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## **OURGAME INTERNATIONAL HOLDINGS LIMITED**

**聯眾國際控股有限公司\***

*(a company incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 6899)**

### **CONTINUING CONNECTED TRANSACTIONS THE ENTERING INTO OF THE NEW VIE AGREEMENTS**

Reference is made to the announcement of the Company dated 9 February 2017 in relation to, among other things, the VIE arrangements relating to Beijing Guangyao, the operating entity of the Company's eSports business. The Board hereby announces that, Mr. Liang Jie (the Registered Owner) and Mr. Ping Yan (the Nominee Shareholder) entered into a share transfer agreement on 31 May 2018, pursuant to which Mr. Liang Jie agreed to transfer 1% of the shares of Beijing Guangyao to Mr. Ping Yan (the "**Share Transfer**"). Upon closing of the Share Transfer, Mr. Liang Jie and Mr. Ping Yan are the nominee shareholders of Beijing Guangyao holding its equity interest as to 99% and 1%, respectively. The Group has thus established the New VIE Structure due to the addition of Nominee Shareholder to Beijing Guangyao and by entering into the New VIE Agreements with the Nominee Shareholder, the Registered Owner and/or Beijing Guangyao.

Beijing Guangyao will remain a wholly-owned subsidiary of the Company and its financial results will continue to be accounted for and consolidated in the accounts of the Group.

#### **IMPLICATIONS UNDER THE LISTING RULES**

After the signing of the New VIE Agreements, the financial results of Beijing Guangyao will continue to be accounted for and consolidated in the accounts of the Group as if it is a wholly-owned subsidiary of the Company. The Registered Owner, being the substantial shareholder of Beijing Guangyao, will remain as a Connected Person, whilst the Nominee Shareholders, being a long-term employee of the Group and a shareholder holding 1% of the equity interest in Beijing Guangyao, will not become a Connected Person. Accordingly, the transactions contemplated under the New VIE Structure constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the aggregate annual transaction amount in respect of the New VIE Structure is expected to exceed 5% of the applicable percentage ratios, the transactions under the New VIE Structure will technically be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the New VIE Structure is reproduced from the Existing VIE Structure as provided under condition (d) of the IPO Waiver, the Stock Exchange has confirmed that the transactions contemplated under the New VIE Structure are exempt from strict compliance with (i) the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, (ii) the requirement of setting an annual cap for the fees payable to the WFOE under the New VIE Structure, and (iii) the requirement of limiting the term of the New VIE Structure to three years or less, subject to the same conditions of the IPO Waiver.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 9 February 2017 in relation to, among other things, the VIE arrangements relating to Beijing Guangyao, the operating entity of the Company's eSports business (the "**2017 Announcement**"). The Board hereby announces that, Mr. Liang Jie (the Registered Owner) and Mr. Ping Yan (the Nominee Shareholder) entered into a share transfer agreement on 31 May 2018, pursuant to which Mr. Liang Jie agreed to transfer 1% of the shares of Beijing Guangyao to Mr. Ping Yan (the "**Share Transfer**"). Upon closing of the Share Transfer, Mr. Liang Jie and Mr. Ping Yan are the nominee shareholders of Beijing Guangyao holding its equity interest as to 99% and 1%, respectively. The Group has thus established the New VIE Structure due to the addition of Nominee Shareholder to Beijing Guangyao and by entering into the New VIE Agreements with the Nominee Shareholder, the Registered Owner and/or Beijing Guangyao.

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

Since the Listing, the Group's business has grown at a significant pace and the Group's product offerings have significantly expanded. The Group has evolved from a pure integrated online card and board game platform, offering both PC games and mobile games to a global mind sports business offering online and offline products in the PRC and worldwide. The Group now holds various investments in mind sports across an array of platforms including PC, mobile and real life tournaments.

As disclosed in the prospectus of the Company dated 18 June 2014 and the 2017 Announcement, due to applicable laws and regulatory restrictions on foreign ownership in the telecommunications industry (including online games, eSports and other internet related businesses) in the PRC and restrictions on foreign investors conducting value-added telecommunications services, the Group operates its businesses, particularly the Group's expanded eSports business, in the PRC through Beijing Guangyao, and the Group has in place a series of contractual arrangements with Beijing Guangyao that are designed to allow the Company to exercise control over the operations of Beijing Guangyao and enjoy the economic benefits generated by Beijing Guangyao (the "**Existing VIE Structure**"). Please refer to

the section headed “Contractual Arrangements” of the prospectus of the Company dated 18 June 2014 for the detailed reasons why our businesses are required to be carried out by way of contractual arrangements from a perspective of compliance of PRC laws, and the 2017 Announcement for details of the Existing VIE Structure.

The entering into of the New VIE Agreements is due to the addition of the Nominee Shareholder to Beijing Guangyao as all nominee shareholders of Beijing Guangyao are parties to the VIE agreements. The New VIE Agreements have terms and conditions substantially the same as those of the existing VIE agreements relating to Beijing Guangyao and are a reproduction from the existing VIE agreements.

The reason for adding the Nominee Shareholder to Beijing Guangyao is to further enhance the Company’s internal control and management system. From the perspective of administration purposes, the Company is of the view that it is better to have two nominee shareholders such that any one of them could be able to perform related responsibilities of registered shareholders of Beijing Guangyao (including signing any documents relating to Beijing Guangyao), especially when one of them is travelling out of the office.

The Company’s PRC Legal Advisor has confirmed that (i) the New VIE Agreements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations; (ii) the use of the New VIE Structure and the New VIE Agreements comply with the laws and regulations in the PRC; (iii) do not contravene the current articles of association of either of the WFOE or Beijing Guangyao; (iv) would not be deemed as concealing illegal intentions with a lawful form and void under the PRC contract law; and (v) except for the clause providing that an arbitral body may award injunctive relief or winding up orders and that courts in Hong Kong and the Cayman Islands may grant interim remedies may not be enforceable under PRC law, the New VIE Agreements are enforceable under the laws of the PRC. Based on the above and the advice from our PRC Legal Advisor, the Directors are of the view that each of the arrangements under the New VIE Structure conferring significant control and economic benefits from Beijing Guangyao is enforceable under the relevant laws and regulations.

The Directors (including the independent non-executive Directors) are of the view that the New VIE Structure is fundamental to the Group’s legal structure and business operations in respect of the Group’s eSports Business, and that the terms of each of the New VIE Agreements are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. So far as the Company is aware, none of the Directors had any material interest in the New VIE Structure, and accordingly none of the Directors was required to abstain from voting on the board resolutions to approve the establishment of the New VIE Structure or the entering into of any of the New VIE Agreements.

As of the date of this announcement, the Company has not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Beijing Guangyao under the New VIE Structure.

## NEW VIE AGREEMENTS

The contractual arrangements under the New VIE Structure will be on substantially the same terms as those currently in place under the Existing VIE Structure, save as to the identity of the registered owners of Beijing Guangyao.

In relation to the contractual arrangements under the New VIE Structure, the Company will fulfill and comply with the same conditions as those imposed on the contractual arrangements under the Existing VIE Structure as disclosed on pages 150 to 152 of the prospectus of the Company dated 18 June 2014 and the 2017 Announcement, *mutatis mutandis*.

As disclosed in the 2017 Announcement, WFOE has entered into a master exclusive service agreement on 9 February 2017 with Beijing Guangyao (the “**Master Exclusive Service Agreement**”), pursuant to which the WFOE shall have the exclusive right to provide Beijing Guangyao services relating to Beijing Guangyao’s business, including but not limited to technology development, technical consulting services, staff training services, public relation services, market research and consulting services, and online game software and system maintenance and upgrading services. The service fees shall be equal to 100% of the consolidated net profits of Beijing Guangyao, and the WFOE will have the right to adjust the service fees at its sole discretion with reference to Beijing Guangyao’s working capital requirements and based on the technical difficulty and complexity of the services and the actual labor costs it incurs for providing the services during the relevant period. The Master Exclusive Service Agreement shall remain effective until terminated as provided therein. The WFOE shall be entitled to terminate the agreement at any time with a 30-day prior written notice to Beijing Guangyao whereas Beijing Guangyao shall not be entitled to terminate this agreement. Given that the Nominee Shareholder is not and does not need to become a party to the Master Exclusive Service Agreement, this agreement does not need to be re-entered into in light of the change of shareholding in Beijing Guangyao.

A summary of the principal terms of the New VIE Agreements is set out below.

### (1) Business Cooperation Agreement

**Date:** 31 May 2018

**Parties:**

- (a) the WFOE
- (b) Beijing Guangyao
- (c) the Registered Owner
- (d) the Nominee Shareholder

**Subject:** Beijing Guangyao, the Registered Owner and the Nominee Shareholder, jointly and severally, agreed and covenanted that, without obtaining the WFOE's written consent, Beijing Guangyao shall not, and the Nominee Shareholder and the Registered Owner shall cause Beijing Guangyao not to, engage in any transaction which may materially affect Beijing Guangyao's asset, obligation, right or operation, including without limitation:

- any activities not within its normal business scope, or operating its business in a way that is inconsistent with its past practice;
- merger, reorganization, acquisition or restructuring of its principal business or assets, or acquisition or investment in any other form;
- offering any loan to any third party, incurring any debt from any third party, or assuming any debt other than in the ordinary course of business;
- engaging, changing or dismissing any director or any senior management officer;
- selling to or acquiring from any third party, mortgaging, licensing or disposing of in other ways tangible or intangible assets, other than in the ordinary course of business;
- incurring, inheriting, assuming or guaranteeing any debt that are not incurred during the ordinary course of business, using its assets to provide security or other forms of guarantees to any third party, or setting up any other encumbrances over its assets;
- making any supplement, amendment or alternation to its articles of association and by-laws, increasing or decreasing of its registered capital or changing the structure of its registered capital in other manners;
- making a distribution of a dividend, or share interest or sponsorship interest in any way, provided that upon the WFOE's written request, Beijing Guangyao shall immediately distribute part or all of its distributable profits to its shareholder(s) who shall in turn immediately and unconditionally pay or transfer to the WFOE any such distribution;
- executing any material contract, except contracts executed in the ordinary course of business (for purpose of this subsection, the WFOE may define a material contract at its sole discretion);

- selling, transferring, mortgaging or disposing of in any manner any legal or beneficial interest in its business or revenues, or allowing the encumbrance thereon of any security interest;
- dissolution or liquidation and distribution of residual assets; or
- causing any of its branches or subsidiaries to engage in any of the foregoing or enter into any contract, agreement or other legal documents which may lead to or result in any of the foregoing.

In addition, Beijing Guangyao agreed and covenanted to the WFOE that Beijing Guangyao shall, and the shareholders of Beijing Guangyao shall cause Beijing Guangyao to:

- accept suggestions raised by the WFOE over the engagement and replacement of employees, daily operations, dividend distribution and financial management systems of Beijing Guangyao, and Beijing Guangyao shall strictly abide by and perform accordingly;
- maintain Beijing Guangyao's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- conduct Beijing Guangyao's businesses in the ordinary course of business to maintain the asset value of Beijing Guangyao and refrain from any act or omission that may adversely affect Beijing Guangyao's operating status and asset value;
- provide the WFOE with information on Beijing Guangyao's business operations and financial condition at the WFOE's request;
- if requested by the WFOE, procure and maintain insurance in respect of Beijing Guangyao's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Beijing Guangyao's assets, business or revenue; and

- execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims so as to maintain the ownership by Beijing Guangyao of all of its assets.

According to the Business Cooperation Agreement, the Registered Owner and the Nominee Shareholder shall only appoint persons designated by the WFOE as directors, the general manager, the chief financial officer and other senior management members of Beijing Guangyao, and the Registered Owner and the Nominee Shareholder shall dismiss any such directors or senior management members upon the WFOE's request. Beijing Guangyao, the Registered Owner and the Nominee Shareholder also jointly and severally covenanted that Beijing Guangyao shall seek appropriate approval from the WFOE prior to entering in to any material contract.

Furthermore, the Registered Owner and the Nominee Shareholder agreed that, unless required by the WFOE, they shall not put forward, or vote in favour of, any shareholder's resolution to, or otherwise request Beijing Guangyao to, distribute profits, funds, assets or property to the Registered Owner and the Nominee Shareholder, or to issue any dividends or other distributions with respect to the shares of Beijing Guangyao held by the Registered Owner and the Nominee Shareholder.

**Term:** The Business Cooperation Agreement shall remain effective as long as Beijing Guangyao exists, unless the WFOE terminates it upon 30 days' advance written notice or upon the transfer of all the shares in Beijing Guangyao held by the Registered Owner and the Nominee Shareholder to the WFOE and/or a third party designated by the WFOE.

## (2) Exclusive Option Agreement

**Date:** 31 May 2018

**Parties:**

- (a) Beijing Guangyao
- (b) the Registered Owner
- (c) the Nominee Shareholder
- (d) the WFOE

**Subject:** Under the Exclusive Option Agreement, the WFOE has a right to require the Registered Owner and the Nominee Shareholder to transfer any and all the shares of Beijing Guangyao they hold to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and administration regulations at the time of transfer.

Beijing Guangyao, the Registered Owner and the Nominee Shareholder, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the articles of association and bylaws of Beijing Guangyao, increase or decrease its registered capital, or change the structure of its registered capital in other manners;
- they shall maintain Beijing Guangyao's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- without the prior written consent of the WFOE, they shall not sell, transfer, mortgage or dispose of in any manner any assets of Beijing Guangyao (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of Beijing Guangyao, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business;
- they shall always operate all of Beijing Guangyao's businesses during the ordinary course of business to maintain the asset value of Beijing Guangyao and refrain from any action/omission that may adversely affect Beijing Guangyao's operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause Beijing Guangyao to execute any material contract (as defined by the WFOE at its sole discretion), except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause Beijing Guangyao to provide any person with any loan or credit other than in the course of ordinary business;

- they shall provide the WFOE with information on Beijing Guangyao's business operations and financial condition at WFOE's request;
- if requested by the WFOE, they shall procure and maintain insurance in respect of Beijing Guangyao's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit Beijing Guangyao to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Beijing Guangyao's assets, business or revenue;
- to maintain the ownership by Beijing Guangyao of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- they shall ensure that Beijing Guangyao shall not, without the prior written consent of the WFOE, in any manner distribute dividends to its shareholder(s), provided that upon the WFOE's written request, Beijing Guangyao shall immediately distribute part or all of its distributable profits to its shareholder(s) who shall in turn immediately and unconditionally pay or transfer to the WFOE any such distribution;
- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors and/or executive director of Beijing Guangyao;
- they shall cause the meeting of shareholders and the board of directors of Beijing Guangyao to pass shareholders' resolutions and board resolutions in accordance with the instruction of the WFOE; and
- unless otherwise mandatorily required by PRC laws, Beijing Guangyao shall not be dissolved or liquidated without prior written consent by the WFOE.

The Company's PRC Legal Advisor has advised us that the Exclusive Option Agreement is legal, valid and binding on the parties and is enforceable under applicable PRC laws and regulations, except for the provisions that the arbitral body may grant injunctive relief or directly issue liquidation order against Beijing Guangyao, which may not be enforceable under PRC laws.

**Term:** The Exclusive Option Agreement shall remain effective as long as Beijing Guangyao exists, and cannot be terminated by the Nominee Shareholder, Beijing Guangyao or the Registered Owner. The Exclusive Option Agreement can be terminated (i) by the WFOE at any time upon 30 days' advance written notice to Beijing Guangyao and the Registered Owner; or (ii) upon the transfer of all the shares held by the shareholders to the WFOE and/or a third party designated by the WFOE.

### **(3) Share Pledge Agreement**

**Date:** 31 May 2018

**Parties:** (a) the Registered Owner  
(b) the Nominee Shareholder  
(c) the WFOE

**Subject:** Under the Share Pledge Agreement, the Registered Owner and the Nominee Shareholder unconditionally and irrevocably agreed to pledge all of the shares of Beijing Guangyao that they own, including any interest or dividend paid for such shares, to WFOE as a security for the performance of the obligations by Beijing Guangyao, the Registered Owner and the Nominee Shareholder under the Mater Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and other agreements to be executed among the Beijing Guangyao, the Registered Owner, the Nominee Shareholder and the WFOE from time to time (collectively the "**Principal Agreements**").

**Term:** The pledge shall remain valid until all parties have agreed to terminate the Share Pledge Agreement, the Principal Agreements have been fulfilled to the satisfaction of the WFOE or all of the Principal Agreements have expired or been terminated.

### **(4) Proxy Agreement and Power of Attorney**

**Date:** 31 May 2018

**Parties:** (a) Beijing Guangyao  
(b) the Registered Owner  
(c) the Nominee Shareholder  
(d) the WFOE

**Subject:** Under the Proxy Agreement and Power of Attorney, the Registered Owner and the Nominee Shareholder irrevocably agreed to appoint the WFOE (as well as its successors, including a liquidator, if any, replacing the WFOE) as their attorney-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorney-in-fact's prior written consent, any and all right that they have in respect of their shares in Beijing Guangyao, including without limitation:

- to call and attend shareholders' meetings of Beijing Guangyao, and receive notices and materials with respect to the shareholders' meeting;
- to execute and deliver any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to vote by itself or by proxy on any matters discussed on shareholders' meetings of Beijing Guangyao, including without limitation, the sale, transfer, mortgage, pledge or disposal of any or all of the assets of Beijing Guangyao;
- to sell, transfer, pledge or dispose of any or all of the shares in Beijing Guangyao;
- to nominate, appoint or remove the directors, supervisors and senior management of Beijing Guangyao when necessary;
- to oversee the economic performance of Beijing Guangyao;
- to have full access to the financial information of Beijing Guangyao at any time;
- to file any shareholder lawsuits or take other legal actions against Beijing Guangyao's directors or senior management members when such directors or members are acting to the detriment of the interest of Beijing Guangyao or its shareholder(s);
- to approve annual budgets or declare dividends;
- to manage and dispose of the assets of Beijing Guangyao;
- to have the full rights to control and manage Beijing Guangyao's finance, accounting and daily operation (including but not limited to signing and execution of contracts and payment of government taxes and duties);

- to approve the filing of any documents with the relevant governmental authorities or regulatory bodies; and
- any other rights conferred by the articles of association of Beijing Guangyao and/or the relevant laws and regulations on the shareholders.

In addition, if any share transfer is contemplated under the Exclusive Option Agreement and the Share Pledge Agreement that the Registered Owner or the Nominee Shareholder enters into for the benefits of the WFOE or its affiliate, the WFOE shall have the right to sign the share transfer agreement and other relevant agreements and to perform the Exclusive Option Agreement and the Share Pledge Agreement.

**Term:** The Proxy Agreement and Power of Attorney will remain effective so long as Beijing Guangyao exists. Beijing Guangyao's shareholders will not have the right to terminate the Proxy Agreement and Power of Attorney or to revoke the appointment of the attorney-in-fact without the WFOE's prior written consent.

## **(5) Dispute Resolution**

Each of the Master Exclusive Service Agreement, Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that any dispute or claim shall be resolved by the parties in good faith through negotiations. If no resolution can be reached, the dispute shall be submitted to the Beijing Arbitration Commission for arbitration in accordance with its rules of arbitration in effect at the time of application and the place of arbitration shall be in Beijing. The arbitral tribunal or the arbitrators shall have the authority to award any remedy or relief in accordance with the terms of the agreements underlying the New VIE Structure and applicable PRC laws, including provisional and permanent injunctive relief (such as injunctive relief with respect to the conduct of business or to compel the transfer of assets), specific performance of any obligation created hereunder, remedies over the shares or land assets of Beijing Guangyao and winding up orders against Beijing Guangyao. The arbitral award shall be final and binding upon all parties. In addition, to the extent permitted under applicable PRC laws, each party shall have the right to seek interim injunctive relief or other interim relief from a court of competent jurisdiction in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances. The parties agreed that, to the extent not against applicable laws, the courts of Hong Kong, the courts of the Cayman Islands, the courts of PRC and the courts of the places where the principal assets of Beijing Guangyao are located, shall all be deemed to have jurisdiction.

However, our PRC Legal Advisor has advised that the provisions in the agreements underlying the New VIE Structure setting forth that the arbitral body may award injunctive relief over the shares or land assets of Beijing Guangyao and award winding up orders against Beijing Guangyao and

that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under the PRC laws.

In addition, our PRC Legal Advisor has advised us that the practical consequences for the Group arising from the possible non-enforceability of provisions in the agreements underlying the New VIE Structure are as follows:

- if the WFOE intends to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, the WFOE may seek the interim remedies before a PRC court pursuant to Article 101 and other relevant articles of the PRC Civil Procedure Law, and not before any courts in Hong Kong or the Cayman Islands.
- the remedies awarded by arbitral tribunals including the Beijing Arbitration Commission will be limited to the remedies available to them under PRC law, which currently include:
  - (a) cessation of infringements;
  - (b) removal of obstacles;
  - (c) elimination of dangers;
  - (d) return of property;
  - (e) restoration to the original condition;
  - (f) repair, reworking or replacement;
  - (g) compensation for losses;
  - (h) payment of breach of contract damages;
  - (i) elimination of adverse effects and rehabilitation of reputation; and
  - (j) extension of apology.

Because a PRC arbitral tribunal cannot award legal remedies such as injunctive relief or winding up orders, the WFOE can only seek similar but not identical remedies from the Beijing Arbitration Commission under PRC law, such as cessation of infringements or return of property. Alternatively, the WFOE may seek remedies from a competent court, such as the People's Court of Haidian District, the First Intermediate People's Court of Beijing, and in rare cases, the Higher People's Court of Beijing, including interim injunctive relief over the assets or shares of Beijing Guangyao and a winding up order against Beijing Guangyao.

- despite the fact that the clause providing that an arbitral body may award injunctive relief or winding up orders and that courts in Hong Kong and the Cayman Islands may grant interim remedies may not be enforceable under PRC law, the remaining provisions of the dispute resolution clauses set out in the agreements underlying the New VIE Structure are legal, valid and binding on the parties thereto.

## (6) Succession

Each of Master Exclusive Service Agreement, Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that Beijing Guangyao, the Registered Owner and/or the Nominee Shareholder, shall not assign their rights or obligations thereunder to any third party without the prior written consent of the WFOE. Further, each of the Registered Owner and the Nominee Shareholder executed a confirmation and guarantee letter on 31 May 2018 (the “**Confirmation and Guarantee Letter**”), in which the Registered Owner and the Nominee Shareholder confirmed, represented and guaranteed that his successor, guardian, creditor, spouse or any other person that may be entitled to assume the respective rights and interests in the shares of Beijing Guangyao held by the Registered Owner and the Nominee Shareholder upon his death, incapacity, divorce or any circumstances that may affect his ability to exercise his shareholder’s rights in Beijing Guangyao, will not, in any manner and in any circumstances, carry out any act that may affect or hinder the fulfilment of his obligations under each of the agreements underlying the New VIE Structure.

Our PRC Legal Advisor is of the view that if the Confirmation and Guarantee Letter is strictly observed by relevant parties, (i) the death of any shareholders of Beijing Guangyao would not affect the validity of the New VIE Structure, and (ii) the successors of such shareholders would be bound by the New VIE Structure in respect of the shares of Beijing Guangyao held by such shareholders.

In addition, the Registered Owner and the Nominee Shareholder confirmed that, subject to requirement by the WFOE, they will unwind the New VIE Structure and transfer all of the shares of Beijing Guangyao held by them to the WFOE or its designee as soon as the applicable laws of the PRC allows the WFOE to operate the business operated by Beijing Guangyao (which includes but not limited to the business of developing and operating online games) without the New VIE Structure. Subject to the applicable PRC laws, the Registered Owner and the Nominee Shareholder must return to the WFOE or its designee any consideration they received from the WFOE during its acquisition of the shares of Beijing Guangyao.

As the Nominee Shareholder is not married, the spousal consent letter is not applicable in the case of the Nominee Shareholder. The spousal consent letter entered into by the spouse of the Registered Owner on 9 February 2017 will continue to be effective, pursuant to which the spouse of the Registered Owner acknowledged that the shares in Beijing Guangyao held by and registered in the name of the Registered Owner shall be disposed of pursuant to the relevant arrangements under the Business Cooperation Agreement, the proxy agreement and power of attorney, the

Exclusive Option Agreement and the Equity Pledge Agreement. The spouse of the Registered Owner also undertook not to take any action to interfere with the disposition of such shares, including, without limitation, claiming that such equity interests constitute community property of marriage.

**(7) Arrangements to Address Potential Conflicts of Interests**

In the Confirmation and Guarantee Letters, the Registered Owner and the Nominee Shareholder undertook that, during the term of the New VIE Structure, (i) unless otherwise agreed by the WFOE in writing, they will not directly or indirectly (by themselves or by entrusting any other natural person or legal entity to) engage in, own or acquire (as shareholder, partner, agent, employee or under any other circumstances) any business that competes or might compete with the business of Beijing Guangyao or its affiliated companies; (ii) none of their actions or omissions will give rise to conflict of interest between themselves and the WFOE (including the shareholders of the WFOE); and (iii) in the event of any such conflict, which shall be decided at the sole discretion of the WFOE, they will take any action as instructed by the WFOE to eliminate such conflict provided such action is compliant with PRC laws.

**(8) Intellectual Property Held by Beijing Guangyao**

Under the Business Cooperation Agreement among Beijing Guangyao, the Registered Owner, the Nominee Shareholder and the WFOE, Beijing Guangyao agreed and covenanted to the WFOE that Beijing Guangyao shall, and the Registered Owner and the Nominee Shareholder shall cause Beijing Guangyao to accept suggestions raised by the WFOE over daily operations of Beijing Guangyao, and Beijing Guangyao shall strictly abide by and perform accordingly to such suggestions. As such, should the WFOE require Beijing Guangyao in the future to transfer or assign any existing intellectual property to the WFOE, Beijing Guangyao is contractually obligated to do so, as long as such transfer or assignment will not be in conflict with then applicable PRC laws and regulations. Furthermore, Beijing Guangyao is required under the New VIE Structure not to engage in any transaction which may materially affect its asset, obligation, right or operation, including selling to or acquiring from any third party, mortgaging, licensing or disposing of in other ways tangible or intangible assets, other than in the ordinary course of business, without the WFOE's prior written consent. In the future, the WFOE will be applying for the PRC intellectual property rights to the extent permitted under the PRC laws.

## **(9) Impact on the Group in the Event of Liquidation of Beijing Guangyao**

According to the PRC Company Law,

- (a) a company shall be dissolved as a result of the following: 1) when the term of operation as specified in the company's articles of association expires or other reasons for dissolution as specified in the company's articles of association arise; 2) if the shareholders' meeting or shareholders' general meeting resolves to dissolve the company; 3) if dissolution is necessary as a result of the merger or split of the company; 4) its business licence has been revoked, or it is ordered to close down or is banned according to law; or 5) it is ordered to be dissolved by the people's court in accordance with relevant article of the PRC Company Law;
- (b) when a company is to be dissolved pursuant to item 1), 2), 4) or 5) of reasons for dissolution as described above, it shall establish a liquidation committee and commence liquidation within 15 days of the date of occurrence of the grounds for dissolution;
- (c) after a liquidation committee has thoroughly sorted out the company's assets and prepared a balance sheet and an asset inventory, it shall formulate a liquidation plan and submit the same to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation. The assets of a company that remained after the company has paid the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the outstanding taxes, and all of the debts of the company, shall be distributed in the case of a limited liability company, in proportion to the capital contributions of its shareholders and, in the case of a company limited by shares, in proportion to the shareholdings of its shareholders; and
- (d) following the completion of liquidation, the liquidation committee shall compile a liquidation report and submit the same to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation, as well as to the company registry. In addition, the liquidation committee shall apply for cancellation of the company's registration and announce the company's termination.

According to the Exclusive Option Agreement, the Registered Owner and the Nominee Shareholder shall promptly transfer any proceeds of liquidation received from Beijing Guangyao to the WFOE or any other entity designated by the WFOE to the extent permitted under applicable PRC laws.

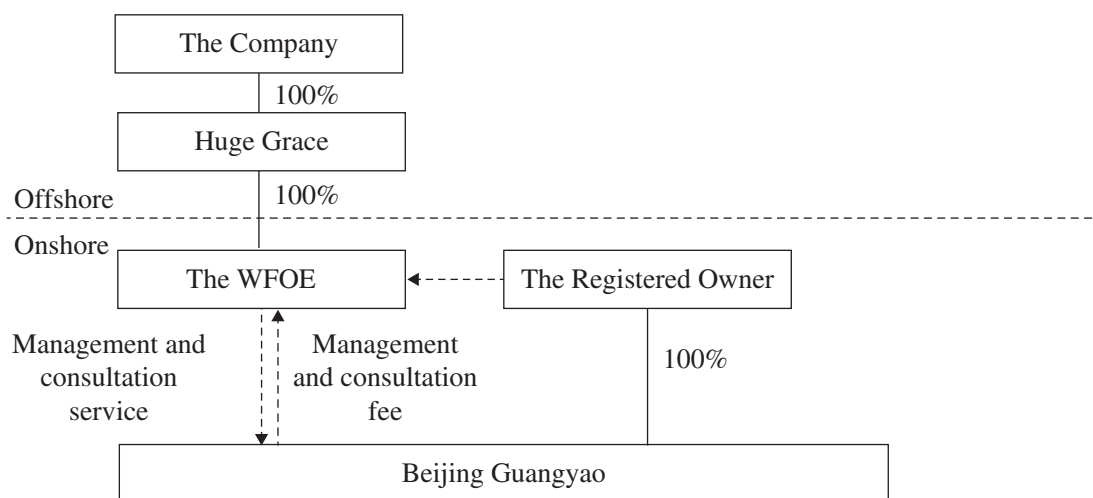
Based on the above, in the event of liquidation of Beijing Guangyao, and if there are any assets of Beijing Guangyao remaining after Beijing Guangyao has paid the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the outstanding taxes, and all of the debts of the company, Beijing Guangyao shall pay such remaining assets to the Nominee Shareholder and the Registered Owner. After receiving any assets or proceeds as a result of liquidation of Beijing Guangyao, the shareholders of Beijing Guangyao are obligated under the Exclusive Option Agreement to transfer such assets or proceeds to the WFOE or any other entity

designated by the WFOE. Since the WFOE is a wholly owned subsidiary of the Group, the Group is entitled to retain the remaining assets or proceeds of Beijing Guangyao in the event of its liquidation.

However, as Beijing Guangyao is the operating entity of the Group owning all material properties and holding all important assets necessary to conduct the eSports Business of the Group, if Beijing Guangyao is liquidated, the Group will lose its capacity to conduct its business and to generate revenue for its investors.

## DIAGRAM OF THE GROUP’S EXISTING VIE STRUCTURE AND THE NEW VIE STRUCTURE

The following simplified diagram illustrates the Group’s Existing VIE Structure prior to the entering of the New VIE Agreements:

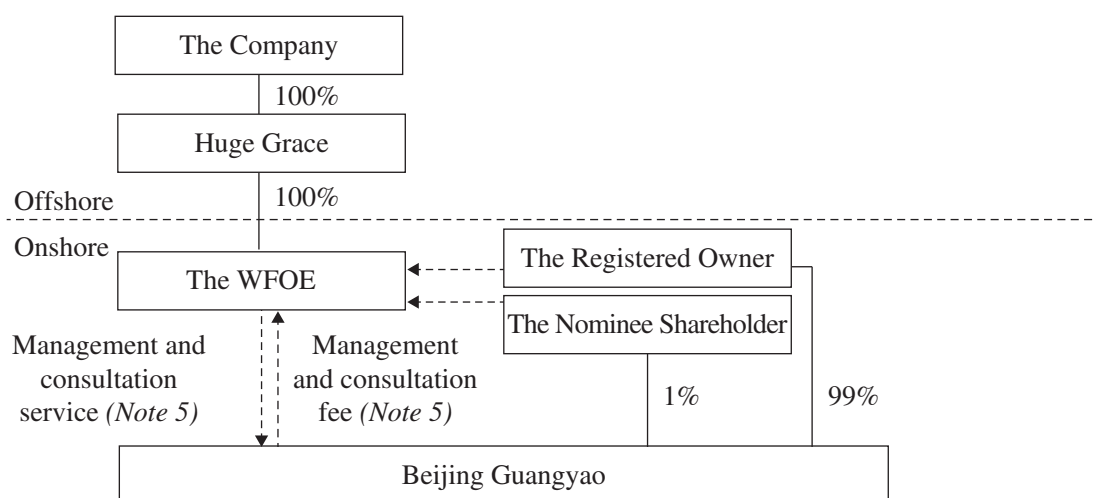


Notes: “—” denotes direct legal and beneficial ownership in the equity interest and “-.->” denotes contractual relationship.

For more details on the Group’s Existing VIE Structure, please refer to the announcement of the Group dated 9 February 2017.

The following simplified diagram illustrates the Group’s Existing VIE Structure and the New VIE Structure after entering into the New VIE Agreements:

- (1) Covenants not to materially affect Beijing Guangyao’s assets and business and right to appoint directors and officers (*Note 1*)
- (2) Power of attorney to exercise all shareholders’ rights in Beijing Guangyao (*Note 2*)
- (3) Exclusive option to acquire all or part of the equity interest in Beijing Guangyao (*Note 3*)
- (4) First priority security interest over the entire equity interest in Beijing Guangyao (*Note 4*)



- Notes:
1. Please refer to the section headed “Business Cooperation Agreement” above for details.
  2. Please refer to the section headed “Proxy Agreement and Power of Attorney” above for details.
  3. Please refer to the section headed “Exclusive Option Agreement” above for details.
  4. Please refer to the section headed “Share Pledge Agreement” above for details.
  5. Please refer to the section headed “Master Exclusive Service Agreement” in the announcement of the Group dated 9 February 2017 for details.
  6. “—” denotes direct legal and beneficial ownership in the equity interest and “---->” denotes contractual relationship.

## **RISKS AND LIMITATIONS RELATING TO THE NEW VIE STRUCTURE**

### **(1) Economic risks of the Company**

None of the agreements constituting the New VIE Structure provide that the Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of Beijing Guangyao or provide financial support to Beijing Guangyao. Furthermore, Beijing Guangyao is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the PRC laws and regulations, the Company or the WFOE, as the primary beneficiary of Beijing Guangyao, is not expressly required to share the losses of Beijing Guangyao or provide financial support to Beijing Guangyao. Despite the foregoing, given that the Group conducts the eSports Business in the PRC through Beijing Guangyao which holds the requisite PRC licenses and approvals, and that Beijing Guangyao's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Beijing Guangyao suffers losses. However, due to the relevant restrictive provisions in the Exclusive Option Agreement and the Business Cooperation Agreement, the potential adverse effect on the WFOE and the Company in the event of any loss suffered from Beijing Guangyao is limited.

### **(2) Limitations in exercising the option to acquire ownership in Beijing Guangyao**

The exercise of the option to acquire the ownership of Beijing Guangyao may be subject to substantial costs. Under the Exclusive Option Agreement, the WFOE has a right to require the Nominee Shareholder and the Registered Owner to transfer any and all the shares of Beijing Guangyao he holds to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under the PRC laws and administration regulations at the time of transfer. The relevant PRC authorities may require the WFOE to pay a substantial amount of enterprise income tax for the income from the ownership transfer if the purchase price is set below the market value.

### **(3) Potential changes in the PRC foreign investment legal regime**

Notwithstanding the PRC legal adviser is of the view that the New VIE Agreements do not contravene with any applicable laws and regulations, there is uncertainty regarding the interpretation and applicable of the PRC laws and regulations such that the PRC government may determine that the contractual arrangements under the Existing VIE Structure do not comply with the applicable laws and regulations of the PRC.

Moreover, on 19 January 2015, the Ministry of Commerce of the PRC circulated Foreign Investment Law of the People's Republic of China (Draft for Comment) (中華人民共和國外國投資法(草案徵求意見稿), "**Draft Law**"), which contains proposed changes to the PRC foreign investment legal regime and the treatment of the variable interests entity ("**VIE**") structure. The Draft Law (i) expressly specifies that foreign investments include situations where foreign

investors obtain direct or indirect control or interests in the PRC enterprises through structured contracts, trust or other ways and (ii) implement a standardized foreign investment system and management system on restrictions on foreign investments under the prohibited and restricted lists. The Draft Law, if adopted, may have material impact on the PRC foreign investment legal regime.

As advised by the PRC legal adviser, since the Draft Law is not a bill or draft law under the relevant legislative law in the PRC, it does not have the effect of law and therefore poses no material impact on the New VIE Agreements.

**(4) The New VIE Agreements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material adverse tax consequences if the PRC tax authorities determine that the New VIE Agreements do not represent arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements. Unfavourable transfer pricing arrangements could, among other things, result in an upward adjustment of the amount of tax that the WFOE or Beijing Guangyao is required to pay. In addition, the PRC tax authorities may impose interests on late payments on WFOE or Beijing Guangyao for the adjusted but unpaid taxes. The New VIE Agreements have been negotiated and executed based on an equal standing and reflect the true commercial intention of WFOE or Beijing Guangyao.

**(5) Other risks relating to the New VIE Structure**

First, the PRC government may determine that the New VIE Agreements do not comply with the applicable laws and regulations of the PRC. Although our PRC Legal Advisor is of the view that the New VIE Structure is in compliance with the relevant PRC laws and regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the area of value-added telecommunications business. For instance, the PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirements in that area of business. Given the uncertain legal and business environment in the PRC, it is difficult to foresee whether the PRC regulatory authorities will take the same view regarding the New VIE Structure as our PRC Legal Advisor in the future.

Secondly, the New VIE Agreements may not provide control as effective as direct ownership. Under the New VIE Structure, the Company has to rely on the WFOE's rights under the New VIE Agreements to effect changes in the management of Beijing Guangyao and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If the Nominee Shareholder, Beijing Guangyao or the Registered Owner refuses to cooperate, the Company will face difficulties in effecting control over Beijing Guangyao's operation of business through the New VIE Structure, which may adversely affect the Company's business efficiency.

Thirdly, the Nominee Shareholder and the Registered Owner may have potential conflicts of interest with the Company. Although there are provisions under the New VIE Agreements and the Confirmation and Guarantee Letter to prevent those situations, conflicts of interest may still arise when the interest of the Nominee Shareholder and/or the Registered Owner does not align with that of the Company, and the Nominee Shareholder and the Registered Owner may breach or cause Beijing Guangyao to breach the New VIE Agreements. If the Company fails to resolve this internally, it may have to resort to dispute resolution. If ultimately either the Nominee Shareholder and/or the Registered Owner has to be removed, it will be difficult for the Company to maintain investors' confidence in the New VIE Structure.

The Company does not maintain any insurance to cover the risks relating to the New VIE Agreements.

The principal terms of the New VIE Agreements are published on the Company's websites ([www.ourgame.com](http://www.ourgame.com)/[www.lianzhong.com](http://www.lianzhong.com)).

## **INFORMATION OF THE GROUP**

The Company is principally engaged in the operation of online and offline mind-sports in the PRC and globally. As at the date of this announcement, the Group holds various investments in mind sports across an array of platforms including PC, mobile and real life tournaments.

## **INFORMATION ABOUT THE PARTIES TO THE NEW VIE AGREEMENTS**

The Nominee Shareholder is a long-term employee of the Group.

Beijing Guangyao is a limited liability company established in the PRC which is owned as to 1% by the Nominee Shareholder and 99% by the Registered Owner. Beijing Guangyao is principally engaged in the eSports Business.

The Registered Owner is a long-term employee of the Group and a vice-president and the legal representative of Beijing Lianzhong.

The WFOE is a limited liability company established in the PRC and a wholly-owned subsidiary of the Company. The WFOE is principally engaged in the services of providing computer related technical support in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Nominee Shareholder is just a long-term employee of the Group and will not become a Connected Persons of the Company under the New VIE Structure.

## IMPLICATIONS UNDER THE LISTING RULES

The Registered Owner, being the substantial shareholder of Beijing Guangyao, will remain as a Connected Person, whilst the Nominee Shareholders, being a long-term employee of the Group and a shareholder holding 1% of the equity interest in Beijing Guangyao, will not become a Connected Person. Accordingly, the transactions contemplated under the New VIE Structure constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the aggregate annual transaction amount in respect of the New VIE Structure is expected to exceed 5% of the applicable percentage ratios, the transactions under the New VIE Structure will technically be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the New VIE Structure is reproduced from the Existing VIE Structure as provided under condition (d) of the IPO Waiver, the Stock Exchange has confirmed that the transactions contemplated under the New VIE Structure are exempt from strict compliance with (i) the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, (ii) the requirement of setting an annual cap for the fees payable to the WFOE under the New VIE Structure, and (iii) the requirement of limiting the term of the New VIE Structure to three years or less, subject to the same conditions of the IPO Waiver.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings ascribed to them below:

“associate”	has the meaning ascribed to it in the Listing Rules
“Beijing Guangyao”	Beijing Guangyao Hudong Technology Development Co., Ltd. (北京光曜互動科技發展有限公司), a limited liability company established in the PRC, the financial results of which have been consolidated and accounted for as a subsidiary of the Group by virtue of the Existing VIE Structure
“Beijing Lianzhong”	Beijing Lianzhong Co., Ltd. (北京聯眾互動網路股份有限公司), a company incorporated under the laws of the PRC on 23 March 1998, the financial results of which have been consolidated and accounted for as a subsidiary of our Company
“Board”	the board of directors of the Company
“Business Cooperation Agreement”	the business cooperation agreement dated 31 May 2018 among the Nominee Shareholder, Beijing Guangyao, the Registered Owner and the WFOE, as further detailed in the section headed “ <b>Business Cooperation Agreement</b> ”

“Company”	Ourgame International Holdings Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	has the meaning in rules 14A.07 to 14A.11 the Listing Rules
“Director(s)”	the director(s) of the Company
“eSports Business”	includes the eSports, sports e-commerce business and other non-card-and-board games new internet businesses of the Group
“Exclusive Option Agreement”	the exclusive option agreement dated 31 May 2018 among the Nominee Shareholder, Beijing Guangyao, the Registered Owner and the WFOE, as further detailed in the section headed “ <b>Exclusive Option Agreement</b> ”
“Existing VIE Structure”	shall have the meaning attributed to it in the section headed “ <b>Reasons for and Benefits of the Transactions</b> ”
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huge Grace”	Huge Grace Holding Limited, a limited company incorporated under the laws of Hong Kong on 18 November 2016 and a wholly-owned subsidiary of the Company
“IPO Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with (i) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing VIE Structure, (ii) the requirement of setting an annual cap for the fees payable to Lianzhong Garden under the Existing VIE Structure, and (iii) the requirement of limiting the term of the Existing VIE Structure to three years or less, for so long as the Shares are listed on the Stock Exchange subject to certain conditions, as further detailed on pages 150 to 152 of the prospectus of the Company dated 18 June 2014
“Lianzhong Hong Kong”	Lianzhong Holdings (Hong Kong) Limited, a limited company incorporated under the laws of Hong Kong on 18 December 2013 and a wholly-owned subsidiary of the Company

“Lianzhong Garden”	Beijing Lianzhong Garden Network Technology Company Limited (北京聯眾家園網路科技有限責任公司), a limited liability company incorporated in the PRC and an indirectly wholly-owned subsidiary of the Company
“Listing”	the listing of the shares of the Company on the Stock Exchange, which occurred on 30 June 2014
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“New VIE Agreements”	collectively, the Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement
“New VIE Structure”	the structure established through the entering into of the New VIE Agreements
“Nominee Shareholder”	Mr. Ping Yan (平岩), who owns 1% equity interest in Beijing Guangyao upon the Share Transfer and as at the date of this announcement, and is a long-term employee of the Group
“Online Games Business”	shall have the meaning attributed to it in the section headed “ <b>Reasons for and Benefits of the Transactions</b> ”
“PC”	personal computer
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法)
“PRC Civil Procedure Law”	The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法)
“PRC Legal Advisor”	King & Wood Mallesons
“Proxy Agreement and Power of Attorney”	the proxy agreement and power of attorney, each dated 31 May 2018 and entered into among the Nominee Shareholder, the Registered Owner and the WFOE, as further detailed in the section headed “ <b>Proxy Agreement and Power of Attorney</b> ”

“Registered Owner”	Mr. Liang Jie (梁傑), who owns 99% equity interests in Beijing Guangyao upon the Share Transfer and as at the date of this announcement, and is a long-term employee of the Group and a vice-president and the legal representative of Beijing Lianzhong
“Share Pledge Agreement”	the share pledge agreement dated 31 May 2018 between the Nominee Shareholder, the Registered Owner and the WFOE, as further detailed in the section headed “ <b>Share Pledge Agreement</b> ”
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Transfer”	shall have the meaning attributed to it in the section headed “ <b>Introduction</b> ”
“WFOE”	Tianjin Lianzhong Lequ Technology Development Co., Ltd. (天津聯眾樂趣科技發展有限公司), a limited liability company incorporated in the PRC, a wholly foreign owned enterprise and an indirectly wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board  
**Ourgame International Holdings Limited**  
**Yang Eric Qing**  
*Chairman and Executive Director*

Beijing, 31 May 2018

*As at the date of this announcement, the executive Directors are Mr. YANG Eric Qing and Mr. NG Kwok Leung Frank; the non-executive Directors are Mr. LIU Jiang, Ms. FU Qiang, Mr. FAN Tai and Mr. CHEN Xian; the independent non-executive Directors are Mr. GE Xuan, Mr. LU Zhong and Dr. TYEN Kan Hee Anthony*

\* *For identification purposes only*