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Huan Yue Interactive Holdings Limited
歡悅互娛控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 505)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING OFF-MARKET SHARE BUY-BACK**

Financial Adviser to the Company



**Independent Financial Adviser to
the Listing Rules IBC, the Takeovers Code IBC and the Independent
Shareholders**



THE SETTLEMENT

Reference is made to the announcements of the Company dated 21 June 2016, 5 August 2016 and 29 March 2019, 15 April 2019 and 16 August 2019 in relation to, among others, the acquisition of the entire issued share capital of Funnytime by the Group and the Repayment Amount.

On 23 January 2020 (after trading hours), the Company, Xingye, the Vendor, and the Guarantors entered into the Settlement Deed with respect to the settlement of the Repayment Amount owed by the Vendor to Xingye, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue, the Unissued Shares at the Cancellation Price of HK\$0.80 per Share (i.e. the Unissued Share Cancellation); (ii) the Company shall buy back the Sale Shares

from the Vendor at the Buy-back Price of HK\$0.80 per Share (i.e. the Share Buy-back)); and (iii) the Vendor shall repay the Residual Repayment Amount in cash to the Company (i.e. the Residual Repayment Arrangement).

Completion is conditional upon, among other things, the Executive having approved the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code, the Company having sufficient lawfully available funds to effect the Share Buy-back, and the Independent Shareholders having approved the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) at the EGM.

Upon Completion, pursuant to the Share Buy-back and the Unissued Share Cancellation, the Sale Shares and the issuance of the Unissued Shares will be cancelled and the Company will be relieved from the obligation of such issuance in accordance with the Companies Law and the number of Shares in issue following the Share Buy-back and the Unissued Share Cancellation will be reduced from 855,558,173 (being the number of issued Shares as at the date of this announcement) to 814,558,173 and the shareholding interest of the Shareholders will be increased proportionately. The percentage interest of all other Shareholders in the issued Shares will be proportionally increased following the cancellation of the Sale Shares and the issuance of the Unissued Shares, the relief of the Company from the obligation of such issuance and the resulting reduction in the number of issued Shares.

REGULATORY REQUIREMENTS

Share Buy-back Code

The Share Buy-back constitutes an off-market share buy-back by the Company. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM.

Listing Rules

As more than one of the applicable percentage ratios in respect of the Settlement exceed 5% but all of the applicable percentage ratios are less than 25%, the Settlement constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, Mr. Ren was a Director within 12 months before the date of this announcement, who is also beneficially interested in 72% of the existing issued share capital of the Vendor and a director of one of the subsidiaries of the Company. Accordingly, each of the Vendor and Mr. Ren is a connected person of the Company. The Settlement constitutes a connected transaction for the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting

The voting in respect of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) at the EGM will be conducted by way of poll. As at the date of this announcement, the Vendor, Mr. Ren, Mr. Yang and Mr. Zhu directly holds respectively 44,442,223, 300,000, 105,000 and 300,000 Shares, representing approximately 5.19%, 0.04%, 0.01% and 0.04% of the existing issued share capital of the Company respectively. The Vendor, Mr. Ren and Mr. Yang, together with their respective associates and parties acting in concert and those who are interested in or involved in the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back), which includes Mr. Zhu who is the chief financial officer of the Company, an executive Director, and participated in the negotiation of the Settlement Deed with the Vendor, will be required under the Share Buy-back Code and the Listing Rules to abstain from voting on the resolution(s) approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back).

GENERAL

The Independent Financial Adviser has been appointed to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders on the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back). A circular containing, among other things (i) further details of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back); (ii) the letter from the Listing Rules IBC giving its recommendation to the Independent Shareholders on the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back); (iii) the letter from the Takeovers Code IBC giving its recommendation to the Independent Shareholders on the Share Buy-back; (iv) the letter from the Independent Financial Adviser containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in the same regard; (v) the notice of the EGM and (vi) other information as required under the Listing Rules, the Takeovers Code and the Share Buy-back Code will be dispatched to the Shareholders in accordance with the Takeovers Code within 21 days of the date of this announcement or in accordance with the Listing Rules within 15 Business Days from the date of this announcement, whichever is earlier. As such, the expected date of dispatch of the circular will be on or before 13 February 2020.

The Shareholders and potential investors of the Company should be aware that the Settlement is subject to the conditions precedent set out in this announcement, and consequently the Settlement may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

BACKGROUND OF THE SETTLEMENT DEED

Reference is made to the announcements of the Company dated 21 June 2016, 5 August 2016 and 29 March 2019, 15 April 2019 and 16 August 2019 in relation to, among others, the acquisition of the entire issued share capital of Funnytime by the Group and the Repayment Amount.

On 21 June 2016, Xingye (as purchaser and being a wholly-owned subsidiary of the Company), the Vendor (as vendor), and the Guarantors, together with Mr. Tong (as guarantors), entered into the SPA, pursuant to which Xingye conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the entire issued share capital of Funnytime at the consideration of HK\$186,000,000.20 subject to certain consideration adjustment mechanism. Such consideration shall be satisfied (i) as to HK\$116,000,000 in cash; and (ii) as to HK\$70,000,000.20 by issuance of 77,777,778 Consideration Shares at the issue price of HK\$0.90 each.

Under the SPA, the Funnytime Group shall achieve performance targets of adjusted net profit of RMB18,000,000, RMB22,000,000 and RMB30,000,000 for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively, and that its total anticipated adjusted net profit shall be RMB70,000,000. As the Funnytime Group had fulfilled its performance targets for the two years ended 31 December 2016 and 2017, the Company duly allotted and issued a total of 44,442,223 Consideration Shares and paid the entire cash portion of HK\$116,000,000 (inclusive of the transaction costs) to the Vendor.

The Guarantors and Mr. Tong were the then shareholders of the Vendor and pursuant to the SPA, each of them has unconditionally and irrevocably guaranteed the due observance and performance by the Vendor under the SPA, and agreed to indemnify the Company and Xingye in respect of all losses and damages as a result of any failure by the Vendor to perform or comply with its obligations under the SPA. In July 2018, Mr. Tong was relieved from acting as one of the guarantors under the SPA after his disposal of all his interest in the Vendor to Mr. Ren. The Guarantors remain as the guarantors under the SPA.

Given the Funnytime Group has failed to meet its performance target for the year ended 31 December 2018, according to the consideration adjustment mechanism under the SPA, the Vendor shall repay Xingye the Repayment Amount of HK\$40,135,567 with respect to the cash portion, and the remaining number of Consideration Shares to be issued to the Vendor has been reduced to 6,424,734 Shares, being the Unissued Shares which are withheld by the Company pending the settlement of the Repayment Amount.

As disclosed in the announcement of the Company dated 16 August 2019, the Vendor was considering to settle the Repayment Amount on a one-off basis by raising capital on its own. At the time, it was stated in the announcement that the Company was also considering to buy back the Consideration Shares issued under the SPA if the Vendor was unable to raise sufficient capital to settle the Repayment Amount within a reasonable timeframe. In addition, it was also mentioned in the announcement that the Unissued Shares might be used to settle part of the Repayment Amount. During the last few months, the parties to the SPA held various rounds of negotiations and the

discussions to come to a resolution of the matter. In particular, the parties to the SPA had come to the realisation that the Vendor would have serious difficulties in raising capital on its own to finance the Repayment Amount and therefore the negotiations had eventuated into the Settlement Deed involving the Unissued Share Cancellation, the Share Buy-back and the Residual Repayment Arrangement, which was agreed and regarded by the parties to the SPA as the optimal solution to resolve the long-standing issue associated with the settlement of the Repayment Amount. Given the Guarantors are the existing guarantors to the SPA (save for Mr. Tong), in fulfilment of their obligations as guarantors to the SPA to unconditionally and irrevocably guarantee the due observance and performance of the Vendor under the SPA, they have also been closely involved in the negotiations of the Settlement Deed with the Company, and agreed to continue to act as Guarantors to the Vendor under the Settlement Deed.

THE SETTLEMENT DEED

Subject Matter

On 23 January 2020 (after trading hours), the Company, Xingye, the Vendor, and the Guarantors entered into the Settlement Deed with respect to the settlement of the Repayment Amount owed by the Vendor to Xingye, pursuant to which: (i) the Company shall cancel the issuance of, and be relieved from the obligation to issue, the Unissued Shares at the Cancellation Price of HK\$0.80 per Share (i.e. the Unissued Share Cancellation); (ii) the Company shall buy back the Sale Shares from the Vendor at the Buy-back Price of HK\$0.80 per Share (i.e. the Share Buy-back); and (iii) the Vendor shall repay the Residual Repayment Amount in cash to the Company (i.e. the Residual Repayment Arrangement).

Date

23 January 2020 (after trading hours)

Parties

- (i) the Vendor;
- (ii) the Company;
- (iii) Xingye; and
- (iv) the Guarantors.

The Vendor is a company incorporated in the BVI with limited liability and is beneficially owned by Mr. Ren and Mr. Yang as to 72% and 28% respectively. The principal business activity of the Vendor is investment holding.

As disclosed in the announcement of the Company dated 18 October 2016, Mr. Ren is the head of the Company's online gaming business. He joined the Group since completion of the SPA in August 2016. Before joining the Group, he had set up various gaming companies, including Hefei Zhangyue Network Technology Co., Ltd. He was also the general manager of the web game division of Shenzhen ZQ, a gaming company which is listed on the Shenzhen Stock Exchange. Mr. Yang is a senior executive of the Company's online game business. He joined the Group together with Mr. Ren in August 2016. He also worked in Shenzhen ZQ as an executive of the company's web game division.

As at the date of this announcement, the Vendor is beneficially interested in 44,442,223 Shares, representing approximately 5.19% of the existing issued share capital of the Company. Furthermore, Mr. Ren was a Director within 12 months before the date of this announcement and a director of one of the subsidiaries of the Company. Accordingly, each of the Vendor and Mr. Ren is a connected person of the Company.

Settlement of the Repayment Amount

On Completion, subject to the satisfaction of the conditions precedent pursuant to the Settlement Deed, the Repayment Amount of HK\$40,135,567 owed by the Vendor in favor of the Company shall be fully set off in the manner as follows:

- (i) the Vendor shall surrender its entitlement to the issuance of, and the Company shall cancel the issuance of, and be relieved from the obligation to issue, the Unissued Shares at the consideration of the Cancellation Price of HK\$0.80 per Unissued Share, totaling HK\$5,139,787.20, which amount shall be set off against the equivalent amount of the Repayment Amount (i.e. the Unissued Share Cancellation);
- (ii) the Vendor shall sell, and the Company shall purchase, the Sale Shares at the consideration of the Buy-back Price of HK\$0.80 per Sale Share, totaling HK\$32,800,000, which amount shall be set off against the equivalent amount of the Repayment Amount (i.e. the Share Buy-back); and
- (iii) the Vendor undertakes to repay to the Company the Residual Repayment Amount of HK\$2,195,779.80 within one (1) month after Completion or before 30 June 2020, whichever is later. Any delay in repayment by the Vendor would be subject to default interest at a daily rate of 0.1% in respect of the accrued amount (i.e. the Residual Repayment Arrangement).

The Sale Shares and the Unissued Shares

The 41,000,000 Sale Shares and 6,424,734 Unissued Shares represent approximately 4.79% and 0.75% respectively of the issued share capital of the Company as at the date of this announcement.

The number of Sale Shares to be bought back is determined by the parties to the Settlement Deed to be the maximum number of Shares to be bought back and cancelled to the extent not to trigger any mandatory general obligation on the part of any of the Shareholder under Rules 26.1(c) and 26.1(d) of

the Takeover Code, meaning that none of the Shareholder(s) and/or with his/her/its concert parties would have acquired additional voting rights in the Company that would have the effect of increasing the voting rights in the Company held by such Shareholder(s) and/or his/her/its concert parties by more than 2% from the lowest percentage holding in the 12 month period ending on and inclusive of the date of the Settlement Deed, rounded down to the nearest million number of Shares.

Basis for the Buy-back Price/Cancellation Price

The Cancellation Price of HK\$0.80 per Unissued Share and the Buy-back Price of HK\$0.80 per Sale Share were both determined after arm's length negotiations between the parties to the Settlement Deed with reference to, among other things, (i) the volume-weighted average Share price for the period starting from 8 August 2016 (being the first trading day after completion of the SPA) and up to and including the Last Trading Day (the period of which covers the time period post-completion to the SPA which the Group operating both the copper processing business and the online gaming business) of HK\$0.92 per Share (the "VWAP"); (ii) the issue price of the Consideration Shares of HK\$0.90 per Consideration Share; (iii) the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2019 per Share of approximately HK\$1.47; and (iv) the Comparable Companies' (as defined below) price-to-book ratios (the "P/B ratios"). The consideration for the Unissued Share Cancellation of HK\$5,139,787.20 is the product of the Cancellation Price of HK\$0.80 per Unissued Share and the number of Unissued Shares of 6,424,734. The consideration for the Share Buy-back of HK\$32,800,000 is the product of the Buy-back Price of HK\$0.80 per Sale Share and the number of Sale Shares of 41,000,000.

Regarding the determining factor (iv) above, the Company has obtained the P/B ratios, as at the Last Trading Day, of nine comparable listed companies (the "Comparable Companies") listed in Hong Kong and the PRC with approximately 70.0% or more of their revenue derived from copper processing, which ranged from approximately 0.9x to approximately 2.9x with an average of approximately 2.0x. The Company's P/B ratio as implied by the Buy-back Price/Cancellation Price is approximately 0.6x which is significantly below the average P/B ratio of the Comparable Companies. A lower P/B ratio implied by the Buy-back Price / Cancellation Price compared to those of the Comparable Companies means the Buy-back Price / Cancellation Price is determined in such a way that is below the prevailing share price level of the Comparable Companies. It is favourable to the Company because this means the Company is buying back Sale Shares, cancelling the issuance of the Unissued Shares and being relieved from the obligation of such issuance, at a price level below market price level as proxied by the Comparable Companies. Set out below are the Comparable Companies together with the relevant P/B ratios:

No.	Company name (Stock code)	Company description	Market capitalisation (HK\$'million) <i>(Note 1)</i>	Net asset value attributable to shareholders (HK\$'million) <i>(Notes 2 and 3)</i>	P/B ratio (x)
1	Ningbo Boway Alloy Material Company Limited (601137.CH)	The company develops, produces and sells nonferrous alloy rods and wire materials. The company's main products are copper alloy rods and wires.	8,091	4,317	1.9
2	Anhui Truchum Advanced Materials & Technology Company Limited (002171.CH)	The company produces copper and other metal based materials. The company manufactures copper alloy plates, strips, sheets, rods, and wires, etc.	10,500	5,092	2.1
3	Anhui Zhongyuan New Materials Company Limited (603527.CH)	The company operates as a copper products manufacturing company. The company produces and sells high precision purple copper belts, copper rings, and other products. The company markets its products throughout the PRC.	2,453	989	2.5
4	Zhejiang Hailiang Company Limited (002203.CH)	The company manufactures and distributes steel pipes and copper rods.	21,389	9,143	2.3
5	Kingswood Enterprise Company Limited (600255.CH)	The company operates copper processing and film production businesses. The company produces, develops, and markets copper strips, copper alloy wires, copper rods, electric wires and cables, and other products. Kingswood Enterprise also engages in film development, production, investments, and related businesses.	2,778	2,513	1.1
6	Tongling Nonferrous Metals Group Company Limited (000630.CH)	The company refines and markets copper products. The company manufactures copper flat wires, low oxygen copper rods, anode phosphor copper, enameled round copper wires, copper alloy, copper plates, electronic copper foils, and other products.	26,090	20,414	1.3
7	Yunnan Copper Company Limited (000878.CH)	The company manufactures and processes electrolytic copper. The company's products include tough cathode, copper wire base, gold, silver, sulphuric acid, and other by-products.	22,969	8,759	2.6
8	Infund Holding Company Limited (002141.CH)	The company manufactures copper wires. The company mainly develops, produces, and sells fine enameled copper round wires, enameled copper flat wires, and more.	4,492	1,527	2.9
9	Jiangxi Copper Company Limited (358.HK)	The company mines and distributes metal products. The company produces nonferrous metals, ferrous metals, rare metals, and other products.	49,005	56,666	0.9
	Maximum				2.9
	Minimum				0.9
	Average				2.0
	The Company (505.HK)		684 <i>(Note 4)</i>	1,198	0.6

Sources: Bloomberg and the Stock Exchange

Notes:

1. The market capitalisations as at the Last Trading Day.
2. The net asset value attributable to shareholders were extracted from the respective latest published interim reports or annual reports of the Industry Comparables.
3. The above net asset value attributable to shareholders figures were translated from RMB to HK\$, if applicable, by applying an exchange rate of RMB1=HK\$1.139 (as per Bloomberg).
4. The implied market capitalisation of the Company is calculated by multiplying the Buy back Price/Cancellation Price and the number of issued Shares of 855,558,173 Shares as at the date of this announcement.

The Buy-back Price and the Cancellation Price of approximately HK\$0.80 respectively per Sale Share and Unissued Share represents:

- (i) a premium of approximately 25.0% over the closing price of HK\$0.64 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the Settlement Deed;
- (ii) a premium of approximately 29.0% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK\$0.62 per Share;
- (iii) a premium of approximately 33.3% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.60 per Share;
- (iv) a premium of approximately 31.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.61 per Share;
- (v) a premium of approximately 45.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.55 per Share;
- (vi) a premium of approximately 37.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.58 per Share;
- (vii) a discount of approximately 11.1% to the issue price of the Consideration Shares of HK\$0.9 per Consideration Share;

- (viii) a discount of approximately 45.6% to the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$1.47 per Share (based on the unaudited consolidated net assets attributable to the Shareholders as at 30 June 2019 of approximately RMB1,106.6 million (equivalent to approximately HK\$1,257.9 million based on an exchange rate of RMB0.8797:HK\$1) and 855,558,173 Shares in issue as at the date of this announcement); and
- (ix) a discount of approximately 42.9% to the audited consolidated net asset value attributable to the Shareholders of approximately HK\$1.40 per Share (based on the audited consolidated net assets attributable to the Shareholders as at 31 December 2018 of approximately RMB1,051.9 million (equivalent to approximately HK\$1,200.5 million on an exchange rate of RMB0.8762:HK\$1) and 855,558,173 Shares in issue as at 31 December 2018.

Conditions precedent

Completion is conditional upon the satisfaction of each of the following conditions precedent:

- (i) the Executive having approved the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied;
- (ii) the passing of the necessary resolutions (if required) at the EGM by poll, including by at least three-fourths of the votes cast by the Independent Shareholders present at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back);
- (iii) all consents or approvals of any relevant government authorities or other relevant regulatory bodies which are required by the Vendor for entering into and the implementation of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) having been obtained;
- (iv) all consents or approvals of any relevant government authorities or other relevant regulatory bodies which are required by the Company for entering into and the implementation of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) having been obtained;
- (v) the Company having sufficient lawfully available funds to effect the Share Buy-back;
- (vi) each of the Warranties remaining true and accurate in all respects up to Completion; and
- (vii) the due performance and observance by the Vendor of all its undertakings and obligations under the Settlement Deed.

Save and except for conditions (vi) and (vii) which can be waived unilaterally by the Company, none of the conditions precedent set out above are capable of being waived by the parties to the Settlement Deed. Save and except for conditions (iv) and (v), the Vendor shall use its best endeavors to fulfil all the conditions precedent set out above. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Settlement Deed shall lapse and be of no further effect automatically and thereafter neither party to the Settlement Deed shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof and for the avoidance of doubt, the obligations of the Vendor under the SPA, including its obligation to repay the Repayment Amount to the Company or Xingye, shall remain effective.

In relation to condition (iv), as at the date of this announcement, the Company confirms that it has sufficient lawfully available funds to effect the Share Buy-back and expects to continue to be so satisfied until Completion.

With reference to conditions (iii) and (iv), as at the date of this announcement and to the best knowledge of the Company, save for the requirements under conditions (i) and (ii), the Company is not aware of any necessary consents or approvals required to be obtained from any relevant government authorities or other relevant regulatory bodies by the Company or the Vendor for entering into and the implementation of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back). The Company would make necessary disclosure in the circular in the event there are material updates in relation to such requirement.

Completion

Completion is expected to take place on the third Business Day after satisfaction of the above conditions precedent.

Immediately upon Completion, the Company shall cancel the Sale Shares and the issuance of the Unissued Shares and be relieved from the obligation of such issuance, and any rights attaching thereto shall cease with effect from Completion. The Unissued Share Cancellation, the Share Buy-back and the Residual Repayment Arrangement shall take place simultaneously.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after completion of the Share Buy-back and the Unissued Share Cancellation, assuming there will be no other change in the issued share capital and the shareholding structure of the Company between the date of this announcement and the date on which the Share Buy-back and the Unissued Share Cancellation are completed.

**Immediately after completion of the Share
Buy-back and the Unissued Share**

	As at the date of this announcement		Cancellation	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Hu Changyuan ^(Note 1)	278,713,000	32.58%	278,713,000	34.22%
Hu Minglie ^(Note 2)	2,603,000	0.30%	2,603,000	0.32%
Hu Mingda ^(Note 3)	3,269,000	0.38%	3,269,000	0.40%
Charity Foundation ^(Note 4)	9,000,000	1.05%	9,000,000	1.10%
Trustee of the Share Award Scheme ^(Note 5)	<u>3,497,000</u>	<u>0.41%</u>	<u>3,497,000</u>	<u>0.43%</u>
Subtotal – Hu Changyuan and his concert parties	297,082,000	34.72%	297,082,000	36.47%
Vendor ^(Note 6)	44,442,223	5.19%	3,442,223	0.42%
Mr. Ren ^(Note 7)	300,000	0.04%	300,000	0.04%
Mr. Yang ^(Note 8)	<u>105,000</u>	<u>0.01%</u>	<u>105,000</u>	<u>0.01%</u>
Subtotal – the Vendor and its concert parties	44,847,223	5.24%	3,847,223	0.47%
Bostone ^(Note 9)	128,379,000	15.01%	128,379,000	15.76%
Mr. Zhu ^(Note 10)	300,000	0.04%	300,000	0.04%
Other directors of the Group ^(Note 11)	<u>15,434,000</u>	<u>1.80%</u>	<u>15,434,000</u>	<u>1.90%</u>
Subtotal – Other connected persons of the Company	144,113,000	16.85%	144,113,000	17.70%
– Other public Shareholders	<u>369,515,950</u>	<u>43.19%</u>	<u>369,515,950</u>	<u>45.36%</u>
Total	<u><u>855,558,173</u></u>	<u><u>100.00%</u></u>	<u><u>814,558,173</u></u>	<u><u>100.00%</u></u>

Notes:

1. These 278,713,000 Shares' nature of interests are as below:
 - (i) as to 265,200,000 Shares are held by Luckie Strike Limited and Come Fortune International Limited which were wholly owned by Dynamic Empire Holdings Limited. The entire issued share capital of Dynamic Empire Holdings Limited is beneficially owned by the Hu Family Trust which was founded by Mr. Hu Changyuan, an executive Director and the chairman of the Company. Mr. Hu Changyuan is deemed to be interested in these Shares in these Shares by virtue of the SFO;

- (ii) as to 13,213,000 Shares are held by Regency Success Limited, which is 100% controlled by Mr. Hu Changyuan; and
 - (iii) as to 300,000 Shares are directly held by Mr. Hu Changyuan.
2. These 2,603,000 Shares are directly held by Mr. Hu Minglie, an executive Director and the Chief Executive Officer of the Company. Mr. Hu Minglie is the son of Mr. Hu Changyuan.
 3. These 3,269,000 Shares are directly held by Mr. Hu Mingda. Mr. Hu Mingda is a son of Mr. Hu Changyuan.
 4. These 9,000,000 Shares are directly held by the Charity Foundation which was founded by Mr. Hu Changyuan. There is no restriction under the constitutional documents of the Charity Foundation on the exercise of voting rights by the Charity Foundation in respect of the Shares held by it.
 5. These 3,497,000 Shares are the award Shares which are held on trust for the benefits of the grantees under the Share Award Scheme and Mr. Hu Changyuan and Mr. Hu Minglie could be two of the three members of the administration committee of the Share Award Scheme. Under the terms of the trust deed of the Share Award Scheme, the trustee of the Share Award Scheme is prohibited from exercising the voting rights in respect of the unvested award Shares held by it.
 6. These 44,442,223 Shares are held by the Vendor, which is in turn beneficially owned as to 72% by Mr. Ren and as to 28% by Mr. Yang. Mr. Ren and Mr. Yang are the Guarantors under the Settlement Deed and were also two of the guarantors to the SPA. Since Mr. Ren is a director of one of the subsidiaries of the Company, both Mr. Ren and the Vendor are regarded as core connected persons of the Company under the Listing Rules.
 7. These 300,000 Shares are directly held by Mr. Ren.
 8. These 105,000 Shares are directly held by Mr. Yang, a shareholder of the Vendor and a supervisor of one of the subsidiaries of the Company.
 9. These 128,379,000 Shares are held by Bostone, which is in turn beneficially owned as to approximately 65.67% and 34.33% by Ms. Ma Jiafeng and Mr. Xie Shicai respectively. Both Ms. Ma Jiafeng and Mr. Xie Shicai are independent from and not connected with Mr. Hu Changyuan, the Company, its connected persons and their respective associates.
 10. These 300,000 Shares are directly held by Mr. Zhu, the chief financial officer of the Company and an executive Director. Mr. Zhu is a core connected person of the Company.
 11. These 15,434,000 Shares are held by the various directors of the Company and its subsidiaries other than Mr. Hu Changyuan, Mr. Hu Minglie, Mr. Ren and Mr. Zhu whose interests in the Company are separately shown in the table above. These directors of the Group are core connected persons of the Company.

As at the date of this announcement, there are 855,558,173 issued Shares. The Company does not have any outstanding options, derivatives, warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) which are convertibles or exchangeable into Shares or other types of equity interests of the Company as at the date of this announcement.

Upon Completion, pursuant to the Share Buy-back and the Unissued Share Cancellation, the Sales Shares and the issuance of the Unissued Shares will be cancelled and the Company will be relieved from the obligation of such issuance in accordance with the Companies Law and the number of Shares in issue following the Share Buy-back and the Unissued Share Cancellation will be reduced from 855,558,173 (being the number of issued Shares as at the date of this announcement) to 814,558,173 and the shareholding interest of the Shareholders will be increased proportionately. The percentage interest of all other Shareholders in the issued Shares will be proportionally increased following the cancellation of the Sale Shares and the issuance of the Unissued Shares and the relief of the Company from the obligation of such issuance and the resulting reduction in the number of issued Shares. The Shares held by Vendor will be reduced to 3,442,223 Shares, representing 0.42% in the total issued share capital of the Company upon Completion. No less than 25% of the issued Shares will remain in public following Completion.

FINANCIAL EFFECTS OF THE SETTLEMENT

The Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) will not materially affect the financial position of the Group. For illustrative purpose, assuming Completion had taken place on 30 June 2019, the consolidated net asset value of the Company would decrease by approximately RMB27.4 million, being the net effect of: (i) the elimination of the contingent receivable associated with the Repayment Amount of approximately RMB31.8 million; (ii) the elimination of the contingent payable associated with the Unissued Shares of approximately RMB3.8 million; (iii) the accounting for the receivable arising from the Residual Repayment Arrangement of approximately RMB1.9 million; (iv) the cancellation of the Sale Shares amounting to approximately HK\$27.5 million, the amount of which is to be accounted for by multiplying 41,000,000 Sale Shares with the closing Share price as at 30 June 2019 of HK\$0.67 per Share; (v) the payment of professional expenses in relation to the Settlement of approximately RMB1.3 million; and (vi) the accounting for any debt restructuring loss under the Settlement of approximately RMB1.9 million, being the residual value of netting off the items (i) to (iv) above. Albeit the decrease in the consolidated net asset value of the Company of approximately RMB27.4 million, given that the number of Shares would also decrease by 41,000,000, the net effect, on a per Share basis would increase the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2019 per Share slightly. As the Settlement is expected to eliminate the contingent payable associated with the Unissued Shares currently accounted for as liabilities on the financial statement of the Company, Completion would reduce the liabilities of the Group slightly. Since the total consideration for the Unissued Share Cancellation and the Share Buy-back would be satisfied by setting off against most of the Repayment Amount, there would be no Shares to be issued to the Vendor and no cash outflow or payment to be made by the Company to the Vendor for the purpose of Completion, the Company is therefore expected to be able to meet its working capital requirements and pay its debts as they fall due in the ordinary course of its business.

Further information on the financial effects of the Share Buy-back on the Company will be included in the circular to be issued to the Shareholders.

INFORMATION ON THE GROUP

The Company is principally engaged in investment holding activities, with its principal subsidiaries engaged in manufacturing and sales of high precision copper plates and strips, trading of copper raw materials, provision of copper products processing services, and the management of a portfolio of investment and development, operation and distribution of online games.

For the two years ended 31 December 2017 and 31 December 2018, the audited consolidated profits of the Company before taxation were approximately RMB177.9 million and RMB51.4 million respectively. For the same periods, the profits attributable to the Shareholders after taxation were approximately RMB135.5 million and RMB27.5 million respectively.

As at 30 June 2019, the unaudited net asset value attributable to the Shareholders was approximately RMB1,106.6 million.

REASONS FOR AND BENEFITS OF THE SETTLEMENT

Given that the performance target for the year ended 31 December 2018 could not be achieved by the Funnytime Group, the Company had been considering different possibilities to deal with the settlement of the Repayment Amount including reducing the Consideration Shares to be allotted to the Vendor by withholding the Unissued Shares, as disclosed in the announcements of the Company dated 15 April 2019 and 16 August 2019. However, as the Vendor had serious difficulties in raising capital on its own to repay the Repayment Amount by cash, the Company considers that the Settlement involving the Share Buy-back and the Unissued Share Cancellation would be an optimal solution for the Vendor to repay the Repayment Amount as it does not extensively call on the funding resources of the Vendor. The terms of the Settlement Deed are also generally in line with the original terms under the SPA given that (i) the sum of the Repayment Amount under the Settlement Deed is equal to the sum required to be repaid by the Vendor under the SPA should the Funnytime Group fail to meet its performance target for the year ended 31 December 2018; (ii) the number of Unissued Shares mirrors the amount of Shares the Company is entitled to withhold under the SPA; (iii) the SPA allows the Company to take action to seek repayment of the Repayment Amount and according to the dispute resolution clause of the SPA, to resolve any disputes between the parties, the parties have to first resolve through consultations for a certain period of time. During such period, the parties have explored various settlement proposals and finally agreed on the settlement arrangement under the Settlement Deed; and (iv) the existing guarantors of the Vendor under the SPA (save for Mr. Tong) continue to act as the Guarantors of the Vendor under the Settlement Deed.

In addition, the Share Buy-back is expected to bring about positive effects on the net asset value per Share which is in the interests of the Company and the Shareholders as a whole. The Company also believes that it is in the interest of its Shareholders to resolve the Repayment Amount by way of the Settlement instead of protracted legal proceedings which, although could be taken shortly after 15

April 2019, being the cut-off date on which the Vendor should and the guarantors to the SPA should procure and guarantee the Vendor, to repay the Repayment Amount, could potentially last for an uncertain period of time with unforeseeable cost implications and enforcement outcome.

In considering to proceed with the Share Buy-back, the Company has taken into consideration that: (i) the Share Buy-back is part and parcel of the Settlement, which is considered an optimal solution for the Vendor to repay the Repayment Amount which does not extensively call on the funding resources of the Vendor and create excessive funding burden; (ii) the Share Buy-back would enhance consolidated net asset value attributable to the Shareholders per Share and bring about other positive financial effects as discussed in the section headed “Financial effects of the Settlement” above; (iii) it is a good opportunity for the Company to buy-back and cancel a significant block of Shares in a single transaction without significantly affecting the normal trading of the Shares in terms of price and volume as opposed to conducting a large number of daily on-market buy-back transactions under a general buy-back mandate over a period of time; and (iv) albeit the fact that the Buy-back Price/Cancellation Price of HK\$0.80 per Share seemingly represents a premium over the current inactively-traded Share price of approximately HK\$0.60, it is highlighted in the paragraph headed “Basis for the Buy-back Price/Cancellation Price” under section headed “The Settlement Deed” above that the Buy-back Price/Cancellation Price of HK\$0.80 per Share reflects a lower comparative value when compared to a wide array of valuation indicators (i.e. the VWAP of HK\$0.92 per Share, the issue price of the Consideration Shares of HK\$0.90 per Consideration Share, the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2019 per Share of approximately HK\$1.47 and the fact that the Company’s P/B ratio as implied by the Buy-back Price/Cancellation Price is approximately 0.6x which is significantly below the average P/B ratio of the Comparable Companies of approximately 2.0x), the Board (excluding members of the Listing Rules IBC and the Takeovers Code IBC) who will reserve their judgment after taking advice from the Independent Financial Adviser) believes that the terms and conditions of the Settlement Deed are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Despite the failure by the Funnytime Group in meeting the performance targets under the SPA for the year ended 31 December 2018, the online gaming business operated through the Funnytime Group would still be a part of the Group’s principal business. According to the terms of the SPA, the Guarantors, namely Mr. Ren and Mr. Yang, would remain their employment with the Group until June 2021. As disclosed in the announcement of the Company dated 16 August 2019, the Directors were of the view that the failure by the Funnytime Group in achieving the abovementioned performance targets was mainly due to the overall business environment of the game industry in the PRC and the tightened domestic laws and regulations on the online gaming industry, which were unforeseeable to the Vendors at the time when the SPA was entered.

It is the intention of the Company to maintain and uphold the existing operational model of Funnytime, including but not limited to the continuance of the current management team of the Funnytime Group. Going forward, the Company will continue to monitor and review the operating

and financial performance of Funnytime from time to time to determine its best course of strategies, positioning and scale of operation which will also taking into account the overall strategic development of the Group.

REGULATORY REQUIREMENTS

Share Buy-back Code

The Share Buy-back constitutes an off-market share buy-back by the Company. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code. The Executive's approval, if granted, will normally be conditional upon, among other things, the approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM.

Completion of the Share Buy-back is subject to the condition precedent that the Share Buy-back having been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Share Buy-back Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Settlement Deed will be fulfilled.

Takeovers Code

As at the date of this announcement, other than (a) the approximately 5.19% interest in the existing total issued share capital of the Company owned by the Vendor; (b) the Unissued Shares, which were originally proposed to be allotted and issued to the Vendor pursuant to the SPA but would be subject to the Unissued Share Cancellation contemplated under the Settlement Deed as disclosed in this announcement; (c) the 300,000 Shares owned by Mr. Ren, who holds 72% of the shareholding of the Vendor; and (d) the 105,000 Shares held by Mr. Yang, who is one of the Guarantors and also one of the guarantors to the SPA, none of the Vendor, or its parties acting in concert with it:

- (i) holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) has secured an irrevocable commitment to vote in favour of or against the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back);
- (iii) holds outstanding warrants, options or securities convertible into Shares or derivatives in respect of the Shares;
- (iv) save for the SPA, has any arrangement (whether by way of option, indemnity or otherwise) or contracts under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares which might be material to the Settlement Deed and/or the Share Buy-back;

- (v) save for the Settlement Deed, has any agreement or arrangement to which the Vendor and parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Settlement Deed and/or the Share Buy-back; or
- (vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Listing Rules

As more than one of the applicable percentage ratios in respect of the Settlement exceed 5% but all of the applicable percentage ratios are less than 25%, the Settlement constitutes a discloseable transaction of the Company and is therefore subject to the announcement requirement under Chapter 14 of the Listing Rules. In addition, Mr. Ren was a Director within 12 months before the date of this announcement, who is also beneficially interested in 72% of the existing issued share capital of the Vendor and a director of one of the subsidiaries of the Company. Accordingly, each of the Vendor and Mr. Ren is a connected person of the Company. The Settlement constitutes a connected transaction for the Company and is therefore subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Voting

The voting in respect of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back) at the EGM will be conducted by way of poll. As at the date of this announcement, the Vendor, Mr. Ren, Mr. Yang and Mr. Zhu directly holds respectively 44,442,223, 300,000, 105,000 and 300,000 Shares, representing approximately 5.19%, 0.04%, 0.01% and 0.04% of the existing issued share capital of the Company respectively. The Vendor, Mr. Ren and Mr. Yang, together with their respective associates and parties acting in concert and those who are interested in or involved in the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back), which includes Mr. Zhu who is the chief financial officer of the Company, an executive Director, and participated in the negotiation of the Settlement Deed with the Vendor, will be required under the Share Buy-back Code and the Listing Rules to abstain from voting on the resolution(s) approving the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back).

GENERAL

The Independent Financial Adviser has been appointed to advise the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders on the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back).

The Listing Rules IBC comprising Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong, being all the independent non-executive Directors, has been established under the Listing Rules to give recommendations to the Independent Shareholders as to how to vote on the resolution(s) to be proposed at the EGM in respect of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back).

The Takeovers Code IBC comprising Mr. Dai Jianchun, Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong, being all the non-executive Director and independent non-executive Directors, has been established under the Takeovers Code to give recommendations to the Independent Shareholders as to how to vote on the resolution(s) to be proposed at the EGM in respect of the Share Buy-back and the underlying transactions.

A circular containing, among other things (i) further details of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back); (ii) the letter from the Listing Rules IBC giving its recommendation to the Independent Shareholders on the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back); (iii) the letter from the Takeovers Code IBC giving its recommendation to the Independent Shareholders on the Share Buy-back; (iv) the letter from the Independent Financial Adviser containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in the same regard; (v) the notice of the EGM and (vi) other information as required under the Listing Rules, the Takeovers Code and the Share Buy-back Code will be dispatched to the Shareholders in accordance with the Takeovers Code within 21 days of the date of this announcement or in accordance with the Listing Rules within 15 Business Days from the date of this announcement, whichever is earlier. As such, the expected date of dispatch of the circular will be on or before 13 February 2020.

The Shareholders and potential investors of the Company should be aware that the Settlement is subject to the conditions precedent set out in this announcement, and consequently the Settlement may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“acting in concert” has the meaning ascribed to it under the Takeovers Code

“associate(s)” has the meaning ascribed to it under the Listing Rules

“Board” the board of Directors

“Bostone”	Bostone Group Limited (博石集團有限公司), a company incorporated in Hong Kong with limited liability, a substantial shareholder of the Company, which is owned by Ms. Ma Jiafeng and Mr. Xie Shicai as to approximately 65.67% and 34.33 % equity interests respectively as of the date of this announcement
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“Buy-back Price”	HK\$0.80 per Sale Share under the Share Buy-back
“BVI”	the British Virgin Islands
“Cancellation Price”	HK\$0.80 per Unissued Share
“Charity Foundation”	Si Ming Care for the Aged and Children Charitable Foundation Limited (四明敬老扶幼慈善基金會有限公司), a non-profit charity foundation incorporated in Hong Kong which is a company limited by guarantee and founded by Mr. Hu Changyuan, an executive Director and the chairman of the Company.
“Companies Law”	the Companies Law (Revised) of the Cayman Islands
“Company”	Huan Yue Interactive Holdings Limited (歡悅互娛控股有限公司) (stock code: 505), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Unissued Share Cancellation and the Share Buy-back, and the taking effect of the Residual Repayment Arrangement pursuant to the terms and conditions of the Settlement Deed
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	77,777,778 Shares, of which (i) 44,442,223 Shares has been issued and allotted by the Company to the Vendor; (ii) 6,424,734 Shares are the Unissued Shares; and (iii) the remainder Shares have not been issued and allotted by the Company to the Vendor as the Funnytime Group had not fulfilled its performance target for the year ended 31 December 2018 pursuant to the terms of the SPA, and each a “Consideration Share”
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the resolutions approving the Settlement Deed and the transactions contemplated thereunder, including but not limited to the Unissued Share Cancellation, the Share Buy-back and the Residual Repayment Arrangement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Funnytime”	Funnytime Limited, a company incorporated in the BVI with limited liability, which is a wholly-owned subsidiary of the Company as at the date of this announcement
“Funnytime Group”	Funnytime and its subsidiaries
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Ren and Mr. Yang, being the Vendor’s guarantors to guarantee the due performance of the Vendor’s obligations under the Settlement Deed
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licenced by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Listing Rules IBC and the Takeovers Code IBC and the Independent Shareholders (as applicable) in connection with the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back)

“Independent Shareholder(s)”	the Shareholder(s) of the Company other than (i) the Vendor, the Guarantors and the parties acting in concert with each of them; (ii) the Shareholders who are involved in or interested in the Settlement Deed and the transactions contemplated thereunder, which includes Mr. Zhu, and (iii) Shareholders who have a material interest in the Settlement Deed and the transactions contemplated thereunder which is different from the interest of all other Shareholders, and who are required to abstain from voting on the relevant resolutions at the EGM
“Last Trading Day”	23 January 2020, being the last trading day of the Shares immediately before the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules IBC”	the independent committee of the Board, comprising Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong, being all the independent non-executive Directors, established to give recommendations to the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including but not limited to the Share Buy-back)
“Long Stop Date”	30 April 2020
“Mr. Ren”	Mr. Ren Hao (任灝), a former Director, the controlling shareholder of the Vendor and a director of one of the subsidiaries of the Company
“Mr. Tong”	Mr. Tong Xin (佟鑫)
“Mr. Yang”	Mr. Yang Jiong (楊冏), a shareholder of the Vendor and a supervisor of one of the subsidiaries of the Company
“Mr. Zhu”	Mr. Zhu Wenjun (朱文俊), the chief financial officer of the Company and an executive Director
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Repayment Amount”	the amount of HK\$40,135,567 which the Vendor shall repay Xingye with respect to the cash portion of the consideration pursuant to terms of the SPA
“Residual Repayment Arrangement”	the undertaking to repay the Residual Repayment Amount in cash to the Company by the Vendor within one month after Completion or before 30 June 2020, whichever is the later, pursuant to the terms and conditions of the Settlement Deed, as more particularly described in the paragraph headed “Settlement of the Repayment Amount” under the section headed “The Settlement Deed” in this announcement above
“Residual Repayment Amount”	the amount of HK\$2,195,779.80 in cash which the Vendor shall repay the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	41,000,000 Shares beneficially owned by the Vendor and to be transferred to the Company for cancellation at Completion as part of the settlement of the Repayment Amount pursuant to the terms and conditions of the Settlement Deed, and each a “Sale Share”
“Settlement”	the Unissued Share Cancellation, the Share Buy-back, the Residual Repayment Arrangement, and the transactions contemplated thereunder, all of which are in relation to the settlement of the Repayment Amount
“Settlement Deed”	a settlement deed entered into between the Company, Xingye, the Vendor, and the Guarantors on 23 January 2020 (after trading hours) in relation to the Settlement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Award Scheme”	“The Xingye Copper Share Award Scheme”, which is the share award scheme of the Company as resolved by the Board to be established on 18 April 2016, details of which are set out in the announcement of the Company dated 18 April 2016

“Share Buy-back”	the buy-back of the Sale Shares by the Company from the Vendor for cancellation pursuant to the terms and conditions of the Settlement Deed, which constitutes an off-market share buy-back by the Company under Rule 2 of the Share Buy-back Code
“Share Buy-back Code”	the Hong Kong Code on Share Buy-backs
“Share(s)”	the ordinary share(s) of par value HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shenzhen ZQ”	Shenzhen ZQ Game Co., Ltd. (深圳中青寶互動網絡股份有限公司), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shenzhen Stock Exchange
“SPA”	the sale and purchase agreement dated 21 June 2016 entered into amongst Xingye, the Vendor, the Guarantors and Mr. Tong in relation to the sale and purchase of the entire issued share capital of Funnytime
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Takeovers Code IBC”	the independent committee of the Board, comprising Mr. Dai Jianchun, Mr. Chai Chaoming, Dr. Lou Dong and Ms. Lu Hong, being all the non-executive Director and independent non-executive Directors, all of whom are not involved in the Share Buy-back, established to give recommendations to the Independent Shareholders in respect of the Share Buy-back
“Unissued Shares”	the 6,424,734 Shares which were due to be issued to the Vendor but issuance of which is being withheld by the Company and to be cancelled at Completion, and that the Company shall be relieved from the obligation of such issuance, as part of the settlement of the Repayment Amount pursuant to the terms and conditions of the Settlement Deed, and each an “Unissued Share”
“Unissued Share Cancellation”	the cancellation of the issuance of the Unissued Shares and the relief of the Company from the obligation of such issuance pursuant to the terms and conditions of the Settlement Deed

“Vendor”	Mobilefun Limited, a company incorporated in the BVI with limited liability, which is owned by Mr. Ren and Mr. Yang as to 72% and 28% equity interests respectively as of the date of this announcement
“Warranties”	the representations, undertakings and warranties provided by the Vendor under the Settlement Deed
“Xingye”	Xingye Investment Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
Huan Yue Interactive Holdings Limited
HU Minglie
Chief Executive Officer and Executive Director

Hong Kong, 23 January 2020

As at the date of this announcement, the executive Directors are Mr. HU Changyuan, Mr. HU Minglie and Mr. ZHU Wenjun, the non-executive Director is Mr. DAI Jianchun and the independent non-executive Directors are Mr. CHAI Chaoming, Dr. LOU Dong and Ms. LU Hong.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.