06% of the Company's issued Shares. DC Capital Management Inc. ("**DC Capital**"), a company incorporated in the British Virgin Islands which is wholly-owned by Mr. LI Yang, holds 1,000,000 Shares, comprising approximately 0.03% of the Company's issued Shares. All of the Shares held by DC Capital and Mr LI Yang are held indirectly through HKSCC Nominees;
- (e) HKSCC Nominees, a company incorporated in Hong Kong, is the registered holder of 2,840,695,401 Shares, comprising approximately 92.07% of the Company's issued Shares (including Shares held on behalf of Port New, Novel New, LaGuardia, Mr. LI Yang and DC Capital as referred to above). HKSCC Nominees acts as a common nominee in respect of securities held through the Central Clearing and Settlement System depository in Hong Kong ("**CCASS**") and takes its instructions from persons admitted to

participate in CCASS. It is not known how many entities have beneficial interests in the Shares of the Company registered in HKSCC Nominees' name;

(f) As of 11 September 2020, the remaining 416,280 Shares, representing approximately 0.013% of the Company's issued Shares, are registered in the names of other public shareholders; and

3.2 Neither the Offeror (as defined below) nor any person acting in concert with it holds any shares in the Company.

4 Convertible Securities

4.1 As at the date of this Petition, there are 408,368,196 outstanding, vested and unvested, share options (the "**Share Options**") granted by the Company under the share option scheme of the Company approved by the shareholders of the Company on 25 August 2017 (the "**Share Option Scheme**"). The Share Options will be dealt with in accordance with their respective terms of issue and the Code on Takeovers and Mergers in Hong Kong (the "**Takeovers Code**"). The Share Options, as convertible securities, will not form part of the Scheme.

4.2 For the holders of the Share Options whose Share Options have not been converted into Scheme Shares (as defined below), the Offeror proposes to make (or procure to make on its behalf), a cash offer alongside, but not part of, the Scheme, to the holders of the outstanding Share Options (the "**Options Offer**") for the cancellation of all outstanding Options in accordance with the Takeovers Code. Any Share Options that are not exercised or cancelled pursuant to the acceptance of the Option Offer will lapse automatically upon the expiry of the Exercise Period (as defined in the scheme document to which the Scheme will be appended) in accordance with the terms of the Share Option Scheme.

4.3 Other than the Share Options, as at the date of the Petition, there are no other options, derivatives, warrants or other securities issued by the Company that carry a right to subscribe for, or which are convertible or exchangeable into or exercisable for, Shares.

5 Object and Mechanics of the Scheme

- 5.1 The object of the Scheme is to privatise the Company and for it to become wholly owned by Image Frame Investment (HK) Limited (the "**Offeror**"), a private company limited by shares incorporated under the laws of Hong Kong and wholly-owned by Tencent Holdings Limited, which is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the HK Stock Exchange, after the Scheme becomes effective. This would be achieved by:
- (a) the Company reducing its share capital by the cancellation and extinguishment of all of the Shares held by shareholders of the Company as at the record date to be announced for determining entitlements of those holders under the Scheme (the "**Scheme Shares**" and "**Scheme Shareholders**" respectively);
 - (b) the Company, forthwith upon the said share capital reduction taking effect, increasing its share capital to its former amount by the issue of the same number of new Shares to the Offeror as the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company applying the credit arising in its books of account as a result of the share capital reduction in paying up in full at par the Shares newly issued to the Offeror.
- 5.2 In consideration for the cancellation and extinguishment of the Scheme Shares, each Scheme Shareholder will receive from the Offeror HK\$3.3219 for every Scheme Share held.
- 5.3 Upon the Scheme being sanctioned, the listing of the Shares of the Company on the HK Stock Exchange will be withdrawn.
- 5.4 The Offeror will give an undertaking to the Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the Scheme.

6 **Affected Shareholders**

The Scheme affects a single class of shareholders of the Company, being the holders of Shares.

7 **Court Meeting**

7.1 It is intended that a single meeting of the holders of Shares be convened for the purpose of allowing such holders to consider and, if they think fit, approve (with or without modification) the Scheme (the "**Court Meeting**").

7.2 The resolution intended to be submitted at the Court Meeting is:

"THAT this Court Meeting approves, with or without modification, the proposed Scheme of Arrangement, a print of which has been submitted to this Court Meeting and, for the purpose of identification, signed by the Chairman of this Court Meeting."

7.3 It is intended that each holder of Shares (other than HKSCC Nominees), that votes at the Court Meeting, whether in person or by proxy, shall be counted as a single shareholder for the purpose of the calculation of the "majority in number" component of the statutory threshold under section 86(2) of the Companies Law. Each holder of Shares (other than HKSCC Nominees) is entitled to vote either "for" or "against" the Scheme, but not both "for" and "against" the Scheme.

7.4 HKSCC Nominees is entitled to vote shares both "for" and "against" the Scheme and for the purpose of the calculation of the "majority in number" component of the statutory threshold under section 86(2) of the Companies Law, HKSCC Nominees shall be treated as casting one vote for each CCASS Participant that instructs HKSCC Nominees to vote "for" the Scheme and one vote for each CCASS Participant that instructs HKSCC Nominees to vote "against" the Scheme.

7.5 Certain persons interested in Shares have agreed not to vote at the Court Meeting because they are, or are deemed to be, "acting in concert" with the Offeror pursuant to the Code on Takeovers and Mergers in Hong Kong, which prohibits such "concert parties" from participating in the voting. As to this, Merrill Lynch (Asia Pacific) Limited, being the financial adviser to the Offeror in connection with the Scheme is, for this reason, presumed to be acting in concert with the Offeror in relation to the Company. As a result, only the holders of Shares other than the Offeror and persons

acting in concert with it (the "**Disinterested Shareholders**") will vote at the Court Meeting.

8 Capital Reduction

8.1 Article 6 of the Company's Amended and Restated Articles of Association (as adopted by special resolution passed on 25 May 2018) provide the Company may, by special resolution, reduce its share capital in any manner authorised and subject to any conditions prescribed by the Companies Law.

8.2 The Company intends to convene an extraordinary general meeting ("**EGM**") to take place immediately after the meeting of the Court Meeting. The special resolution relating to the capital reduction and ordinary resolution relating to the immediate increase in share capital thereafter intended to be submitted to the EGM are as follows:

"THAT AS A SPECIAL RESOLUTION:

*for the purpose of giving effect to the scheme of arrangement dated [9] November 2020 (the "**Scheme**") between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and for the purpose of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme), the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme)."*

"THAT AS AN ORDINARY RESOLUTION:

(A) subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company will be increased to its former amount by issuing to Image Frame Investment (HK) Limited the same number of shares as the number of Scheme Shares cancelled and extinguished;

(B) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph (A) above in paying up in full at par the new shares issued, credited as fully paid, to Image Frame

Investment (HK) Limited and the directors of the Company be and are hereby authorised to allot and issue the same accordingly;

- (C) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose; and*
- (D) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company."*

8.3 The reduction of the Company's share capital intended to be effected by the said special resolution would neither involve the diminution of liability in respect of any unpaid share capital nor the payment to any shareholder of any paid up capital. Such a capital reduction is for a discernible purpose and its terms and effect will be properly explained to the Company's shareholders a sufficient time prior to the EGM so as to ensure those shareholders are treated equitably.

8.4 The form of minute proposed to be registered with the Cayman Islands Companies Registrar is as follows:

"The issued share capital of Leyou Technologies Holdings Limited was by virtue of a special resolution of the Company dated [] (the "Special Resolution") and with the confirmation of an order of the Grand Court of the Cayman Islands dated [] (the "Order") reduced from HK\$308,520,668.10 divided into 3,085,206,681 shares of HK\$0.10 each to no issued share capital. An ordinary resolution of the Company dated [] (the "Ordinary Resolution") further provides that subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company be increased to its former amount of HK\$308,520,668.10 by the issue of 3,085,206,681 shares of HK\$0.10 each."

By virtue of a Scheme of Arrangement sanctioned by an order of the Grand Court of the Cayman Islands dated [], the Order, the Special Resolution and the Ordinary Resolution, the issued share capital of the Company at the time of the registration

of this minute is accordingly HK\$308,520,668.10 divided into 3,085,206,681 shares of HK\$0.10 each."

9 Application

9.1 The Company intends to make an application for, amongst other things, orders and directions:

- (a) that the relevant class of shareholders of the Company affected by the Scheme is that referred to at paragraph 6 above;
- (b) that the Company be at liberty to convene the Court Meeting referred to at paragraph 7.1 above;
- (c) as to the mode of delivery of, amongst other things, an explanatory memorandum and proxy form to, amongst others, the holders of Shares;
- (d) as to the appointment of a chairman of the Court Meeting (the "**Chairman**"), and for directions that the Chairman should report the result thereof to the Court; and
- (e) as to the treatment of Shares held by custodians, clearing houses and other nominees for the purposes of the "majority in number" calculation.

YOUR PETITIONER, THE COMPANY, THEREFORE HUMBL Y PRAYS:

- 1 That the Scheme be sanctioned by the Court so as to be binding on the Company and the Scheme Shareholders.
- 2 That the reduction of the share capital of the Company proposed to be effected by the special resolution set out at paragraph 8.2 above be confirmed and that the appropriate form of minute set out at paragraph 8.4 above be approved by the Court, which prayer is to be moved following the EGM only.
- 3 That, to this end, all necessary inquiries may be made and directions may be made and given.

4 Such further or other relief as the Court shall see fit.

Dated this 11th day of September 2020

Maples and Calder.

MAPLES AND CALDER

Attorneys-at-Law for the Company

Note: It is not intended that this Petition be served on anyone other than the Company at its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands

ENDORSEMENT

This Petition has been presented to the Grand Court of the Cayman Islands on the day
of 2020 and will be heard by the Grand Court of the Cayman Islands on the
day of 2020 at a.m. / p.m. in the fore/after noon (or as soon thereafter as
the Petition can be heard).