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Imperium Technology Group Limited

帝國科技集團有限公司

(formerly known as Imperium Group Global Holdings Limited

帝國集團環球控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0776)

GROUP RESTRUCTURING RELATING TO (I) CONTINUING CONNECTED TRANSACTION; AND (II) WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES

On 18 January 2022, Hainan Wanhui, Hainan Seven Elements, Ms. Zheng Q.F. and Ms. Zheng Y.L. entered into relevant termination agreements and documents in respect of the termination of the First VIE Agreements, which will be carried out in compliance with the relevant PRC laws and regulations.

On 18 January 2022, Hainan Weifeng, Hainan Seven Elements, Ms. Zheng Q.F. and Ms. Zheng Y.L. enter into the New VIE Agreements. There are no consideration involved in the Group Restructuring. The Group Restructuring is for internal reorganisation purposes.

Notwithstanding that the transactions contemplated under the New VIE Agreements technically constitute continuing connected transaction for the purpose of Chapter 14A of the Listing Rules, the New VIE Agreements and the transactions contemplated thereunder complied with paragraph (d) of the Waiver Conditions and thereby the Waiver granted by the Stock Exchange on 9 September 2020 in relation to, among others, the First VIE Agreements remains valid for the New VIE Agreements.

Reference is made to the announcement of the Company dated 14 September 2020 and the circular (the “**Circular**”) of the Company dated 7 October 2020, in relation to the continuing connected transactions and the waiver from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the Circular.

BACKGROUND

First VIE Agreements

On 28 May 2020, Hainan Seven Elements, Hainan Wanhui, being an indirect wholly-owned subsidiary of the Company, and the Registered Shareholders of Hainan Seven Elements entered into the First VIE Agreements in order to enable the financial results, the entire economic benefits and the risks of the businesses of Hainan Seven Elements to flow into Hainan Wanhui and to enable Hainan Wanhui to have indirect control over Hainan Seven Elements. The acquisition by Hainan Wanhui of the effective control of Hainan Seven Elements from the Registered Shareholders did not involve any consideration.

Continuing Connected Transactions

At all material times, (i) Hainan Seven Elements is owned as to 95% by Ms. Zheng Q.F. and 5% by Ms. Zheng Y.L.; and (ii) each of Ms. Zheng Q.F. and Ms. Zheng Y.L. is a relative of Mr. Cheng Ting Kong, an executive Director and the controlling shareholder. As such, each of Ms. Zheng Q.F., Ms. Zheng Y.L. and Hainan Seven Elements is a deemed connected person of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) in respect of the expected annual services fee payable by Hainan Seven Elements to Hainan Wanhui under the First Management Services Agreement during its term may be more than 5%, the transactions contemplated under the First VIE Agreements will constitute continuing connected transactions on the part of the Company and may be subject to the reporting, announcement, annual review and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Notwithstanding that the transactions contemplated under the First VIE Agreements technically constitute continuing connected transactions on the part of the Company for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company, (i) for the transactions contemplated under the First VIE Agreements, being the service fees payable under the First Management Services Agreement, to be subject to the annual cap requirement under Rule 14A.53 of the Listing Rules; and (ii) for the term of the First VIE Agreements to be limited to three years or less under Rule 14A.52 of the Listing Rules.

Waiver from strict compliance with Rules 14A.52 and 14A.53 of the Listing Rules

On 30 July 2020, the Company applied for, and on 9 September 2020, the Stock Exchange granted a waiver (the “**Waiver**”) from, among others, strict compliance with the requirements of (i) setting annual caps for the transactions contemplated under the First VIE Agreements under Rule 14A.53 of the Listing Rules; and (ii) limiting the term of the First VIE Agreements to three years or less pursuant to Rule 14A.52 of the Listing Rules, subject to the following conditions (the “**Waiver Conditions**”):

- (a) save as described in paragraph (d) below, no changes to the terms of the First VIE Agreements will be made without the approval of the independent Shareholders;
- (b) save as described in paragraph (d) below, no changes to the terms of the First VIE Agreements will be made without the approval of the independent non-executive Directors;
- (c) the First VIE Agreements shall continue to enable the Group to receive the economic benefits derived by Hainan Seven Elements through: (i) Hainan Wanhui’s right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in Hainan Seven Elements; (ii) the business structure under which the revenue generated by Hainan Seven Elements is substantially retained by Hainan Wanhui (insofar that no annual caps shall be set on the amount of the management services fees payable by Hainan Seven Elements to Hainan Wanhui under the First Management Services Agreement); and (iii) Hainan Wanhui’s right to control the management and operation of, as well as, in substance, all of the voting rights of Hainan Seven Elements;
- (d) the framework of the VIE structures in respect of the First VIE Agreements may be renewed and/or cloned upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group may wish to establish, without obtaining the approval of the independent shareholders of the Company, on substantially the same terms and conditions as the First VIE Agreements. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or new wholly foreign-owned enterprise or operating company (including branch company) that the Group may establish upon renewal and/or cloning of the First VIE Agreements will be treated as the Group’s connected persons and transactions between these connected persons and the Group other than those under similar First VIE Agreements shall comply with Chapter 14A of the Listing Rules. This condition is subject to compliance with the relevant laws, regulations and approvals of the PRC;

- (e) unless the transactions are exempt under the Listing Rules, the Group will disclose details relating to the First VIE Agreements on an ongoing basis as follows:
- (i) the First VIE Agreements will be disclosed in the Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules;
 - (ii) the independent non-executive Directors will review the First VIE Agreements annually and confirm in the Company's annual report and accounts for the relevant year that: (a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the First VIE Agreements and that the revenue generated by Hainan Seven Elements (minus all relevant costs, expenses and taxes payable by Hainan Seven Elements) has been substantially retained by Hainan Wanhui; (b) no dividends or other distributions have been made by Hainan Seven Elements to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (c) any new contracts entered into, renewed and/or cloned between the Group on the one hand and Hainan Seven Elements on the other hand during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole;
 - (iii) the Group's auditors will carry out review procedures annually on the transactions carried out pursuant to the First VIE Agreements and will provide a letter to the Directors with a copy to the Stock Exchange, at least ten business days before the bulk printing of the Company's annual report, confirming that (a) the transactions have been approved by the Directors; (b) the transactions have been entered into, in all material respects, in accordance with the First VIE Agreements; and (c) that no dividends or other distributions have been made by Hainan Seven Elements to the holders of its equity interests which are not otherwise subsequently assigned/ transferred to the Group;
 - (iv) for the purpose of Chapter 14A of the Listing Rules, Hainan Seven Elements will be treated as the Company's wholly-owned subsidiary, and its directors, chief executives or substantial shareholders and their respective associates (as defined in the Listing Rules) will be treated as connected persons of the Company and transactions between these connected persons and the Group, other than those under the First VIE Agreements, will be subject to requirements under Chapter 14A of the Listing Rules; and

- (v) Hainan Seven Elements and its registered shareholders will undertake that, for so long as the shares of the Company are listed on the Stock Exchange, Hainan Seven Elements and its registered shareholders will provide the Group's management and the Company's auditors with full access to its relevant records for the purpose of the Company's auditors' review of the connected transactions.

Save as described in paragraph (d) above, if any terms of the First VIE Agreements are altered or if the Company enters into any new agreements with any connected persons in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

Poll results of the EGM

On 23 October 2020, the ordinary resolutions were duly passed by the Independent Shareholders by way of poll at the EGM for approving, among others, the First VIE Agreements and the transactions contemplated thereunder.

GROUP RESTRUCTURING

The restructuring (the “**Group Restructuring**”) of the Group involves (i) the incorporation of a new wholly foreign-owned enterprise, namely 海南威鳳網絡科技有限公司 (Hainan Weifeng Internet Technology Co., Ltd.) (“**Hainan Weifeng**”) by the Group; and (ii) the termination of the First VIE Agreements and the entering into of the New VIE Agreements (as defined below) by the Group such that Hainan Weifeng will replace Hainan Wanhui as the new wholly foreign-owned enterprise for the purpose of the New VIE Structure (as defined below).

Termination of the First VIE Agreements and entering into of the New VIE Agreements

On 18 January 2022, Hainan Wanhui, Hainan Seven Elements, Ms. Zheng Q.F. and Ms. Zheng Y.L. entered into relevant termination agreements and documents in respect of the termination of the First VIE Agreements, which will be carried out in compliance with the relevant PRC laws and regulations.

On 18 January 2022, Hainan Weifeng, Hainan Seven Elements, Ms. Zheng Q.F. and Ms. Zheng Y.L. enter into the New VIE Agreements (as defined below). There are no consideration involved in the Group Restructuring. The Group Restructuring is for internal reorganisation purposes.

The new VIE agreements (the “**New VIE Agreements**”) will comprise of a series of agreements, including but not limited to the management services agreement (the “**New Management Services Agreement**”), the equity pledge agreement (the “**New Equity Pledge Agreement**”), the irrevocable option agreement (the “**New Irrevocable Option Agreement**”), the power of attorney (the “**New Power of Attorney**”), the undertaking letters (the “**New Undertaking Letters**”) and the declaration letter (the “**New Declaration Letter**”), executed for the purpose of establishing the variable interest entity arrangement between Hainan Weifeng and Hainan Seven Elements through which the financial results of Hainan Seven Elements are consolidated with the financial results of Hainan Weifeng as “variable interest entity” (as defined in Hong Kong and International Financial Reporting Standards).

The New VIE Agreements contain the terms and conditions substantially the same as those of the VIE Agreements and are cloned from the First VIE Agreements. The structure established through the entering into of the New VIE Agreements (the “**New VIE Structure**”) will be on substantially the same terms as those currently in place under the VIE structure in respect of the First VIE Agreements as disclosed in the Circular, save as to the consequential amendments arising from the change in the wholly foreign-owned enterprise from Hainan Wanhui to Hainan Weifeng.

INFORMATION ON HAINAN WEIFENG

Hainan Weifeng is a company established in the PRC with limited liability on 18 October 2021 and is principally engaged in, among others, development and design of online game programs and operation of online games. Hainan Weifeng is wholly-owned by Seven Senses Game Company Limited (“**Seven Senses**”), a company incorporated in Hong Kong with limited liability. Seven Senses is wholly-owned by Apex Empire International Limited (“**Apex Empire**”), a company incorporated in the British Virgin Islands with limited liability. Apex Empire in turn is wholly-owned by the Company. Mr. Lin Junwei, an executive Director, is the sole director of Hainan Weifeng.

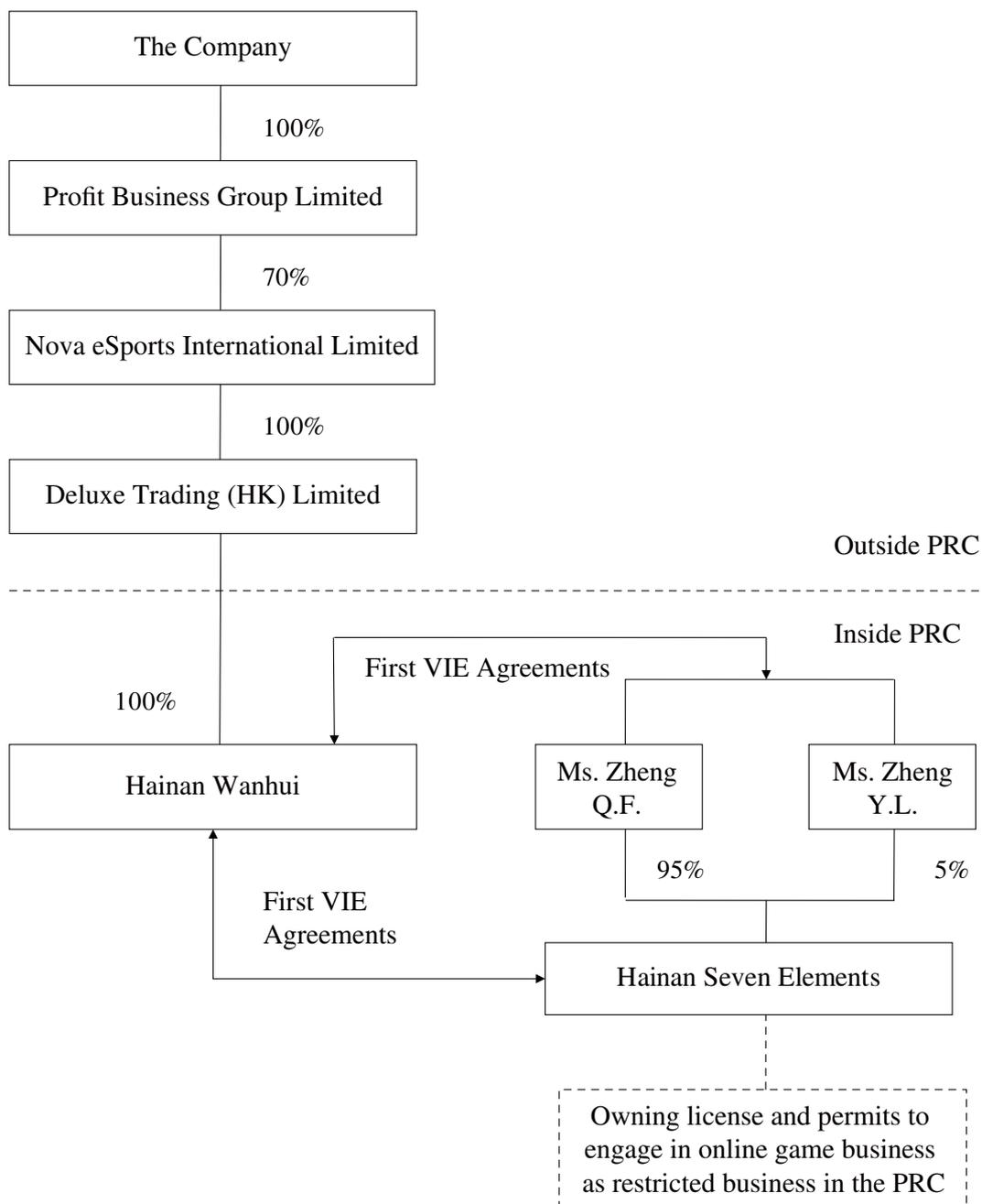
INFORMATION ON HAINAN SEVEN ELEMENTS

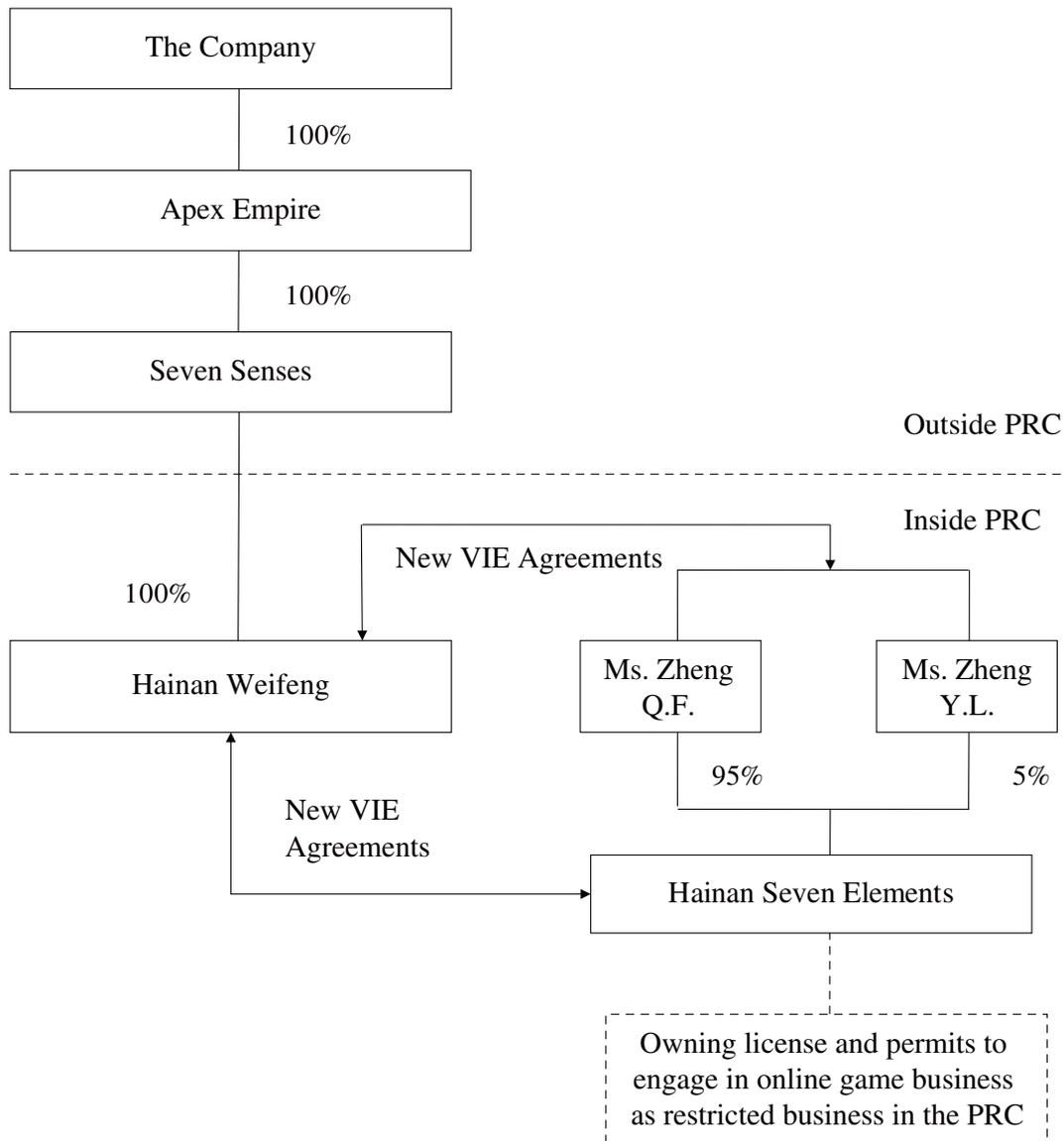
Hainan Seven Elements is a company established in the PRC with limited liability on 26 December 2017. Hainan Seven Elements is principally engaged in the development and design of online games programs and operation of online games. It currently holds (i) the Business Licence for Value-added Telecommunications Business issued by 海南省通信管理局 (the Hainan Communications Administration*); and (ii) the Permit for Cyber Culture Business Operations issued by 海南省旅遊和文化廣電體育廳 (Hainan Provincial Department of Culture, Radio, Film, Television, Publication and Sports*). Since its establishment in December 2017, Hainan Seven Elements has not yet commenced its online games business.

As at the date of this announcement, the assets of Hainan Seven Elements include prepayment and other receivables and cash and bank balances and the liabilities include other payables. Upon completion of the Group Restructuring: (i) all the existing assets and liabilities of Hainan Seven Elements will be transfer with Hainan Seven Elements to Hainan Weifeng; and (ii) other than the equity interests in Hainan Seven Elements, all assets of Hainan Wanhui will remain to be held by Hainan Wanhui.

Structure of Hainan Seven Elements

The following is the shareholding structure of Hainan Seven Elements (i) before the Group Restructuring; and (ii) immediately after the Group Restructuring:





REASON FOR AND BENEFIT OF THE GROUP RESTRUCTURING

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and sale of furnishings and home products, online games business, property investment and money lending business.

Prior to the Group Restructuring, Hainan Seven Elements is a direct wholly-owned subsidiary of Hainan Wanhui. Hainan Wanhui is an indirect wholly-owned subsidiary of Profit Business Group Limited. Profit Business Group Limited is the intermediate holding company for the sub-group of the Group principally engaged in eSports business.

Hainan Weifeng is an indirect wholly-owned subsidiary of Apex Empire. Apex Empire is the intermediate holding company for the sub-group of the Group principally engaged in game publishing business.

Upon completion of the Group Restructuring, (i) Hainan Seven Elements has become an indirect wholly-owned subsidiary of Apex Empire; (ii) Hainan Seven Elements has been transferred to the sub-group of the Group principally engaged in game publishing business; and (iii) subsidiaries engaged in the same segment will be grouped under a same sub-group of companies, which will enhance the management of the companies in the same segment.

In view of the above, the Directors consider that the entering into of the New VIE Agreements and the terms of the New VIE Agreements, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

As at the date of this announcement, the Group has not encountered any interference or encumbrance from any governing bodies in operating its business through Hainan Seven Elements under the New VIE Agreements.

INFORMATION OF THE NEW VIE AGREEMENTS

New VIE Agreements

(1) New Management Services Agreement

Date: 18 January 2022

Parties: (1) Hainan Seven Elements;
(2) Hainan Weifeng; and
(3) The Registered Shareholders

Scope of services: Hainan Weifeng (a) shall be involved in the business management, project management and technical services, personnel arrangement and financial management of Hainan Seven Elements; (b) shall provide investment and strategic business advice on the operation and technical services of Hainan Seven Elements; and (c) shall participate and assist in Hainan Seven Elements' operations and project management, complete the management consulting services in respect of Hainan Seven Elements and provide the relevant report and technical services to Hainan Seven Elements in a timely manner.

The consulting and management services to be provided by Hainan Weifeng to Hainan Seven Elements shall include but not limited to the following:

- (i) to provide Hainan Seven Elements with related software and intellectual property rights owned by Hainan Weifeng;
- (ii) to conduct research and development, maintenance and upgrading of software in respect of the business of Hainan Seven Elements as well as to provide relevant technical consultation and technical services;
- (iii) to provide services relating to design, installation, day-to-day management, maintenance and upgrading of network system hardware and database design;
- (iv) to provide consulting services in respect of the procurement of the necessary equipment, hardware and software systems required for the operation of Hainan Seven Elements;
- (v) to provide customer order management services and customer services;
- (vi) to be engaged in the selection and procurement process for the hiring of qualified persons and experts who have extensive experience in the development and design of online games programs and operation of online games, and where necessary, to provide training to the managers, department heads, administrative personnel and all other employees of Hainan Seven Elements;
- (vii) to provide strategic advice to Hainan Seven Elements in relation to contracts to be entered into in its ordinary course of business or contracts reasonably required for its business;

- (viii) to formulate rules, regulations, internal control policies, risk control management systems, administrative standards and policies for accounting, budget plans, marketing, personnel and operations for Hainan Seven Elements and its business practices as well as to assist Hainan Seven Elements in the implementation of such policies and business practices;
- (ix) to formulate plans and make preparations for public relations and marketing activities of Hainan Seven Elements and assist Hainan Seven Elements in the entering into of contracts with third parties in relation to the development and design of online game program and the operation of online games;
- (x) to review and improve the operations of Hainan Seven Elements;
- (xi) to carry out such actions as may be reasonably required for the operation of the business of Hainan Seven Elements;
- (xii) to make business decisions relating to investments, establishing of branch offices and subsidiaries, mergers and acquisitions on behalf of Hainan Seven Elements;
- (xiii) to provide Hainan Seven Elements with global market information, market research data and analysis in relation to the development and design of online game program and the operation of online games; and
- (xiv) to provide investment and strategic business advice on the operation and investment project of Hainan Seven Elements as well as to participate in and assist in the management of the operations of its projects.

Fee: Hainan Seven Elements shall pay to Hainan Weifeng the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements minus all relevant costs, expenses and taxes payable by Hainan Seven Elements, on an annual basis. In the event that Hainan Seven Elements is loss-making for a given year, then Hainan Seven Elements will not be required to pay any Management Services Fee for the relevant year until Hainan Seven Elements records a surplus.

Term: The New Management Services Agreement has taken effect from 18 January 2022 and shall remain in effect indefinitely save for Hainan Weifeng is entitled to terminate the New Management Services Agreement: (a) by giving Hainan Seven Elements not less than 30 days prior notice in writing; or (b) if the entire equity interest in and assets of Hainan Seven Elements is transferred to Hainan Weifeng or its nominee pursuant to the New Irrevocable Option Agreement; or (c) if Hainan Seven Elements ceases to operate any business, becomes insolvent or bankrupt or is in the process of winding up or liquidation.

(2) *New Equity Pledge Agreement*

Date: 18 January 2022

Parties: (1) Hainan Seven Elements;
(2) Hainan Weifeng; and
(3) The Registered Shareholders

Subject: The Registered Shareholders has pledged by way of first priority pledge the entire equity interest in Hainan Seven Elements (including all dividend and interest paid or payable thereon) in favour of Hainan Weifeng as security for the performance of the obligations of Hainan Seven Elements under the New Management Services Agreement.

Term: The New Equity Pledge Agreement has taken effect from 18 January 2022 and shall remain in effect until Hainan Seven Elements and the Registered Shareholders have unconditionally and irrevocably fulfilled all the obligations (including but not limited to the settlement and/or the payment of the service fee and any liquidated damage) under the New Management Services Agreement.

(3) *New Irrevocable Option Agreement*

Date: 18 January 2022

Parties: (1) Hainan Seven Elements;
(2) Hainan Weifeng; and
(3) The Registered Shareholders

Subject: Hainan Seven Elements and the Registered Shareholders have irrevocably granted the right in favour of Hainan Weifeng to purchase or for its nominee to purchase the entire equity interest in Hainan Seven Elements at nil consideration (or to the extent that nil consideration for transfer of the equity interest in a company is prohibited under the relevant local laws and regulations or prohibited by the local government departments, at such consideration to be determined by Hainan Weifeng).

Term: The exercise period of the option under the New Irrevocable Option Agreement shall remain in effect indefinitely as permitted by the relevant laws and regulations and/or until Hainan Weifeng exercises such option. Hainan Weifeng may exercise the option under the New Irrevocable Option Agreement or assign its rights under such option at any time by way of serving a notice in writing to Hainan Seven Elements and the Registered Shareholders.

(4) *New Power of Attorney*

Date: 18 January 2022

Parties: (1) Hainan Seven Elements;

- (2) Hainan Weifeng; and
- (3) Ms. Zheng Q.F./the Registered Shareholders

Subject:

- (i) Ms. Zheng Q.F., as the director, and Hainan Seven Elements, as the confirming party, have irrevocably executed the director's power of attorney in favour of Hainan Weifeng pursuant to which Hainan Weifeng was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F. to, among others, (a) exercise all directors' rights of Hainan Seven Elements including but not limited to the passing of board resolutions and to appoint and remove the manager and/or other senior management of Hainan Seven Element; and (b) to sign on the director's behalf all necessary transfer documents and other documents to give effect to the New VIE Agreements;
- (ii) the Registered Shareholders, as the shareholders, and Hainan Seven Elements, as the confirming party, have irrevocably executed the shareholders' power of attorney in favour of Hainan Weifeng pursuant to which Hainan Weifeng was appointed as the exclusive attorney-in-fact of the Registered Shareholders to, among others, (a) exercise all shareholders' rights of Hainan Seven Elements pursuant to its articles of association and the relevant PRC laws including but not limited to convene and attend the shareholders' general meeting, to exercise its voting right at the shareholders' general meeting and to pass shareholders' resolutions; (b) designate and appoint the legal representative, executive director, director, supervisor, general manager and other senior management of Hainan Seven Element; (c) make decisions to sell or dispose of the entire equity interest of Hainan Seven Elements held by the Registered Shareholders; and (d) formulate any profit distribution plan; and

- (iii) Ms. Zheng Q.F., as the legal representative, and Hainan Seven Elements, as the confirming party, have irrevocably executed the legal representative's power of attorney in favour of Hainan Weifeng pursuant to which Hainan Weifeng was appointed as the exclusive attorney-in-fact of Ms. Zheng Q.F. to, among others, (i) exercise all legal representative's duties of Hainan Seven Elements pursuant to its articles of association and the relevant PRC laws; and (ii) to sign on the legal representative's behalf all necessary transfer documents and other documents to give effect to the New VIE Agreements.

Term: The New Power of Attorney has taken effect from 18 January 2022 and shall remain in effect until the revocation or termination of the New Management Services Agreement, the New Equity Pledge Agreement and the New Irrevocable Option Agreement.

(5) *New Undertaking Letters*

Date: 18 January 2022

Parties: (1) Hainan Seven Elements;
(2) Hainan Weifeng; and
(3) Ms. Zheng Q.F./the Registered Shareholders

Subject: (i) Ms. Zheng Q.F., as the director, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the director's undertaking letter in favour of Hainan Weifeng pursuant to which Ms. Zheng Q.F. has undertaken, among others, (i) to exercise her director's rights including but not limited to voting right for board resolutions in accordance with the instructions of Hainan Weifeng; (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; and (iii) that Hainan Seven Elements shall pay the services fee to Hainan Weifeng pursuant to the New Management Services Agreement;

- (ii) the Registered Shareholders, as the shareholders, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the shareholders' undertaking letter in favour of Hainan Weifeng pursuant to which the Registered Shareholders have undertaken, among others, (i) to exercise their shareholders' right including but not limited to voting right at shareholders' general meeting in accordance with the instructions of Hainan Weifeng; (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; and (iii) that Hainan Seven Elements shall pay the services fee to Hainan Weifeng pursuant to the New Management Services Agreement; and

- (iii) Ms. Zheng Q.F., as the legal representative, and Hainan Seven Elements, as the confirming party, have irrevocably and unconditionally executed the legal representative's undertaking letter in favour of Hainan Weifeng pursuant to which Ms. Zheng Q.F. has undertaken, among others, (i) to exercise her legal representative's rights including but not limited to the signing of the relevant documents in its capacity as legal representative of Hainan Seven Elements in accordance with the instructions of Hainan Weifeng; (ii) that Hainan Seven Elements shall pay its taxes, social insurance and housing provident fund in accordance with the PRC laws; and (iii) that Hainan Seven Elements shall pay the services fee to Hainan Weifeng pursuant to the New Management Services Agreement.

Term: The New Undertaking Letters has taken effect from 18 January 2022.

(6) *New Declaration Letter*

Date: 18 January 2022

Parties: (1) Ms. Zheng Y.L.; and
(2) Ms. Zheng Y.L.'s spouse

Subject: Ms. Zheng Y.L. and her spouse have irrevocably declare that, among other things, (i) acknowledge that the 5% equity interests held by Ms. Zheng Y.L. in Hainan Seven Elements do not form part of their matrimonial property and Ms. Zheng Y.L. is entitled to sign and fulfill the New VIE Agreements in her personal capacity; and (ii) the spouse of Ms. Zheng Y.L. undertakes that in the event of divorce between Ms. Zheng Y.L. and him, he will not make any claim for the assets or profits of Hainan Seven Elements or be involved in the day-to-day management of Hainan Seven Elements.

Term: The New Declaration Letter has taken effect from 18 January 2022.

Protection of the interest and assets of Hainan Seven Elements

The New VIE Agreements include a provision that each agreement is binding on the successors and permitted assignees of the respective parties. In the event of death, bankruptcy or divorce of any party of registered shareholders of Hainan Seven Elements, Hainan Weifeng may exercise its option(s) under the New Irrevocable Option Agreement to replace the relevant party of such registered shareholders, thus protecting the interest of the Group and allowing Hainan Weifeng to enforce its rights under the New VIE Agreements against the successors and permitted assignees of the shareholders of Hainan Seven Elements.

In order to have effective control over and to safeguard the assets of Hainan Seven Elements, the New VIE Agreements provide that, without the prior written consent of Hainan Weifeng, Hainan Seven Elements shall not, in any form, dispose of significant assets (including but not limited to any significant customer resources, fixed assets, trademarks, technical knowhow or other intellectual property rights and/or other equity interests or similar interests held by Hainan Seven Elements), operating rights and/or dispose of all or part of its business (including sale, replacement, mortgage or disposal in any other ways), with respect to it and/or its subsidiaries (if any).

The New VIE Agreements also provide that, without the prior written consent of Hainan Weifeng, (i) Hainan Seven Elements shall not increase or decrease the registered capital or accept any investment or capital increase from the Registered Shareholders or Ms. Zheng Y.L. or any third parties to Hainan Seven Elements or change the form of the company or make any major adjustments regarding carrying out liquidation or dissolution; or the business scope, mode, profit model, marketing strategy, business policy or customer relationship; (ii) Hainan Seven Elements shall not enter into any partnership or joint venture or profit sharing arrangement with any third parties, or any other arrangements for the transfer of benefits or profit sharing in the form of royalties, service fees or consultancy fees; and (iii) Hainan Seven Elements shall not declare or distribute dividends or any other interests to its shareholders, including the after-tax profits that Seven Elements has not yet allocated before the commencement of the New VIE Agreements.

New VIE Agreements confer economic benefits on Hainan Weifeng from Hainan Seven Elements

The New VIE Agreements confer upon the Group the right to enjoy all the economic benefit of Hainan Seven Elements by the New Management Services Agreement under which Hainan Seven Elements shall pay to Hainan Weifeng the services fee, which shall be equivalent to the total revenue of Hainan Seven Elements minus all relevant costs, expenses and taxes payable by Hainan Seven Elements, on an annual basis.

New VIE Agreements confer control from Hainan Seven Elements to Hainan Weifeng

The New VIE Agreements confer upon the Group sufficient control over the board and daily operations of Hainan Seven Elements. The appointment of directors of Hainan Seven Elements is subject to approval from Hainan Weifeng. If Hainan Weifeng is dissatisfied with the performance of the director(s) of Hainan Seven Elements and proposes to remove such director(s), Hainan Seven Elements shall remove such person(s) as director(s) upon Hainan Weifeng's proposal.

Moreover, under the New Management Services Agreement, Hainan Weifeng will formulate rules, regulations, internal control policies, risk control management systems, standards administration, accounting, budget, marketing, human resources and operating policies, as well as the practices which relevant to or affecting the business of Hainan Seven Elements, and assist Hainan Seven Elements in the effective implementation of relevant policies and business practices.

Hainan Weifeng will retain the custody of the constitutional items of Hainan Seven Elements, including the company chop and seal. At the request of Hainan Weifeng, Hainan Seven Elements will provide Hainan Weifeng with the relevant legal documents and other information on their business operation.

Dispute resolutions and dealings with the assets of Hainan Seven Elements in winding up situation contained in the New VIE Agreements

The terms of the New VIE Agreements provide that the arbitration tribunal may award (i) remedies over the equity interests or assets of Hainan Seven Elements; or (ii) injunctive relief (e.g. for the conduct of business or to compel the transfer of assets); or (iii) order the winding up of Hainan Seven Elements.

The New VIE Agreements also include a clause in relation to dispute resolution among the parties whereby, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, the Cayman Islands, the PRC and the location where the principal assets of the Company and Hainan Seven Elements are located.

Rights to consolidate the accounts of Hainan Seven Elements pursuant to the VIE arrangements

The Company has confirmed with its auditors that it has the right to consolidate the accounts of Hainan Seven Elements pursuant to the VIE arrangements.

The VIE Arrangements would be terminated if the Company is allowed to operate without them

The Company agrees that it would unwind the New VIE Agreements as soon as the relevant laws and regulations allow the value-added telecommunications business and the internet cultural services business in the PRC to be operated by foreign investors without adopting a VIE structure. However, it is uncertain at this stage when the restrictions on foreign ownership in value-added telecommunications businesses and the internet cultural services business will be lifted in the PRC.

Hainan Seven Elements to return consideration to Hainan Weifeng upon termination of the New VIE Agreements

Under the New Irrevocable Option Agreement, upon termination of the VIE arrangements, the registered shareholders of Hainan Seven Elements must return to Hainan Weifeng or its nominee any consideration that such registered shareholders had received from Hainan Weifeng for the acquisition of the equity interest in Hainan Seven Elements.

Hainan Seven Elements and its registered shareholders' right to terminate any of the New VIE Agreements

Hainan Seven Elements and its registered shareholders are generally not entitled to terminate any of the New VIE Agreements unless, among others, (a) the laws, regulations and departmental rules prohibit or restrict the carrying out of the terms of the New VIE Agreements; (b) Hainan Weifeng breaches the terms of the New VIE Agreements and has not rectified such breach within 20 days after receiving the relevant written notice; (c) Hainan Weifeng becomes bankrupt or is unable to repay its debts; (d) the occurrence of a force majeure event which continues for more than 120 days; and (e) if Hainan Weifeng becomes entitled to acquire the equity interest in Hainan Seven Elements directly according to the PRC laws and if such equity interests in Hainan Seven Elements were transferred to Hainan Weifeng.

PRC legal opinion in respect of the VIE Arrangements

The PRC Legal Advisers has confirmed that (i) the termination of the First VIE Agreements will be carried out in compliance with the relevant PRC laws and regulations; (ii) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, the use of the New VIE Structure and the New VIE Agreements do not violate the relevant prevailing laws and regulations in the PRC; (iii) the New VIE Agreements would not be deemed as a civil juristic act performed by a person and another person based on a false expression of intent and void under Article 146 of the Civil Code of the People's Republic of China; and (iv) save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, which may not be enforceable under PRC law, the New VIE Agreements are enforceable under the laws of the PRC. Based on the above, the Directors believe that the New VIE Agreements conferring significant control and economic benefits from Hainan Seven Elements to Hainan Weifeng are enforceable under the relevant laws and regulations.

The Directors' view

The Directors are of the view that the terms of the New VIE Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RISKS AND LIMITATIONS RELATING TO THE NEW VIE STRUCTURE

1. Economic risks of the Company

Hainan Weifeng, as the primary beneficiary of Hainan Seven Elements, is not obligated under any of the New VIE Agreements to share the losses of Hainan Seven Elements or provide financial support to Hainan Seven Elements. Moreover, as a limited liability company, Hainan Seven Elements is solely liable for its own debts and losses. However, since the relevant parties have already entered into New VIE Agreements, the financial results of Hainan Seven Elements will be consolidated into the financial statements of the Group and it is likely that the Company's business and financial position will be affected if Hainan Seven Elements suffer losses or fails to obtain the requisite licenses and approvals to continue operating their respective online games business in the PRC.

2. Limitations in exercising the options to acquire ownership in Hainan Seven Elements

In the case that Hainan Weifeng exercises its options to acquire all or part of the equity interest in Hainan Seven Elements under the New Irrevocable Option Agreement, the acquisition of the entire equity interests in Hainan Seven Elements may only be conducted to the extent as permitted by the applicable PRC laws and may be subject to necessary approvals and relevant procedures under applicable PRC laws.

Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of Hainan Seven Elements, which may have a material adverse impact on Hainan Weifeng's businesses, prospects and results of operation.

Hainan Weifeng may need to pay a substantial amount of enterprise income tax for the income from the ownership transfer according to the New Irrevocable Option Agreement.

3. Arrangements when potential conflicts of interest arise

Hainan Weifeng shall rely on the New VIE Agreements to exercise control over and to draw the economic benefits from Hainan Seven Elements. Hainan Weifeng may not be able to provide sufficient incentives to the Registered Shareholders or Ms. Zheng Y.L. for the purpose of encouraging them/her to act in the best interests of Hainan Seven Elements, other than stipulating the relevant obligations in the New VIE Agreements. The Registered Shareholders or Ms. Zheng Y.L. may breach the New VIE Agreements in the event of conflicts of interest or deterioration of their/her relationship with Hainan Weifeng, the results of which may have a material adverse impact on Hainan Weifeng's business, prospects and results of operation.

It is not assured that if conflicts arise, the Registered Shareholders or Ms. Zheng Y.L. will act in the best interests of Hainan Weifeng or that the conflicts will be resolved in favour of Hainan Weifeng. If any of the Registered Shareholders or Ms. Zheng Y.L. fail to perform their/her obligations under the respective New VIE Agreements, Hainan Weifeng may have to rely on legal remedies under the PRC laws through legal proceedings, which may be expensive, time-consuming and disruptive to Hainan Weifeng's operations and will be subject to uncertainties as discussed above.

4. Other risks relating to the New VIE Agreements

Firstly, although (i) there is currently no indication that the New VIE Agreements will be interfered or objected by any PRC regulatory authorities; and (ii) the PRC legal adviser of the Company is of the view that save for the clause providing that the arbitration tribunal may award injunctive relief or winding up orders and that the courts in Hong Kong, the Cayman Islands and the PRC may grant temporary injunctive relief or other temporary remedies, the New VIE Agreements do not violate any prevailing PRC laws or regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the areas of value-added telecommunication services business and the internet cultural services 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 Agreements as the PRC legal adviser of the Company in the future.

Secondly, the New VIE Agreements may not provide control as effective as direct ownership. Hainan Weifeng does not have any direct equity ownership in Hainan Seven Elements and has relied on the New VIE Agreements to effect changes in the management of Hainan Seven Elements and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Hainan Seven Elements or its shareholder(s) refuse to cooperate, the Company will face difficulties in effecting control over the businesses of Hainan Seven Elements through the VIE structure, which may adversely affect the Company's business efficiency.

Thirdly, the New VIE Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Under the New Management Services Agreement, Hainan Seven Elements are required to pay Hainan Weifeng service fees for the services rendered by Hainan Weifeng. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year when such transactions are conducted.

Fourthly, the New VIE Agreements are governed by the PRC laws. When a dispute arises under any of the New VIE Agreements, the parties to the dispute may have to rely on legal remedies under the PRC laws. The New VIE Agreements provide that dispute will be submitted to Shenzhen Court of International Arbitration for arbitration to be conducted in Shenzhen. The decision of such arbitration is final and binding on the parties to the dispute.

Since the legal environment in the PRC is different from that in Hong Kong and other jurisdictions, the uncertainties in the PRC legal system could limit the ability of Hainan Weifeng to enforce the New VIE Agreements. There is no assurance that such arbitration result will be in favour of Hainan Weifeng and/or that there will not be any difficulties in enforcing any arbitral awards granted, including specific performance or injunctive relief and claiming damages by Hainan Weifeng. As Hainan Weifeng may not be able to obtain sufficient remedies in a timely manner, its ability to exert effective control over Hainan Seven Elements and the conduct of the value-added telecommunication services business and the internet cultural services business could be materially and adversely affected, and may disrupt the business of Hainan Weifeng and have a material adverse impact on Hainan Weifeng's business, prospects and results of operation.

Lastly, the New VIE Agreements provide that the arbitration tribunal may award remedies over the equity interests or assets of Hainan Seven Elements or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Hainan Seven Elements. The New VIE Agreements also include a clause in relation to dispute resolution among the parties where, when awaiting the formation of the arbitration tribunal or otherwise under appropriate conditions, the parties thereto may seek temporary injunctive relief or other temporary remedies from the courts in Hong Kong, Cayman Islands, the PRC and the location where the principal assets of the Company and Hainan Seven Elements are located.

However, the PRC legal adviser of the Company is of the view that pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of Hainan Seven Elements. In addition, even though the New VIE Agreements provide that overseas courts (e.g. courts in Hong Kong and Cayman Islands) shall have the power to grant certain relief or remedies, such relief or remedies may not be recognised or enforced under the PRC laws. As a result, in the event that Hainan Seven Elements or its shareholder(s) breaches the terms of the New VIE Agreements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Hainan Seven Elements could be materially and adversely affected.

Hainan Weifeng currently does not maintain any insurance to cover the risks relating to the New VIE Agreements.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14A.52 AND 14A.53 OF THE LISTING RULES

Notwithstanding that the transactions contemplated under the New VIE Agreements technically constitute continuing connected transaction for the purpose of Chapter 14A of the Listing Rules, the New VIE Agreements and the transactions contemplated thereunder complied with paragraph (d) of the Waiver Conditions and thereby the Waiver granted by the Stock Exchange on 9 September 2020 in relation to, among others, the First VIE Agreements remains valid for the New VIE Agreements.

By order of the Board
Imperium Technology Group Limited
Cheng Ting Kong
Chairman

Hong Kong, 18 January 2022

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ting Kong, Ms. Yeung So Mui, Mr. Lin Junwei, Mr. Yau Chak Fung and Mr. Yeung Tong Seng Terry; and the independent non-executive directors of the Company are Mr. Fung Tze Wa, Mr. Ting Wong Kacee and Mr. Tse Ting Kwan.

* *for identification purpose only*