



LE YOU

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)

Executive Directors:

Mr. Xu Yiran (*Chairman and Chief Executive Officer*)
Mr. Li Yang (*Deputy Chairman*)
Dr. Alan Chen (*Chief Operating Officer*)
Mr. Gu Zhenghao
Mr. Cao Bo

Non-executive Director:

Mr. Eric Todd

Independent non-executive Directors:

Mr. Hu Chung Ming
Mr. Chan Chi Yuen
Mr. Kwan Ngai Kit

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Place of Business in Hong Kong:

Suite 3201, Tower Two
Lippo Centre
89 Queensway
Admiralty
Hong Kong

11 November 2020

To: The Shareholders and Optionholders

Dear Sir or Madam,

**(1) PROPOSED TAKE PRIVATE OF
LEYOU TECHNOLOGIES HOLDINGS LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF
LEYOU TECHNOLOGIES HOLDINGS 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(2) of the Listing Rules, with effect immediately following the Effective Date.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme, the Option Offer and to give you notice of the Court Meeting and of the EGM (together with forms of proxy in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Memorandum set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix V to this Scheme Document.

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 of HK\$3.3219 represents:

- a premium of approximately 1.59% over the closing price of HK\$3.2700 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- 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 Rule 3.7 Announcement;
- 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) 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) per Share as at 30 June 2020.

The Cancellation Price had 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 principal businesses carried out by two major operating subsidiaries, namely Digital Extremes and Splash Damage Limited and its future prospects and with reference to, without placing particular weight on any particular privatization transaction, the range of implied premiums over the trading price of a large database of delisting and privatization transactions for Hong Kong companies across a variety of industries, a range of different market capitalisations and a range of different transaction parameters in recent years.

The Option Offer

As at the Latest Practicable Date, there were an aggregate of 407,905,860 outstanding Options granted under the Share Option Scheme, each relating to one Share, of which a total of 279,449,817 Options were exercisable at the Latest Practicable Date.

The full exercise of all outstanding Options granted under the Share Option Scheme would result in the issue of 407,905,860 new Shares, representing approximately 13.22% of the issued share capital of the Company as at the Latest Practicable Date and approximately 11.68% 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 been exercised, the Offeror is making (or procuring 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 is offering 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 Latest Practicable Date and the corresponding Option Offer Price is set out in the table below:

Option exercise price <i>(HK\$)</i>	Option Offer Price <i>(HK\$)</i>	Number of outstanding Options as at the Latest Practicable Date
1.91	1.4119	262,071,200
2.50	0.8219	47,878,617
2.80	0.5219	48,978,005
3.10	0.2219	48,978,038

The Company has not granted any further Options between the date of the Announcement and the Latest Practicable Date and does not intend to grant any further Options between the Latest Practicable Date and the Effective Date.

Further information on the Option Offer is set out in “3. Terms of the Proposal – The Option Offer” in Part VII – Explanatory Memorandum of this Scheme Document and the form of Option Offer Letter which is set out in Appendix VIII to this Scheme Document.

The Company has not declared, made or paid any dividend or other distribution (whether in cash or in kind) to the Shareholders between the date of the Announcement and the Latest Practicable Date and does not intend to declare, make or pay any dividend or other distribution (whether in cash or in kind) to the Shareholders between the Latest Practicable Date and the Effective Date. If, after the Latest Practicable Date, 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

Your attention is drawn to the section headed “4. Conditions of the Proposal and the Scheme” in Part VII – Explanatory Memorandum of this Scheme Document.

FINANCIAL RESOURCES

On the basis of the Cancellation Price of HK\$3.3219 per Scheme Share and 3,085,319,017 Scheme Shares in issue as at the Latest Practicable Date, 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\$11,604 million.

The maximum cash consideration payable for the Proposal (including the Option Offer) is therefore approximately HK\$11,604 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 Latest Practicable Date, the aggregate number of Committed Shares owned by Port New and Novel New that are subject to the Controlling Shareholder Irrevocable Undertaking was 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 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, 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 "6. Irrevocable Undertakings – (a) Controlling Shareholder Irrevocable Undertaking" in Part VII – Explanatory Memorandum of this Scheme Document.

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

As at the Latest Practicable Date, the number of Committed Shares owned by Alpha Frontier (through LaGuardia) that are subject to the Alpha Frontier Irrevocable Undertaking was 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 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, 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 also includes other undertakings described in the section headed "6. Irrevocable Undertakings – (b) Alpha Frontier Irrevocable Undertaking" in Part VII – Explanatory Memorandum of this Scheme Document.

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 Latest Practicable Date, Mr. Li Yang (an executive Director and the Deputy Chairman of the Company) held, 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 held 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 or the legal holder(s) of its Shares (where appropriate) 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 also includes other undertakings described in the section headed “6. Irrevocable Undertakings – (c) Li Irrevocable Undertaking” in Part VII – Explanatory Memorandum of this Scheme Document.

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 Latest Practicable Date, 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 Undertaking was 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 also includes other undertakings described in the section headed “6. Irrevocable Undertakings – (d) Director Irrevocable Undertakings” in Part VII – Explanatory Memorandum of this Scheme Document.

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.

Your attention is drawn to the section headed “6. Irrevocable Undertakings” in Part VII – Explanatory Memorandum of this Scheme Document for further details on the Irrevocable Undertakings.

REASONS FOR AND BENEFITS OF THE PROPOSAL

You are urged to read carefully the section headed “8. Reasons for and Benefits of the Proposal” in Part VII – Explanatory Memorandum of this Scheme Document.

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 within three calendar months of Certain Affinity’s delivery of its financial statements for the year ending 31 December 2020 to the Company 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 at a price calculated based on an agreed formula to determine Certain Affinity’s valuation, which shall, in any case, not exceed US\$150 million; and upon exercise of such buyout option, Certain Affinity shall become a wholly-owned subsidiary of the Company and its financial results will be consolidated into that of the Company; (ii) to discontinue the employment of employees of the Group; or (iii) to develop new business that is outside the existing business of the Group upon the Scheme becoming effective. For further details of the buyout option granted to the Company to acquire the remaining interest in Certain Affinity, please refer to the announcement of the Company dated 16 October 2017 regarding the discloseable transaction in relation to the acquisition of 20% of the issued share capital of Certain Affinity and the entering of a game development agreement.

The Board welcomes the intentions of the Offeror in respect of the Company and its employees and will co-operate with and provide full support to the Offeror to facilitate the continued smooth business operation and management of the Group.

INFORMATION ON THE GROUP AND THE OFFEROR

Your attention is drawn to the section headed “10. Information on the Group and the Offeror” in Part VII – Explanatory Memorandum of this Scheme Document.

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 (i) 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; and (ii) to the Optionholders as to whether the Option Offer is, or is not, fair and reasonable and whether to accept the Option Offer.

The full text of the letter from the Independent Board Committee in relation to its recommendations with respect to the Proposal, the Scheme and the Option Offer is set out in Part V of this Scheme Document.

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.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document

RECOMMENDATION

The Independent Financial Adviser has advised the Independent Board Committee that it considers that the terms of the Proposal and the Scheme are fair and reasonable as far as the Disinterested Shareholders are concerned, and that the terms of the Option Offer are fair and reasonable as far as the Optionholders are concerned, and accordingly, it advises the Independent Board Committee (a) to recommend to the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and (b) to recommend the Optionholders to accept the Option Offer.

The Independent Board Committee, having been so advised, considers that the terms of the Proposal and the Scheme are fair and reasonable as far as the Disinterested Shareholders are concerned, and that the terms of the Option Offer are fair and reasonable as far as the Optionholders are concerned. Accordingly, the Independent Board Committee (a) recommends the Disinterested Shareholders to vote in favour of the relevant resolution(s) to be proposed at the Court Meeting and the EGM to approve and implement the Proposal and the Scheme, and (b) recommends the Optionholders to accept the Option Offer.

Your attention is drawn to Part V – Letter from the Independent Board Committee of this Scheme Document which sets out in further detail the advice from the Independent Board Committee to the Disinterested Shareholders and the Optionholders in connection with the Proposal, and Part VI – Letter from the Independent Financial Adviser of this Scheme Document which sets out the detailed advice from the Independent Financial Adviser to the Independent Board Committee in connection with the Proposal, and the principal factors taken into consideration in arriving at its recommendations.

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(2) of the Listing Rules, with effect from 9:00 a.m. on Wednesday, 23 December 2020. The 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. The expected timetable has been included in Part III of this Scheme Document.

You are urged to read carefully the section headed “11. Withdrawal of listing of the Shares” in Part VII – Explanatory Memorandum of this Scheme Document.

COSTS OF THE SCHEME

Since 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.

COURT MEETING AND EGM

Court Meeting

In accordance with the directions of the Grand Court, the Court Meeting will be held at 10 a.m. (Hong Kong time) on Friday, 11 December 2020 at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The notice of Court Meeting is set out in Appendix VI to this Scheme Document.

The Disinterested Shareholders shall be entitled to attend and vote, in person or by proxy, at the Court Meeting. At the Court Meeting, the Disinterested Shareholders (other than HKSCC Nominee Limited), present and voting either in person or by proxy, will be entitled to vote all of their respective Shares in favour of the Scheme or against it. HKSCC Nominees Limited may vote for and against the Scheme in accordance with the instructions received from CCASS Participants (as defined under the “**General Rules of CCASS**”).

The Scheme is conditional upon, among other things, the approval of the Scheme (by way of poll) by a majority in number of the Shareholders representing not less than 75% in value of the Shares held by the 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 the Disinterested Shareholders.

Each of Port New, Novel New and Mr. Yuk, Alpha Frontier and Mr. Li Yang (an executive Director and the Deputy Chairman of the Company) has given the Irrevocable Undertakings to the Offeror that, among other things, it or he will vote in favour of the Scheme at the Court Meeting.

The Offeror has undertaken to the Grand Court to be bound by the Scheme.

EGM

The EGM will be held at the same place and on the same date at 11 a.m. (or as soon thereafter as the Court Meeting shall have concluded or been adjourned). The notice of EGM is set out in Appendix VII to this Scheme Document.

All Shareholders whose names appear on the register of members of the Company as at the Meeting Record Date shall be entitled to attend the EGM and vote, in person or by proxy, on among other things, (i) the special resolution by Shareholders 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 ordinary resolution by Shareholders 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.

The special resolution described under (i) in the paragraph above will be passed if not less than 75% of the votes cast by the Shareholders, present and voting, in person or by proxy, at the EGM, are in favour of the special resolution. The ordinary resolution described under (ii) in the paragraph above will be passed if more than 50% of the votes are cast in favour of the ordinary resolution by the Shareholders, present and voting, either in person or by proxy, at the EGM.

Each of Port New, Novel New and Mr. Yuk, Alpha Frontier and Mr. Li Yang (an executive Director and the Deputy Chairman of the Company) has given the Irrevocable Undertakings to the Offeror that, among other things, it or he will vote in favour of the resolutions to be proposed at the EGM to approve and give effect to the reduction of the issued share capital of the Company, the immediate increase in the issued share capital of the Company thereafter and any resolutions proposed at the EGM which would assist the implementation of the Scheme or are necessary for the Scheme to become effective.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Monday, 21 December 2020 (Cayman Islands time). Further announcements will be made in relation to, among other things, the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, the outcome of the hearing of the petition to sanction the Scheme by the Grand Court and the confirmation of the reduction of capital as a result of the cancellation of the Shares by the Grand Court and if the Scheme is sanctioned, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of the Shares on the Stock Exchange, in accordance with the requirements of the Takeovers Code and the Listing Rules.

Your attention is drawn to the section headed “17. Court Meeting and EGM” in Part VII – Explanatory Memorandum of this Scheme Document.

ACTIONS TO BE TAKEN

Your attention is drawn to Part II – Actions to be taken of this Scheme Document and the section headed “18. Summary of Actions to be Taken” in Part VII – Explanatory Memorandum of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “19. Registration and Payment” in Part VII – Explanatory Memorandum of this Scheme Document.

OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

If you are an overseas Scheme Shareholder or Optionholder, your attention is drawn to the section headed “20. Overseas Shareholders and Optionholders” in Part VII – Explanatory Memorandum of this Scheme Document.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “21. Taxation and Independent Advice” in Part VII – Explanatory Memorandum of this Scheme Document.

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 or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal. All Scheme Shareholders and Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

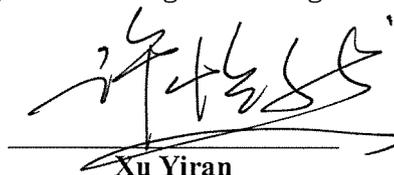
FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Memorandum as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the Scheme as set out in Appendix V to this Scheme Document, the notice of Court Meeting as set out in Appendix VI to this Scheme Document and the notice of EGM as set out in Appendix VII to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners. The Optionholders are urged to read carefully the Option Offer Letter, which is sent separately to the Optionholders on the date of this Scheme Document substantially in the form set out in Appendix VIII – Form of Option Offer Letter to this Scheme Document, and the Form of Acceptance in respect of the Option Offer Letter.

Yours faithfully,

By order of the Board

Leyou Technologies Holdings Limited

A handwritten signature in black ink, appearing to be 'Xu Yiran', written over a horizontal line.

Xu Yiran

Chairman and Chief Executive Officer