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LEYOU TECHNOLOGIES HOLDINGS LIMITED

樂遊科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

MAJOR TRANSACTION SUPPLEMENTAL AGREEMENT TO ACQUISITION AGREEMENT, CHANGES TO THE NEW SHAREHOLDERS' AGREEMENT AND CLOSING OF THE ACQUISITION

SUPPLEMENTAL AGREEMENT TO ACQUISITION AGREEMENT

Reference is made to the Announcements and the Circular. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those used in the Circular.

The Board announce that, on 21 July 2015 (after trading hours), the parties to the Acquisition Agreement entered into the Supplemental Agreement to clarify or redefine certain terms and provisions in the Acquisition Agreement, the major provisions of these Amendments are set out in this announcement.

The Directors confirm that the aggregate consideration of the Acquisition of US\$73.2 million has remained unchanged.

CHANGE TO THE NEW SHAREHOLDERS' AGREEMENT

In addition, in the course of negotiation of the New Shareholders' Agreement, the parties consider it is desirable to elaborate further on certain aspects thereto as set out in this announcement.

CLOSING OF THE ACQUISITION

The Board is also pleased to announce that, on the same date, all conditions under the Acquisition (as amended by the Supplemental Agreement) have been fulfilled, Closing of the Acquisition (as amended by the Supplemental Agreement) took place and the Group has successfully acquired 58% of the entire issued share capital of Digital Extremes.

Reference is made to the Announcements and the Circular. Unless otherwise defined herein, capitalized terms used in this Announcement shall have the same meaning as those used in the Circular.

THE AMENDMENTS

The Board announce that, on 21 July 2015 (after trading hours), the parties to the Acquisition Agreement entered into a Supplemental Agreement to clarify or redefine certain terms and provisions in the Acquisition Agreement, the major provisions of these Amendments are set out below.

The Directors confirm that the aggregate consideration of the Acquisition of US\$73.2 million has remained unchanged.

1. Amalgamation of Digital Extremes and Change of Vendors

As a result of certain share reorganization and the amalgamation of Digital Extremes, Ontario Ltd. 2 and Ontario Ltd. 3 (the “Amalgamation”), the Purchasers will collectively acquire, pursuant the Acquisition Agreement (as amended by the Supplemental Agreement), an aggregate 61.0% of the common shares of the resulting entity of such Amalgamation (the “Resulting Entity”), and an aggregate 61.0% of the Class B Special shares of the Resulting Entity. Incidental to such Amalgamation, the Vendors of the Acquisition Agreement (as amended by the Supplemental Agreement) will become Ontario Ltd. 1, Digital Extremes Employee Share Trust, 2475202 Ontario Ltd., Michael Schmalz Family Trust (2013), 2475200 Ontario Ltd. and Steve Sinclair. The shareholdings of the Resulting Entity immediately before and after the Closing are as follows:

Immediately before the Closing:

Name of Shareholder	No. of Common Shares in the Resulting Entity	Percentage	No. of Class B Special Shares in the Resulting Entity	Percentage
Ontario Ltd. 1	13,400,000	67.00%	10,000	100.00%
2475202 Ontario Ltd.	1,051,980	5.26%	0	0.00%
Michael Schmalz Family Trust (2013)	348,020	1.74%	0	0.00%
2475200 Ontario Ltd.	1,903,993	9.52%	0	0.00%
Steve Sinclair	116,007	0.58%	0	0.00%
Digital Extremes Employee Share Trust	3,180,000	15.90%	0	0.00%
TOTAL	<u>20,000,000</u>		<u>10,000</u>	

Immediately after the Closing:

Name of Shareholder	No. of Common Shares in the Resulting Entity	%	No. of Class B Special Shares in the Resulting Entity	%
Multi Dynamic Games	11,600,000	58.00	5,800	58.00
Perfect Online	600,000	3.00	300	3.00
Ontario Ltd. 1	5,226,000	26.13	3,900	39.00
2475202 Ontario Ltd.	546,000	2.73	Nil	0.00
2475200 Ontario Ltd.	787,800	3.94	Nil	0.00
Digital Extremes Employee Share Trust	1,240,200	6.20	Nil	0.00
TOTAL	<u>20,000,000</u>	<u>100.00</u>	<u>10,000</u>	<u>100.00</u>

2. Amendments relating to arrangements in relation to the N-Space Loan

The parties originally consented to Digital Extremes to provide the N-space Loan to N-space, Inc. (“N-space”) for games development. Due to restructuring of the arrangement with N-space, the N-space Loan has been reclassified as costs (thus capital expenditure) of Digital Extremes (such costs being defined as part of the “Publisher Costs” in the agreement between Digital Extremes and N-space), and will be repaid to Digital Extreme by way of revenue sharing between Digital Extremes and N-space.

In addition, the parties originally agreed that Digital Extremes shall make a cash distribution/ a cash dividend to the Vendors once N-space repaid the N-space Loan. Following the change of arrangement in relation to the N-space Loan, the parties to the Acquisition Agreement agreed that once the amount received by Digital Extremes from N-space through the above-mentioned revenue sharing mechanism equals to the “Publisher Costs” paid by Digital Extremes to N-space before the Closing, such amount shall be distributed to the Vendors as dividends.

Accordingly (1) in the Supplemental Agreement, the relevant provisions in the Acquisition Agreement regarding the N-space Loan and related dividends were revised to reflect the changes mentioned above; and (2) as the parties do not intend that certain payments received by Digital Extremes representing the amount of “Publisher Costs” and certain fixed amounts payable to N-space under the above-mentioned revenue sharing model to affect the calculation of net profits or distributable profits of the Digital Extremes Group for the purposes of the Acquisition Agreement and the New Shareholders Agreement, relevant amendments to the Acquisition Agreement and the New Shareholders’ Agreement were made in the Supplemental Agreement.

3. Clarification of transaction costs for the purpose of Net Profit

The term “TC” (transaction costs) under the definitions of “Net Profit” was amended to clarify that the transaction costs under such definitions shall not include those incurred solely for the benefit of the Vendor, Vendor Guarantor and/or their respective affiliates.

4. Clarification in relation to Minimum Cash Balance

The definition of “Minimum Cash Balance” was amended to clarify that, the cash and bank balances held by Digital Extremes as at Closing shall not be less than C\$5,000,000 plus the Net Taxes Payable plus an amount equal to the lesser of (i) such 2013 Tax Credit so received or receivable as at the Closing, and (ii) C\$3,700,000, (a) excluding any cash and bank balances generated from (i) loans other than those already disclosed to the Purchasers as at the date of Acquisition Agreement; (ii) increase in payables as a result of any delay in payment of any amount to third parties past due; (iii) decrease in receivables as a result of acceleration of collection in manners inconsistent with Digital Extremes’ past practices and credit policies; (iv) any act not in the ordinary and usual course of business of Digital Extremes which is intended to increase or has the effect of increasing the cash and bank balances of Digital Extremes without any genuine commercial reasons, and (b) after reserving or deducting funds for any and all dividends, distributions, bonuses, that have been declared or accrued or outstanding but unpaid as of date of Closing, other than the dividends contemplated in (ii) and (iii) in the section headed “Permitted Distributions” of the Circular (as further clarified in this announcement).

5. Clarification in relation to Permitted Distributions

The definition of “Permitted Distributions” was amended to clarify that, in calculating the Digital Extremes Group’s aggregate trade receivables, amount received or receivable from the Vendor, Vendor Guarantor or their respective affiliates shall be excluded; and in calculating the Digital Extremes Group’s aggregate trade payables, the net amount of all payroll liabilities shall be included but income taxes payable shall be excluded.

In addition, the Supplemental Agreement further clarified the timing of payment of the Permitted Distributions.

With respect to the “Permitted Distributions” in relation to the “Excess Cash”, it was amended that such dividend or any portion thereof shall be paid (i) after the amount of “Excess Cash” (as shown in the Closing Statements) has been finally determined; and (ii) as and when, immediately after paying such dividend or any portion thereof (as the case may be), the aggregate bank account balances of Digital Extremes exceed C\$5,000,000.00 plus all income taxes payable and trade payable due within the next 90 days.

With respect to the “Permitted Distributions” in relation to the “Excess Receivables”, it was amended that such dividend shall be payable within three Business Days of the final determination of the Closing Statements to the extent that such trade receivables have been unconditionally and irrevocably collected by the Digital Extremes Group. If, at the time that the Closing Statements are finally determined certain trade receivables included in the calculation have not been unconditionally and irrevocably collected by the Digital Extremes Group, then the balance of such dividend shall only be payable as and when such trade receivables are so unconditionally and irrevocably collected by the Digital Extremes Group.

6. Purchasers’ Consent on Payment of bonuses by Digital Extremes

The Supplemental Agreement confirmed that the Purchasers recognised and consented to the declaration and payment by Digital Extremes of certain bonuses including staff performance bonuses, discretionary holiday bonuses and referral bonuses prior to the Closing. Based on the latest financial information provided by Digital Extremes, notwithstanding the declaration and payment of the above-mentioned bonuses have led to a reduction in the cash balance of Digital Extremes, the “Minimum Cash Balance” was still maintained as at the Closing.

CHANGE TO THE NEW SHAREHOLDERS' AGREEMENT

In addition, in the course of negotiation of the New Shareholders' Agreement, the parties consider it is desirable to elaborate further on certain aspects thereto as set out below, which are different from the terms of the New Shareholders' Agreement as disclosed in the Circular.

1. Payment of Bonuses

The parties thereto agreed to set out in the New Shareholders' Agreement more specifically the various circumstances under which the Digital Extremes Group may pay bonuses.

2. Clarification of transaction costs for the purpose of Net Profit (2015) and Distributable Profits

Similar to the amendment of the term "TC" (transaction costs) under the definition of "Net Profit" as set out in sub-paragraph 2 headed "*Clarification of transaction costs for the purpose of Net Profit*" under the paragraph headed "*The Amendments*" above, the term "TC" (transaction costs) under the definitions of "Net Profit (2015)" and "Distributable Profits" was amended in like manner.

CLOSING OF THE ACQUISITION

The Board is also pleased to announce that, on the same date, all conditions under the Acquisition (as amended by the Supplemental Agreement) have been fulfilled, Closing of the Acquisition (as amended by the Supplemental Agreement) took place and the Group has successfully acquired 58% of the entire issued share capital of Digital Extremes.

DEFINITIONS

Unless the context otherwise requires, the following terms in this announcement shall have the meanings set out below:

"2013 Tax Credit"	means Digital Extremes' Ontario Interactive Digital Media Tax Credits in respect of the Digital Extremes' 2013 fiscal year which are actually received or receivable by Digital Extremes from the relevant taxing authority
"Amendments"	the amendments to the Acquisition Agreement as contained in the Supplemental Agreement
"Announcements"	The announcement of the Company dated 14 October 2014 and 17 December 2014 in relation to, among other things, the Acquisition
"Changes"	the changes to the terms of the New Shareholders' Agreement as disclosed in the Circular

“Circular”	the circular dated 23 December 2014 of the Company in relation to, among other things, the Acquisition
“Digital Extremes”	Digital Extremes (as defined in the Circular), as well as the Resulting Entity
“Digital Extremes Group”	Digital Extremes Group (as defined in the Circular), as well as the Resulting Entity and all its direct or indirect subsidiaries and branches, as may exist from time to time
“Net Taxes Payable”	the total income taxes payable by the Digital Extremes Group less the total Ontario Interactive Digital Media Tax Credit receivable by the Digital Extremes Group as at the Closing
“Supplemental Agreement”	the supplemental agreement to the Acquisition Agreement dated 21 July 2015 entered into between the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes

By order of the Board
Leyou Technologies Holdings Limited
Yeung Chun Wai, Anthony
Vice Chairman

Hong Kong, 21 July 2015

As at the date of this announcement, the Board comprises Mr. Lin Qinglin, Mr. Yeung Chun Wai, Anthony, Mr. Chen Domingo, Mr. Wu Shiming, Mr. He Zhigang and Mr. Wong Ka Fai, Paul as executive Directors, and Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Chan Fong Kong, Francis as independent non-executive Directors.