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If you have sold or transferred all your shares in Maoyan Entertainment, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Maoyan Entertainment

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

PROPOSAL FOR RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
The Independent Board Committee and Independent Shareholders**



A notice convening the Extraordinary General Meeting of Maoyan Entertainment to be held at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, the PRC on Tuesday, November 30, 2021 at 2:00 p.m. is set out on pages 78 to 80 of this circular. A form of proxy for use at the Extraordinary General Meeting is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoyan.com), respectively. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish.

November 10, 2021

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Maoyan Entertainment, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange with stock code 1896;
“China Literature Group”	the China Literature Limited (閱文集團), its subsidiaries and its consolidated affiliated entities from time to time;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, the PRC on Tuesday, November 30, 2021 or any adjournment thereof and notice of which is set out on pages 78 to 80 of this circular;
“Enlight Holdings”	Enlight Holdings Limited;
“Enlight Media”	Beijing Enlight Media Co. Ltd. (北京光線傳媒股份有限公司), a company incorporated in the PRC and whose shares are listed on Shenzhen Stock Exchange under the stock code 300251;
“Enlight Media Group”	Enlight Media and its subsidiaries;
“Group”	the Company and its subsidiaries and consolidated affiliated entities, from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Yin Hong and Ms. Liu Lin, to advise the Independent Shareholders in respect of the proposed renewal of Non-exempt CCTs (including the proposed annual caps for each of the three years ending December 31, 2024);
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the independent Shareholders in relation to the Non-exempted CCTs and the transactions contemplated thereunder;
“Latest Practicable Date”	November 2, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“New Enlight CCTs”	the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement and the transactions contemplated thereunder;
“New Tencent CCTs”	the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement and the transactions contemplated thereunder;

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“Non-exempt CCTs”	The 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, and the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement, and the transactions contemplated thereunder;
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Prospectus”	the prospectus of the Company dated January 23, 2019;
“Represented Tencent Group”	Tencent and its subsidiaries but excluding, Tencent Music Entertainment Group and its subsidiaries and China Literature Group;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Hong Kong Stock Exchange under the stock code 700;
“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a company established in the PRC on November 11, 1998 and a wholly-owned subsidiary of Tencent;
“2018 Enlight Movie and TV Series Production Cooperation Framework Agreement”	A framework agreement entered into between the Company and Enlight Media (for itself and on behalf of the Enlight Media Group) on December 10, 2018, pursuant to which we and the Enlight Media Group agreed to make investments in the production of movies and TV series;

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“2018 Enlight Movie and TV Series Promotion and Distribution Framework Agreement”	A framework agreement entered into between the Company and Enlight Media (for itself and on behalf of the Enlight Media Group) on December 10, 2018, pursuant to which (i) the Group will provide movie and TV series promotion and distribution services to the Enlight Media Group; (ii) the Enlight Media Group will also provide movie and TV series promotion and distribution services to the Group, and we will pay service fees to the Enlight Media Group;
“2019 Payment Services Cooperation Framework Agreement”	A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels so as to enable our users to conduct online transactions and we will pay service commissions to the Represented Tencent Group in respect of such services;
“2019 Tencent Entertainment Content Production Cooperation Framework Agreement”	A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, pursuant to which the Company (for itself and on behalf of its subsidiaries) and the Represented Tencent Group agreed to cooperate in making investments in the production of several types of entertainment content, including but not limited to, movies, TV series, concerts and live shows;
“2019 Tencent Movie and TV Series Promotion and Distribution Framework Agreement”	A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on January 9, 2019, and supplemented on March 24, 2020, pursuant to which (i) we will provide movie and TV series promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services; and (ii) the Represented Tencent Group will also provide such services to us, and we will pay services to them;
“2020 Announcement”	The announcement of the Company dated March 24, 2020, in relation to the 2019 Tencent Movie and TV Series Promotion and Distribution Framework Agreement;

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“2021 Enlight Movie and TV Series Production Cooperation Framework Agreement”	A framework agreement entered into between the Company and Enlightenment Media (for itself and on behalf of the Enlightenment Media Group) on August 20, 2021, pursuant to which we and the Enlightenment Media Group agreed to make investments in production of movies and TV series;
“2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement”	A framework agreement entered into between the Company and Enlightenment Media (for itself and on behalf of the Enlightenment Media Group) on August 20, 2021, pursuant to which (i) the Group will provide movie and TV series promotion and distribution services to the Enlightenment Media Group and the Enlightenment Media Group will pay service fee to us; (ii) the Enlightenment Media Group will also provide movie and TV series promotion and distribution services to the Group, and we will pay service fees to the Enlightenment Media Group;
“2021 Payment Services Cooperation Framework Agreement”	A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on August 20, 2021, pursuant to which the Represented Tencent Group will provide us with payment services through its payment channels so as to enable our users to conduct online transactions and we will pay service commissions to the Represented Tencent Group in respect of such services;
“2021 Tencent Entertainment Content Production Cooperation Framework Agreement”	A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on August 20, 2021, pursuant to which our Company (for itself and on behalf of our subsidiaries) and the Represented Tencent Group agreed to cooperate in making investments in the production of several types of entertainment content, including but not limited to, movies, TV series, concerts and live shows;

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“2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement”

A framework agreement entered into between the Company and Tencent Computer (for itself and on behalf of the Represented Tencent Group) on August 20, 2021, pursuant to which (i) we will provide movie and TV series promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services; and (ii) the Represented Tencent Group will also provide such services to us, and we will pay services to them.

LETTER FROM THE BOARD



Maoyan Entertainment

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1896)

Executive Director:

Mr. Zheng Zhihao (*Chief Executive Officer*)

Non-executive Directors:

Mr. Wang Changtian (*Chairman*)

Ms. Li Xiaoping

Ms. Wang Jian

Mr. Cheng Wu

Mr. Chen Shaohui

Mr. Lin Ning

Mr. Tang Lichun, Troy

Independent Non-executive Directors:

Mr. Wang Hua

Mr. Chan Charles Sheung Wai

Mr. Yin Hong

Ms. Liu Lin

Registered office:

Walkers Corporate Limited

190 Elgin Avenue

George Town

Grand Cayman KY1-9008

Cayman Islands

*Head office and principal place
of business in China:*

No. 3 Building, Yonghe Hangxing Garden

No. 11 Hepingli East Street

Dongcheng District

Beijing, PRC

*Principal place of business
in Hong Kong:*

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

November 10, 2021

To the Shareholders

Dear Sir or Madam,

**PROPOSAL FOR
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM in relation to, the renewal of 2018 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2018 Enlight Movie and TV

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Series Promotion and Distribution Framework Agreement, the 2019 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2019 Payment Services Cooperation Framework Agreement, and the 2019 Tencent Entertainment Content Production Cooperation Framework Agreement (together, the “**Existing Framework Agreements**”), including:

- the particulars of entering into of the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, and the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2024) (together, the “**2021 Framework Agreement**”);
- the letter from the Independent Board Committee with their view on the entering into of the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, and the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2024); and
- the letter from the Independent Financial Adviser with their view on the entering into the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, and the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2024) to the Independent Board Committee and the Independent Shareholders.

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated August 20, 2021, in relation to, among other things, the renewal of the Existing Framework Agreements. For further details of the Existing Framework Agreements, please see the Prospectus and announcement of the Company dated March 24, 2020, respectively.

The Existing Framework Agreements shall expire on December 31, 2021. As the Group intends to continue carrying out the transactions under the Existing Framework Agreement, the Company (for itself and on behalf of the Group) and Enlight Media (for itself and on behalf of Enlight Media Group), and Tencent Computer (for itself and on behalf of the Represented Tencent Group) respectively agreed to enter into the 2021 Framework Agreements for a term of three years commencing from January 1, 2022 to December 31, 2024 (both days inclusive), subject to the Shareholders’ approval.

LETTER FROM THE BOARD

1. 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement

Principal terms of the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement are set out as follows:

Date	August 20, 2021
Parties	(i) the Company (for itself and on behalf of the Group) (ii) Enlight Media (for itself and on behalf of Enlight Media Group)
Terms	from January 1, 2022 to December 31, 2024
Subject Matter	the Group and the Enlight Media Group agreed to cooperate with each other in the arrangements including but not limited to: <ul style="list-style-type: none">• Making joint investment in the production of movies and TV series.• Forming joint ventures or other joint arrangements (whether as a partnership, a company or in any other form) in connection with or for the purpose of the investment in production of movies and TV series.
Payment and others	Separate underlying agreements and other collateral agreement will be entered into which will set out the precise investment amount, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors such as resources contribution (including intellectual property rights) and financial commitments (investment amounts, other costs and expenses incurred, etc.)

LETTER FROM THE BOARD

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement will be determined on a case-by-case basis, and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the movies or the TV series, ownership of the copyrights, costs and expenses involved in the development, and resources to be contributed by parties. Generally, unless otherwise agreed by the parties, the Group's investment return (being the portion out of the total returns generated by the jointly invested movies and TV series) shall be determined with reference to the investment proportion. Based on the historical assessment of the Group's participation in the movies jointly invested by the Group and the Enlight Media Group, in respect of most of the movies jointly invested by the Group and the Enlight Media Group, the investment amount contributed by the Group per movie usually ranges from RMB3.0 million to RMB60.0 million, and the investment proportion of the Group ranges from 2% to 50% with the revenue/profit sharing proportion of the Company following the same proportion. Nevertheless, the above investment proportion and the revenue/profit sharing proportion of the Company are only for illustrative purpose and shall be subject to arms' length negotiation between the Company and the Enlight Media Group on a case-by-case basis. Prior to entering into any definitive agreement pursuant to the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement and making the relevant joint investment, we (including the committee comprises of our senior management and relevant department heads) will assess our needs and will compare the proposed revenue/profit sharing mechanism against the terms proposed by other comparable movies and TV series producers who are Independent Third Parties (if applicable). We will only enter into definitive agreements and invest in the relevant movie and TV series when the proposed revenue/profit sharing mechanism is in line with or no less favourable to the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of the Company and our Shareholders as a whole.

Historical amounts

For the years ended December 31, 2019 and 2020, and the six months ended June 30, 2021, the aggregate amounts of investment contributed by the Group to the movies and TV series jointly invested with the Enlight Group based on mutual consent were approximately RMB85.6 million, RMB16.0 million and RMB20.0 million, respectively.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

In respect of the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, proposed annual caps for the investment amount to be contributed by the Group to the movies and TV series to be jointly invested with the Enlight Group for the three years ending 31 December 2024 are set out in the table below:

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>(RMB in million)</i>		
Investment amount to be contributed by the Group to movies and TV series under the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement	150.0	165.0	181.5

The above annual caps for the three years ending December 31, 2024 were determined with reference to:

- (i) the aforesaid historical amounts;
- (ii) According to our experience, for most of the movies jointly invested by the Group and the Enlight Group, the investment amount contributed by the Group in one movie usually ranges from approximately RMB3.0 million to RMB60.0 million. Based on our experience and preliminary business plan, we currently plan to invest in approximately 7 to 9 movies with the Enlight Group for each of the three years ending December 31, 2024;
- (iii) an estimated growth rate of approximately 10% for the annual caps for each of the three years ending December 31, 2024 with reference to (a) the increasing cost; (b) the anticipated growth rate of the TV series, web series, web movies and variety shows market in China and the condition of the Group; and
- (iv) the continued expansion of the Group's movie and TV series production business which is consistent with the growing movie industry in the PRC.

Reasons for the transaction

We participate in movie and TV series production to capitalize on the success of such movies and TV series. Due to the capital requirements involved in the production of movies and TV series, it is a general market practice in the industry for one movie/TV series to involve a number of investors and several investors and producers to make co-investment in movie and TV series production. In addition, co-production creates synergies through the pooling of different producers' resources and expertise in different aspects, which would facilitate the

LETTER FROM THE BOARD

whole process of the movie and TV series production. The Enlight Media Group is a leading player in the movie and TV series production industry in the PRC, and is principally engaged in the production of high quality movies and TV series. The cooperation through investment by the Enlight Media Group and the Group has been, and is expected to remain, a mutually beneficial arrangement. Leveraging the Enlight Media Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences and promotion and distribution capabilities, it is expected that the parties can enjoy competitive advantages through the cooperation.

2. 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement

Principal terms of the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement are set out as follows:

Date	August 20, 2021
Parties	(i) the Company (for itself and on behalf of the Group) (ii) Enlight Media (for itself and on behalf of Enlight Media Group)
Terms	from January 1, 2022 to December 31, 2024
Subject Matter	(a) Provision of Movie and TV Series Promotion and Distribution Services by The Group to the Enlight Media Group <ul style="list-style-type: none">• Movies and TV series promotion services: we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.• Movies and TV series distribution services: we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

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(b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to the Group

The Enlight Media Group will also provide movie and TV series promotion and distribution services to the Group, and the Group will pay service fees to the Enlight Media Group. The principal terms are substantially the same as the terms on which the Group provide movie and TV series promotion and distribution services to the Enlight Media Group.

Payment and others

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as the prospects of relevant movies and TV series, and the Group's resources contribution, costs and expenses incurred in providing such promotion and distribution services.

Pricing policies

(a) Provision of Movie and TV Series Promotion and Distribution Services by the Group to the Enlight Media Group

The fees for services contemplated under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis, in particular, (1) the service fees for movie and TV series promotion services will be determined by taking into account the Group's resources contribution to the promotion services. For offline resources, the service fees will be determined by the actual costs and expenses for preparing relevant publicity campaigns plus reasonable profits, while the service fees for using online resources will be calculated by the unit prices of different online publicity resources multiplied by the frequency of such resources are used. The unit prices of each online publicity resources will be determined with reference to market rates; and (2) the service fees for movie and TV series distribution service will either be: (i) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or (ii) calculated based on the box office of movies or sales revenue of TV series in accordance with the following formula: for movies: Distribution service fees = revenue-sharing box office * distribution service fees rate; for TV series: Distribution service fees = sales revenue * distribution service fees rate.

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Note: The revenue-sharing box office refers to the box office of the movie distributed after deduction of value-added tax, National Film Development Fund Contribution and the revenue distribution to cinemas. The value-added tax and National Film Development Fund Contribution represent a fix percentage of the box office (representing approximately 8.36%), while the revenue distribution to cinemas shall represent an agreed proportion of net box office, which equals to the box office after deduction of value-added tax and National Film Development Fund Contribution (representing approximately 8.36%), to be paid to cinemas (representing approximately 57% of the net box office). Sales revenue shall refer to the total purchase price of the TV series paid. The distribution service fees rate will be determined with reference to prevailing market rates, which generally range from single digit to low-double digit.

Prior to entering into any definitive agreement pursuant to the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, we will assess and compare the fee structure and pricing terms (if applicable) proposed by members of the Enlight Media Group with the prevailing market rates. We will only enter into definitive agreements in respect of movie and TV series promotion and distribution services with such members of the Enlight Media Group when the fee structure and pricing terms, as a whole, is in line or better than the prevailing market rates and the definitive agreement is in the best interest of the Company and our Shareholders as a whole.

(b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to the Group

The pricing policies are substantially the same as those under which we provide movie and TV series promotion and distribution services to the Enlight Media Group.

Historical amounts

For the years ended December 31, 2019 and 2020, and the six months ended June 30, 2021, the aggregate amounts of fees relating to movie and TV series promotion and distribution services we provided paid/payable by the Enlight Media Group to the Group were approximately RMB42.7 million, RMB31.1 million and RMB14.6 million respectively.

For the year ended December 31, 2019 and 2020, and the six months ended June 30, 2021, the aggregate amount of fees relating to the movie and TV series promotion and distribution services that the Enlight Media Group provided paid/payable by us were approximately nil, nil and nil, respectively.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

In respect of the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the proposed annual caps for the three years ending 31 December 2024 are set out in the table below:

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>(RMB in million)</i>		
Amount of movie and TV series promotion and distribution service fees to be paid by the Enlight Media Group to the Group	92.0	101.2	111.3
Amount of movie and TV series promotion and distribution service fees to be paid by the Group to the Enlight Media Group	40.0	44.0	48.4

(a) Provision of Movie and TV Series Promotion and Distribution Services by the Group to the Enlight Media Group

The above annual caps for the three years ending December 31, 2024 were determined with reference to (i) the aforesaid historical amounts and that the amounts of fees relating to movie and TV series promotion and distribution services we provided paid by the Enlight Media Group for the year ended December 31, 2019 amounted to approximately RMB42.7 million; (ii) based on our experience, the Group anticipated that Enlight Media will engage us to provide promotion and distribution services for approximately 7 to 9 movies for each of the three years ending December 31, 2024; (iii) an estimated growth rate of approximately 10% for the annual caps for each of the three years ending December 31, 2024 with reference to (a) the increasing cost involved in the promotion and distribution of movies and TV series; and (b) the improvement of the Group's promotion and distribution capability and the diversity of the movies and TV series promoted and distributed by the Group.

(b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to the Group

The above annual caps for the three years ending December 31, 2024 were determined with reference to (i) the aforesaid historical amounts; (ii) as the collaboration with Enlight Media Group continues, we may continue to broaden the scope of collaboration of promotion and distribution services for movie and TV series provided by Enlight Media Group. Based on our business plan, the Group expect to engage Enlight Media Group to provide promotion and distribution services for approximately 2 movies for each of the three years ending December

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31, 2024; (iii) an estimated growth rate of approximately 10% for the annual caps for each of the three years ending December 31, 2024 with reference to the expected increasing cost involved in the promotion and distribution of movies and TV series.

Reasons for the transaction

The Enlight Media Group is a leading player in the movies and TV series production industry in the PRC and is principally engaged in the production of high quality movies and TV series, which has demand for movies and TV series promotion and distribution services. The Group provides promotion and distribution services to a large number of business partners in the PRC (which includes the Enlight Media Group). The Company provides diversified services and valuable industry insights in China's pan-entertainment industry, and is able to continuously offer a unique, intelligent one-stop solution for promotion and distribution across the entire industry value chain.

The Enlight Media Group is a leading player in the movie and TV series production industry in the PRC who promotes a large number of high quality movies and TV series. Its strong control on movies and TV series it produced enables it to move downstream and develop its movie and TV series promotion and distribution business. As we continued to cultivate the production of movies and TV series, further consolidate our own IP and strive to become a producer of high-quality contents, it is expected that the Enlight Media Group will continue providing movie and TV series promotion and distribution services to us.

3. 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement

Principal terms of the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement are set out as follows:

Date	August 20, 2021
Parties	(i) the Company (for itself and on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
Terms	from January 1, 2022 to December 31, 2024

LETTER FROM THE BOARD

Subject Matter

(a) **Provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group**

The group will provide movie and TV series promotion and distribution services to the Represented Tencent Group, and service fees will be paid to us in respect of such services:

- **Movies and TV series promotion services:** we will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.
- **Movies and TV series distribution services:** we will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

(b) **Provision of Movie and TV Series Promotion and Distribution Services by the Represented Tencent Group to the Group**

The Represented Tencent Group will also provide movie and TV series promotion and distribution services to the Group, and we will pay service fees to the Represented Tencent Group. The principal terms are substantially the same as the terms on which the Group provides movie and TV series promotion and distribution services to the Represented Tencent Group.

LETTER FROM THE BOARD

Payment and others

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as the prospects of relevant movies and TV series, and the Group's resources contribution, costs and expenses incurred in providing such promotion and distribution services.

Pricing policies

(a) Provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group

The fees payable by the Represented Tencent Group will be negotiated on an arm's length basis and determined on a case-by-case basis. In particular:

- Movie and TV series promotion services: the service fees for movie and TV series promotion services will be determined with reference to many factors including the types of resources deployed, the estimated cost of the resources, the prevailing market price for the resources, the total budget of movie and TV series for promotion services, etc.
- Movie and TV series distribution services: the service fees for movie and TV series distribution service will either be:
 - (1) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or
 - (2) service fees calculated based on the box office of movies or sales revenue of TV series in accordance with the following formula:

For Movies: Distribution service fees = revenue-sharing box office * distribution service fees rate

For TV series: Distribution service fees = sales revenue * distribution service fees rate

LETTER FROM THE BOARD

Note: The revenue-sharing box office refers to the box office of the movie distributed after deduction of value-added tax, National Film Development Fund Contribution and the revenue distribution to cinemas. The value-added tax and National Film Development Fund Contribution represent a fix percentage of the box office (representing approximately 8.36%), while the revenue distribution to cinemas shall represent an agreed proportion of net box office, which equals to the box office after deduction of value-added tax and National Film Development Fund Contribution (representing approximately 8.36%), to be paid to cinemas (representing approximately 57% of the net box office). Sales revenue shall refer to the total purchase price of the TV series paid. The distribution service fees rate will be determined with reference to prevailing market rates, which generally range from single digit to low-double digit.

(b) Provision of movie and TV series promotion and distribution services by the Represented Tencent Group to the Group

The pricing policies are substantially the same as those under which we provide movie and TV series promotion and distribution services for the Represented Tencent Group.

The Group will only enter into a cooperation agreement with the Represented Tencent Group pursuant to the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement when, after comparing the market price against the service fees payable or charged by the Represented Tencent Group and taking into account various commercial factors such as the nature and commercial potential of the movie and TV series, the entering of the cooperation agreement is in the best interest of the Company and the Shareholders as a whole.

Historical amounts

For the years ended December 31, 2019 and 2020, and the six months ended June 30, 2021, the aggregate amounts of fees relating to movie and TV series promotion and distribution services paid/payable by the Represented Tencent Group to the Group were RMB3.0 million, RMB11.3 million and RMB91.1 million, respectively.

For the years ended December 31, 2019 and 2020, and the six months ended June 30, 2021, the aggregate amounts of fees relating to movie and TV series promotion and distribution services paid/payable by the Group to the Represented Tencent Group were nil, nil and RMB1.6 million, respectively.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

In respect of the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the proposed annual caps for the three years ending 31 December 2024 are set out in the table below:

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>(RMB in million)</i>		
Amount of movie and TV series promotion and distribution service fees to be paid by the Represented Tencent Group to the Group	210.7	231.7	256.8
Amount of movie and TV series promotion and distribution service fees to be paid the Group to the Represented Tencent Group	50.0	60.0	72.0
(a) <i>Provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group</i>			

The above annual caps for the three years ending December 31, 2024 were determined with reference to:

- (i) the aforesaid historical amounts and that the service fee paid/payable by the Represented Tencent Group to the Group for the six months ended June 30, 2021 has reached approximately RMB91.1 million. The Group has entered into the definitive promotion and distribution agreements with the Represented Tencent Group in the first half of 2021, pursuant to which, the Group will provide promotion and distribution services to the Represented Tencent Group for Raging Fire (怒火·重案) and Nineteen twenty one (1921);
- (ii) Based on the preliminary discussion of the Company with members of the Represented Tencent Group, the Board anticipated to provide distribution services relating to 5 to 7 movies to the Represented Tencent Group for each of the three years ending December 31, 2024;

LETTER FROM THE BOARD

- (iii) an estimated growth rate of approximately 10% for the annual caps for each of the three years ending December 31, 2024. The aforesaid growth rate was estimated taking into consideration that after the official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group anticipates to provide promotion and distribution services to more movies and TV series especially those invested by the Group and the Tencent Group;
 - (iv) the scale, nature, commercial potential and the estimated growth rate of the movie and TV series promotion and distribution business of the Group and the expected increase in the operating costs for such business.
- (b) *Provision of by the Represented Tencent Group to the Group*
- (i) the aforesaid historical amounts;
 - (ii) Based on the preliminary discussion of the Company with members of the Represented Tencent Group, the Board anticipated that, for each of the three years ending December 31, 2024, the Group will engage the Represented Tencent Group to provide movie and TV series promotion and distribution service to at least one movie; and
 - (iii) Given the formation and official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Company intends to continue to deepen the cooperation with Tencent in various fields including promotion and distribution of movies and TV series. In particular, the annual caps were determined by the Board taking into account the Company's budget for promotion and distribution and the movies and TV series to be distributed through the Represented Tencent Group.

Reasons for the transaction

The Represented Tencent Group is an active player in the movies and TV series production industry in the PRC and is engaged in the production of high-quality movies and TV series, which has demand for movies and TV series promotion and distribution services. The company provides diversified services and valuable industry insights in China's pan-entertainment industry, and is able to continuously offer a unique, intelligent one-stop solution for promotion and distribution across the entire industry value chain.

Due to the formation and official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group intends to deepen the cooperation with Tencent in many fields including promotion and distribution of movies and TV series. As the Represented Tencent Group has abundant channels and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series. In addition, some of the Represented Tencent Group's resources are quite unique and can be supplemental to the traditional resources the Group uses in hand.

LETTER FROM THE BOARD

4. 2021 Payment Services Cooperation Framework Agreement

Principal terms of the 2021 Payment Services Cooperation Framework Agreement are set out as follows:

Date	August 20, 2021
Parties	(i) the Company (for itself and on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
Terms	from January 1, 2022 to December 31, 2024
Subject Matter	the Represented Tencent Group will provide the Group with payment services through its payment channels so as to enable users of the Group to conduct online transactions and the Group will pay service commissions to the Represented Tencent Group in respect of such services.
Payment	Separate underlying agreements will be entered into which will set out the precise scope of services, commission rates, the applicable payment channels and other details of the service arrangements in the manner provided in the 2021 Payment Services Cooperation Framework Agreement. The service commissions will be determined after arm's length negotiation between the parties with reference to the market rates.

Pricing policies

Before entering into any payment service agreement pursuant to the 2021 Payment Services Cooperation Framework Agreement, the Group will assess the business needs and take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment services providers; (ii) consumers' preference among different online payment service providers; and (iii) the commission rates proposed by the Represented Tencent Group and the prevailing market rates. Generally, the Represented Tencent Group has prescribed for standard service fee rate depending on the industry and the nature of the transaction, and such rate generally ranges from 0.1% to 1%. As of the Latest Practicable Date, the prevailing fee rate charged by the Represented Tencent Group against the Company was in line with the standard fee

LETTER FROM THE BOARD

rate prescribed by the Represented Tencent Group. The Company will only enter into a payment service agreement with the Represented Tencent Group when the payment service agreement is in the best interests of the Company and the Shareholders as a whole.

Historical amounts

For the year ended December 31, 2019 and 2020, and six months ended June 30, 2021, the aggregate amounts of service commissions paid/payable to the Represented Tencent Group by us were approximately RMB39.0 million, RMB21.4 million and RMB34.2 million, respectively.

Proposed Annual Caps and Basis of Determination

In respect of the 2021 Payment Services Cooperation Framework Agreement, the proposed annual caps for the three years ending 31 December 2024 are set out in the table below:

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>(RMB in million)</i>		
Service commissions to be paid by us to the Represented Tencent Group	65.0	110.0	120.0

When estimating the annual caps, the Board took into consideration the following factors:

- (i) the aforesaid historical amounts;
- (ii) the expected domestic box office and online ticketing rate for the three years ending December 31, 2024;
- (iii) the expected market share of our online entertainment ticketing service business; and the recovery of the entertainment industry and the continuing strong growth in the use of the Represented Tencent Group's payment service; and
- (iv) the expected fee rate charged by Tencent Group for the three years ending December 31, 2024.

Reasons for the transaction

There are limited choices of online payment channels in the PRC. Given that the Represented Tencent Group is one of the leading players in the PRC online payment service industry and many of users of the Group use the Represented Tencent Group's online payment services, such cooperation would enable the Group to provide users of the Group with payment services and therefore enhance users' experience with the Group's services.

LETTER FROM THE BOARD

5. 2021 Tencent Entertainment Content Production Cooperation Framework Agreement

Principal terms of the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement are set out as follows:

Date	August 20, 2021
Parties	(i) the Company (for itself and on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
Terms	from January 1, 2022 to December 31, 2024
Subject Matter	the Group and the Represented Tencent Group agreed to cooperate with each other in the joint arrangements including but not limited to: <ul style="list-style-type: none">• Making joint investment in the production of several types and formats of entertainment content, including but not limited to, movies, TV series, concerts and live shows.• Forming joint ventures or other joint arrangements (whether as a partnership, a company or in any other form) in connection with or for the purpose of the joint investment in the production of several types of entertainment content mentioned above.
Payment	Separate underlying agreements and other collateral agreements will be entered into which will set out the precise investment amounts, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors such as resources contribution (including intellectual property rights), and financial commitments (including investment amounts, other costs and expenses incurred).

LETTER FROM THE BOARD

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the content, ownership of the copyrights, costs and expenses involved in the development, resources available for the production process. Generally, unless otherwise agreed by the parties, the Group's investment return (being the portion out of the total returns generated by the jointly invested entertainment content) shall be determined with reference to our investment proportion. Based on preliminary discussion with the Represented Tencent Group, the investment amount contributed by the Group per movie is expected to range from RMB30.0 million to RMB40.0 million, and taking into account the historical assessment of the Group's participation in the movies jointly invested by the Group and the Represented Tencent Group, the investment proportion of the Group ranges from 5% to 30%, with the revenue/profit sharing proportion of the Company following the same proportion. Nevertheless, the above investment proportion and the revenue/profit sharing proportion of the Company are only for illustrative purpose and shall be subject to arms' length negotiation between the Company and the Represented Tencent Group on a case-by-case basis. Prior to entering into any definitive agreement pursuant to the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement and/or making the relevant jointly investment, the Group (including the committee comprises of our senior management and relevant department heads) will assess the needs and will compare the proposed revenue/profit sharing mechanism against the terms proposed by other comparable entertainment content producers who are Independent Third Parties (if applicable). The Company will only enter into definitive agreements and invest in relevant entertainment content when the revenue/profit sharing mechanism is in line with or no less favourable to us than the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of the Group and the Shareholders as a whole.

Historical amounts

For the year ended December 31, 2019 and 2020, and six months ended June 30, 2021, the aggregate amounts of investment contributed by the Group to entertainment content jointly invested with the Represented Tencent Group based on mutual consent were RMB44.5 million, RMB26.6 million and RMB119.8 million, respectively.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

In respect of the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement, the proposed annual caps for the three years ending 31 December 2024 are set out in the table below:

	Proposed annual caps for the year ending 31 December		
	2022	2023	2024
	<i>(RMB in million)</i>		
Total investment to be contributed by the Group to entertainment content under the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement	308.0	364.0	430.0

When estimating the annual caps, the Board took into consideration the following factors:

- (i) the aforesaid historical amounts and that the investment amount contributed by the Group for the six months ended June 30, 2021 amounted to RMB119.8 million;
- (ii) Based on our experience, for most of movies jointly invested by the Group and the Represented Tencent Group, the investment amount contributed by the Group in one movie usually ranges from approximately RMB3.0 million to RMB60.0 million. Based on preliminary discussion with the Represented Tencent Group, we currently plan to invest in 8 to 10 movies with the Represented Tencent Group in 2022, the investment amount per movie made by the Group is expected to range from RMB30.0 million to RMB40.0 million;
- (iii) an estimated growth rate of approximately 20% for the annual caps for each of the three years ending December 31, 2024 taking into consideration (a) the official launch of Tencent-Maoyan Alliance (騰貓聯盟) and that the Represented Tencent Group operates a number of well-known online video channels, we expect to have more cooperation with the Represented Tencent Group to further achieve synergy effect; (b) the anticipated growth rate of the TV series, web series, web movies and variety shows market in China and the condition of the Group; and
- (iv) the continued expansion of the Group's movie and TV series production business which is consistent with the fast growing movie industry in the PRC.

LETTER FROM THE BOARD

Reasons for the transaction

The Company participates in the entertainment content production business to capitalize on the success of such entertainment content and seek to realize profits from the success of these entertainment content. Due to the large initial capital commitment involved in the production of entertainment content, it is a general market practice in the industry for one entertainment content to involve a number of investors and several investors to make co-investments in the production process. In addition, co-production creates synergies through the pooling of different producers' resources and expertise in different aspects, which would facilitate the whole production process. The Represented Tencent Group is one of the leading players in the entertainment content production industry in the PRC and is experienced in the entertainment industry. The cooperation through investments by the Represented Tencent Group and the Group has been, and is expected to remain to be, a mutually beneficial cooperation arrangement. Leveraging the Represented Tencent Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences, promotion and distribution capabilities and ticketing services experience, it is expected that the parties can enjoy respective competitive advantages through the cooperation.

INFORMATION RELATING TO PARTIES

The Group is a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

Enlight Media is primarily engaged in investment and production of entertainment content, including movie, TV series, comics and animation, video, music and literature, as well as movie and TV series promotion and distribution.

Tencent is principally engaged in the provision of value-added services to users in the PRC.

INTERNAL CONTROL

In order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- the Company has adopted and implemented a management system on connected transactions. The Board and various other internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the

LETTER FROM THE BOARD

fairness of the pricing policies and annual caps under each agreement, the management of the Company also reviews the pricing policies of the framework agreements annually. In addition, various other internal departments of the Company monitor the fulfilment status and the transaction updates under the framework agreement as necessary from time to time, and the reporting team (the “**Reporting Team**”) within the finance department is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team.

- the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies; the audit committee of the Company will review the Company’s financial controls, risk management and internal control systems; and when considering any renewal or revisions to the framework agreements, the Company will then comply with the Listing Rules as applicable.
- when considering fees to be provided to the Group by the connected persons and the fee to be provided to the connected persons to the Group, the Group will constantly research into prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered by independent third parties.

LISTING RULES IMPLICATIONS

As at the date of this circular, Mr. Wang Changtian, the chairman of the Board, non-executive Director and a substantial Shareholder, held more than 30% equity interest in Enlight Media through Enlight Holdings. As such, Enlight Media is an associate of Mr. Wang Changtian and thus connected persons of the Company. As at the date of this circular, Mr. Wang Changtian is interested in approximately 27.40% (long position) and 13.91% (short position) of the total issued share capital of the Company. As at the date of this circular, Tencent held more than 10% of the total issued share capital of the Company and is one of the substantial Shareholders, and thus Tencent and its associates (including the Represented Tencent Group) are connected persons of the Company. Therefore, the transactions under each of the 2021 Framework Agreement constitutes connected transactions of the Company under the chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratios in respect of the annual caps under each of the (i) 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, (ii) 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, (iii) the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, (iv) the 2021 Payment Services Cooperation Framework Agreement, (v) the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement are more than 5%, the transactions contemplated thereunder are therefore subject to annual reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular, which contains its recommendation to the Independent Shareholders in relation to the 2021 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending December 31, 2024). Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 33 to 71 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2021 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending December 31, 2024), and the principal factors and reasons taken into account in arriving at its recommendation.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Set out on pages 78 to 80 of this circular is the notice of the Extraordinary General Meeting at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the 2021 Framework Agreements.

FORM OF PROXY

A form of proxy is enclosed with this circular for use at the Extraordinary General Meeting. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.maoyan.com), respectively. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending and voting at the Extraordinary General Meeting or any adjournment thereof if they so wish.

LETTER FROM THE BOARD

VOTING BY POLL

Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Holdings as to 42.55% of its equity interests. Enlight Holdings is owned by Mr. WANG Changtian as to 95% of its equity interests. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Therefore, Hong Kong Pictures International Limited and Vibrant Wide Limited are required to abstain from voting on the the resolutions relating to 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement and 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement entered into between the Company and the Enlight Media Group.

Image Flag Investment (HK) Limited is wholly-owned by Tencent Holdings Limited, therefore, Image Flag Investment (HK) Limited is required to abstain from voting on the the resolutions relating to 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, 2021 Payment Services Cooperation Framework Agreement, and 2021 Tencent Entertainment Content Production Cooperation Framework Agreement entered into between the Company and the Represented Tencent Group.

Save as disclosed above, the Board is not aware of any other Shareholder who has any material interest that is required under the Listing Rules to abstain from voting on the aforementioned resolutions.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the Extraordinary General Meeting shall therefore demand voting on all resolutions set out in the notice of Extraordinary General Meeting by way of poll pursuant to Article 72 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative shall have one vote for each Share registered in his name in the register of members of the Company. A Shareholder entitled to more than one vote needs not use all his votes or cast all the votes he uses in the same way.

RECOMMENDATION

The Directors (excluding the independent non-executive Directors whose view will be in the section headed “Letter from the Independent Board Committee” of this circular) consider that it is in the interests of the Company and its shareholders as a whole to enter into the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the 2021 Payment Services Cooperation Framework Agreement, and the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement, the terms thereunder are fair and reasonable and the transactions contemplated thereunder (including the proposed annual caps under aforementioned respective framework agreement) are on normal commercial terms and in the ordinary and usual course of business of the Company.

LETTER FROM THE BOARD

Mr. Wang Changtian, Ms. Li Xiaoping and Mr. Chen Shaohui being our Directors, hold directorships or senior management positions in Enlight Media Group and have therefore abstained from voting on the relevant Board resolutions approving the New Enlight CCTs, Mr. Cheng Wu, being our Director, holds senior management positions in the Represented Tencent Group and has therefore abstained from voting on the relevant Board resolutions approving the New Tencent CCTs. Save as disclosed above, none of the other Directors has material interests in the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of Gram Capital, consider that the 2021 Framework Agreements (including the proposed annual caps for the three years ending December 31, 2024 thereunder) are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions in respect of the 2021 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2024 thereunder) at the Extraordinary General Meeting.

The Directors recommend the Independent Shareholders to vote in favor of all the ordinary resolutions to be proposed at the EGM.

Yours faithfully
By order of the Board
Maoyan Entertainment
Mr. Zheng Zhihao
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the New Enlight CCTs and the New Tencent CCTs.



Maoyan Entertainment

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1896)

November 10, 2021

To the Independent Shareholders

Dear Sirs or Madams,

We refer to the circular dated November 10, 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in this circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the 2021 Framework Agreements and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

After taking into account the advice of Gram Capital as set out in this circular, we consider that the 2021 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2024 thereunder) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We further consider that the entering into of the 2021 Framework Agreements (including the proposed annual caps for the three years ending December 31, 2024 thereunder) is in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the 2021 Framework Agreements and the transaction contemplated thereunder (including the proposed annual caps for the three years ending December 31, 2024).

Yours faithfully,

The Independent Board Committee

Mr. Wang Hua

Mr. Chan Charles Sheung Wai

Mr. Yin Hong

Ms. Liu Lin

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

10 November 2021

*To: The independent board committee and the independent shareholders
of Maoyan Entertainment*

Dear Sirs,

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the transactions (the “**Transactions**”) contemplated under (i) 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, (ii) 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, (iii) the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, (iv) the 2021 Payment Services Cooperation Framework Agreement; and (v) the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 November 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 August 2021, the Company (for itself and on behalf of the Group) and Enlight Media (for itself and on behalf of Enlight Media Group) entered into, among other things, (i) 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement; and (ii) 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement to renew relevant existing framework agreements with Enlight Media.

On the even date, the Company (for itself and on behalf of the Group) and the Tencent Computer (for itself and on behalf of Represented Tencent Group) entered into, among other things, (i) 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement; (ii) 2021 Payment Services Cooperation Framework Agreement; and (iii) 2021 Tencent Entertainment Content Production Cooperation Framework Agreement.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the annual reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Yin Hong and Ms. Liu Lin (all being independent non-executive Directors) has been established to advise the independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the independent Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Management and/or the Directors, which have been provided to us. Our opinion is based on the Directors' and/or the Management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Enlight Media, Tencent Computer or their respective subsidiaries or associates (as the case may be), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information of the Group

With reference to the Board Letter, the Group is a leading platform providing innovative Internet-empowered entertainment services in China, offering online entertainment ticketing services, entertainment content services, e-commerce services and advertising services and others.

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Set out below is a summary of the consolidated financial information on the Group for the two years ended 31 December 2020 and the six months ended 30 Jun 2021 as extracted from the Company’s annual report for the year ended 31 December 2020 (the “**2020 Annual Report**”) and interim report for the six months ended 30 June 2021 (the “**2021 Interim Report**”) respectively:

	For the six months ended 30 June 2021 (“1H2021”) <i>(unaudited)</i> RMB’000	For the year ended 31 December 2020 (“FY2020”) <i>(audited)</i> RMB’000	For the year ended 31 December 2019 (“FY2019”) <i>(audited)</i> RMB’000	Year on year change %
Revenue	1,799,790	1,365,690	4,267,514	(68.0)
– <i>Online entertainment ticketing services</i>	1,013,475	756,548	2,303,249	(67.2)
– <i>Entertainment content services (note)</i>	660,067	353,227	1,396,788	(74.7)
– <i>Advertising services and others</i>	126,248	255,915	567,477	(54.9)
Gross profit	1,045,450	537,334	2,657,147	(79.8)
Profit/(loss) for the period/year	387,077	(646,272)	458,857	N/A

Note: This amount included fair value loss on the Group’s investment in movie and TV series amounting to approximately RMB8.3 million for the six months ended 30 June 2021 and approximately RMB27.5 million for the year ended 31 December 2020; and fair value gain on the Group’s investment in movie and TV series amounting to approximately RMB15.6 million for the year ended 31 December 2019.

As illustrated in the above table, the Group’s revenue and gross profit for FY2020 substantially decreased by approximately 68.0% and 79.8% respectively, as compared to that for FY2019. With reference to the 2020 Annual Report, such decreases were primarily a result of decreases in the revenue from online entertainment ticketing services, entertainment content services, advertising services and others as affected by COVID-19 pandemic in FY2020.

The Group recorded loss for FY2020 as compared to profit for FY2019. With reference to the 2020 Annual Report and as confirmed by the Company, such turnaround from profit position to loss position was mainly due to substantial decrease in the Group’s revenue and gross profit for FY2020 which was partially offset by substantial decrease in selling and marketing expenses for FY2020 as compared to that for FY2019.

As illustrated in the above table, the Group recorded profit for the period of approximately RMB387.1 million for 1H2021 as compared to loss of approximately RMB430.7 million for the corresponding period in 2020. As advised by the Company, such turnaround from loss position to profit position was mainly due to significant increase in the Group’s revenue for 1H2021 as compared to that for the corresponding period in 2020 as

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results of (i) steady recovery of the PRC's film market as a result of the good control of domestic epidemic during 1H2021; and (ii) satisfactory performance of some film and television projects that the Group participated in during 1H2021, resulting in box office success.

With reference to the 2021 Interim Report, the Group will continue to produce diversified contents with excellent quality and positive values, strengthen business synergy and value aggregation, and strive to create more value for the pan-entertainment industry. Meanwhile, given the industry the Group operates in, the core needs of the Group's development and the challenges and business possibilities the Group is facing, the Group will constantly expand the business portfolio, achieve long-term development and continuously improve competitiveness and risk resistance capacity.

Information of Enlight Media

With reference to the Board Letter, Enlight Media is primarily engaged in investment and production of entertainment content, including movie, TV series, comics and animation, video, music and literature, as well as movie and TV series promotion and distribution.

Information of Tencent and Tencent Computer

With reference to the Board Letter, Tencent is principally engaged in the provision of Internet value-added services to users in the PRC. Tencent Computer is a company established in the PRC and a wholly-owned subsidiary of Tencent.

Reasons and benefits of the Transactions

Entertainment content production services

With reference to the Board Letter, the Group participates in the entertainment content (including movie, TV series, concerts (as the case may be) and live shows (as the case may be)) production business to capitalize on the success of such entertainment content and seek to realize profits from the success of these entertainment content. Due to the large initial capital commitment involved in the production of entertainment content, it is a general market practice in the industry for one entertainment content to involve a number of investors and several investors and producers to make co-investments in movie and TV series production. In addition, co-production creates synergies through the pooling of different producers' resources and expertise in different aspects, which would facilitate the whole process of the movie and TV series production.

The Enlight Media Group is a leading player in the movie and TV series production industry in the PRC, and is principally engaged in the production of high quality movies and TV series. The cooperation through investment by the Enlight Media Group and the Group has been, and is expected to remain, a mutually beneficial arrangement. Leveraging the Enlight

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Media Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences and promotion and distribution capabilities, it is expected that the parties can enjoy competitive advantages through the cooperation.

The Represented Tencent Group is one of the leading players in the entertainment content production industry in the PRC and is experienced in the entertainment industry. The cooperation through investments by the Represented Tencent Group and the Group has been, and is expected to remain to be, a mutually beneficial cooperation arrangement. Leveraging the Represented Tencent Group's market position and extensive investment experience in the relevant field, and the Group's data insights of consumer preferences, promotion and distribution capabilities and ticketing services experience, it is expected that the parties can enjoy respective competitive advantages through the cooperation.

National box office revenue in the PRC (including domestic movies)

Set out below are the national box office revenue in the PRC (including domestic movies) and the box office revenue of domestic movies in the PRC during the five years ended 31 December 2019, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC (Note: We understood that the national box office revenue for FY2020 was affected by the COVID-19 pandemic, such as cinemas strictly implemented the 75% attendance limit imposed by the PRC government; all the cinemas in mainland China had been shut down for 183 days from 23 January 2020. Therefore, we only listed out national box office revenue from 2015 to 2019).

	2019	2018	2017	2016	2015
National box office revenue (including domestic movies) (RMB billion)	64.3	61.0	55.9	49.3	44.1
Box office revenue of domestic movies (RMB billion)	41.2	37.9	30.1	28.7	27.1

As shown in the table above, both the national box office revenue of the PRC (including domestic movies) and the box office revenue of domestic movies in the PRC recorded year-on-year increase during each of the year 2016, 2017, 2018 and 2019. The national box office revenue in the PRC increased from approximately RMB44.1 billion for year 2015 to approximately RMB64.3 billion for year 2019, represent a compound annual growth rate ("CAGR") of approximately 9.89%, while the box office of domestic movies in the PRC increased from approximately RMB27.1 billion for the year 2015 to approximately RMB41.2 billion for the year 2019, represent a CAGR of approximately 11.04%. Furthermore, the box office revenue of domestic movies in the PRC accounted for approximately 53.85% to 64.07% of the total national box office revenue during the five years ended 31 December 2019.

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Number of TV series' episode broadcasted in the PRC

Set out below are the number of TV series' episode broadcasted in the PRC during the five years ended 31 December 2019, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2019	2018	2017	2016	2015
Number of TV series' episode broadcasted (thousands of episodes)	7,229.4	7,077.0	6,987.4	6,886.4	6,863.6

As shown in the table above, the number of TV series' episode broadcasted in the PRC also recorded year-on-year increase during each of the year 2016, 2017, 2018 and 2019. The number of TV series' episode broadcasted in the PRC increased from approximately 6.86 million episodes for the year 2015 to approximately 7.23 million episodes for the year 2019, with a CAGR of 1.31%.

Having considered the statistics above, we are of the view that the prospects of the entertainment content production industry is generally positive without taking into account the impact of COVID-19.

Payment services

There are limited choices of online payment channels in the PRC. Given that the Represented Tencent Group is one of the leading players in the PRC online payment service industry and many of users of the Group use the Represented Tencent Group's online payment services, such cooperation would enable the Group to provide users of the Group with payment services and therefore enhance users' experience with the Group's services.

Based on the website of China UnionPay (cn.unionpay.com), China UnionPay together with commercial banks and payment agencies investigated in the PRC's consumer mobile payment security behavior. Based on the investigation, for 2020, 98% of the interviewees deemed the mobile payment as the most frequently used payment method in the PRC.

Movie and TV series promotion and distribution services

The Enlight Media Group is a leading player in the movies and TV series production industry in the PRC and is principally engaged in the production of high-quality movies and TV series, which has demand for movies and TV series promotion and distribution services.

The Represented Tencent Group is an active player in the movies and TV series production industry in the PRC and is engaged in the production of high-quality movies and TV series, which has demand for movies and TV series promotion and distribution services.

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The Group is a leading platform of Internet-empowered entertainment services, and provides promotion and distribution services to a large number of business partners in the PRC (which includes the Represented Tencent Group).

Due to the formation and official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group intends to deepen the cooperation with Tencent in many fields including promotion and distribution of movies and TV series. As the Represented Tencent Group has abundant platform and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series. In addition, some of the Represented Tencent Group's resources are quite unique and can be supplemental to the traditional resources the Group uses in hand.

We consider that the provision of movie and TV series promotion and distribution services by the Group to the Enlight Media Group and/or the Represented Tencent Group would allow the Company to broaden the Group's source of income; while the provision of movie and TV series promotion and distribution services by the Enlight Media Group and/or the Represented Tencent Group would allow the Group to have different promotion and distribution methods/channels.

Based on the above factors, we are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transactions

A. 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement

Principal terms of the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement are set out as follows:

Date:	20 August 2021
Parties:	(a) the Company (for itself and on behalf of the Group) (b) Enlight Media (for itself and on behalf of Enlight Media Group)
Terms:	from 1 January 2022 to 31 December 2024

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Subject Matter: the Group and the Enlight Media Group agreed to cooperate with each other in the arrangements including but not limited to:

- Making joint investment in the production of movies and TV series.
- Forming joint ventures or other joint arrangements (whether as a partnership, a company or in any other form) in connection with or for the purpose of the investment in production of movies and TV series.

Payment and others: Separate underlying agreements and other collateral agreement will be entered into which will set out the precise investment amount, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors such as resources contribution (including intellectual property rights) and financial commitments (investment amounts, other costs and expenses incurred, etc.).

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement will be determined on a case-by-case basis, and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the movies or the TV series, ownership of the copyrights, costs and expenses involved in the development, and resources to be contributed by parties. Generally, unless otherwise agreed by the parties, the Group's investment return (being the portion out of the total returns generated by the jointly invested movies and TV series) shall be determined with reference to the investment proportion.

With reference to the Board Letter, based on the experience of the Company, most of the movies jointly invested by the Group and the Enlight Media Group, the investment amount contributed by the Group per movie usually ranges from RMB3.0 million to RMB60.0 million. Based on the historical assessment of the Group's participation in the movies jointly invested by the Group and the Enlight Media Group, the investment proportion of the Group ranges from 2% to 50%, and the revenue/profit sharing

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proportion of the Company follows the same proportion. Nevertheless, the above investment proportion and the revenue/profit sharing proportion of the Company are only for illustrative purpose and shall be subject to arms' length negotiation between the Company and the Enlight Media Group. Prior to entering into any definitive agreement pursuant to the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement and making the relevant joint investment, the Company (including the committee comprises of the Company's senior management and relevant department heads) will assess the Group's needs and will compare the proposed revenue/profit sharing mechanism against the terms proposed by other comparable movies and TV series producers who are Independent Third Parties (if applicable). The Group will only enter into definitive agreements and invest in the relevant movie and TV series when the proposed revenue/profit sharing mechanism is in line with or no less favourable to the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of the Company and the Shareholders as a whole.

For our due diligence purpose, we obtained and reviewed individual agreements for such investments in three movies in total during of FY2019, FY2020 and FY2021 respectively. As such individual agreements were entered in each of FY2019, FY2020 and FY2021, we consider the number of individual agreements are sufficient for us to form our view. We noted that the Group's investment proportion is in line with the percentage of investment amount to the investment costs for such movies and investment return will be determined with reference to, among other things, the investment proportion.

With reference to the Board Letter, in order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted certain internal control procedures. Details of the internal control procedures are set out under the section headed "Internal Control" of the Board Letter.

Having considered that various internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement, we consider the effective implementation of internal control measures will ensure the fair pricing under the framework agreement. According to our findings as mentioned above, we do not doubt the effectiveness of the internal control measures.

In addition, we also noted that the reporting team within the finance department (the "**Reporting Team**") is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework

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agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team. We consider that the Company has sufficient measures to monitor the utilisation of the annual caps.

Proposed annual caps

The table below demonstrates (i) the historical aggregate amount of investment contributed by the Group in respect of joint investment and independent investment for the two years ended 31 December 2020 and for 1H2021 with the existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical aggregate amount of investment	85.6	16.0	20.0 <i>(Note)</i>
Existing annual caps	136.0	185.0	245.0
Utilization rate	62.9%	8.6%	N/A
	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	("FY2022")	("FY2023")	("FY2024")
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	150.0	165.0	181.5

Note: the figure was for the six months ended 30 June 2021.

With reference to the Board Letter, the proposed annual caps were determined based on certain factors, details of which are set out under the sub-section headed "Proposed Annual Caps and Basis of Determination" under the section headed "2021 Enlight Movie and TV Series Production Cooperation Framework Agreement" of the Board Letter.

According to the above table, the utilization rates of existing annual caps for the two years ended 31 December 2020 were low. Despite that the Company downward adjusted the proposed annual caps for the three years ending 31 December 2024 as compared to the existing cap for FY2021, the proposed annual caps for the three years ending 31 December 2024 represented substantial increases as compared to historical aggregate

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amount of investment for the two years ended 31 December 2020. To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses.

With reference to the Board Letter, according to the Group's experience, the total average investment amount in one movie usually ranges from approximately RMB3.0 million to RMB60.0 million. Based on the Group's experience and preliminary business plan, the Group currently plan to invest in approximately 7 to 9 movies with the Enlight Media Group for each of the three years ending 31 December 2024.

For our due diligence purpose, we obtained figures showing the historical investment records for such investments with number of films invested during the period from 1 January 2019 to 30 June 2021 (the "**Historical Period**"). We noted that the average investment amount in one movie was approximately RMB20.3 million during the Historical Period.

In addition, we also noted from Enlight Media's annual report for the year ended 31 December 2020 (the "**EM Annual Report**") and interim report for the six months ended 30 June 2021 (the "**EM Interim Report**") that Enlight Media Group participated in the investment in over 10 movies (which were released) for FY2019, eight movies (which were released) for FY2020, four movies (which were released) for 1H2021 and planned to further invest three movies (which has been or will be released) with expected time schedule in FY2021 and 8 movies with undetermined release time schedule. According to the EM Interim Report, 12 movies are under production and 36 movies are under preliminary planning by Enlight Media Group. Accordingly, we consider the number of movies which the Group plans to invest in with the Enlight Media Group for each of the three years ending 31 December 2024 to be justifiable.

Having considered the above factors, we are of the view that the proposed annual cap for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of 10% as compared to the proposed annual caps for FY2022 and FY2023 respectively. With reference to the Board Letter, the growth rate was determined with reference to (a) the increasing cost; (b) the anticipated growth rate of the TV series, web series, web movies and variety shows market in the PRC and the condition of the Group.

We understood that the national box office revenue for FY2020 was affected by the COVID-19 pandemic. Accordingly, our analysis on the trend of the national box office revenue was mainly with reference to the national box office revenue up to the year 2019 (prior to the outbreak of COVID-19). As mentioned above, the national box office

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revenue increased from approximately RMB44.1 billion to approximately RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of approximately 9.89%. Accordingly, we considered the estimated growth rate of 10% for the proposed annual caps to be justifiable.

In light of the above factors, we are of the view that the proposed annual caps for FY2023 and FY2024 to be fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2024 under the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of amount to be invested from the transactions contemplated under the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement. Consequently, we express no opinion as to how closely the actual amount to be invested from the transactions contemplated under the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement will correspond with the proposed annual caps.

Having considered the above factors, we are of the view that the terms of the transactions contemplated under the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable.

B. 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement

Principal terms of the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement are set out as follows:

- | | |
|------------------------|--|
| Date: | 20 August 2021 |
| Parties: | (i) the Company (for itself and on behalf of the Group)
(ii) Enlight Media (for itself and on behalf of Enlight Media Group) |
| Terms: | from 1 January 2022 to 31 December 2024 |
| Subject Matter: | (a) Provision of Movie and TV Series Promotion and Distribution Services by the Group to the Enlight Media Group <ul style="list-style-type: none">• Movies and TV series promotion services: the Group will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows. |

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- Movies and TV series distribution services: the Group will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

(b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to the Group

The Enlight Media Group will also provide movie and TV series promotion and distribution services to the Group, and the Group will pay service fees to the Enlight Media Group. The principal terms are substantially the same as the terms on which the Group provides movie and TV series promotion and distribution services to the Enlight Media Group.

Payment and others:

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as the prospects of relevant movies and TV series, and the Group's resources contribution, costs and expenses incurred in providing such promotion and distribution services.

Pricing policies

(a) Provision of Movie and TV Series Promotion and Distribution Services by the Group to the Enlight Media Group

The fees for services contemplated under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis, in particular, (1) the service fees for movie and TV series promotion services will be determined by taking into account the Group's resources contribution to the promotion services. For offline resources, the service fees will be determined by the actual costs and expenses for preparing relevant publicity campaigns plus reasonable profits, while the service fees for using online resources will be calculated by the unit prices of different online publicity resources multiplied by frequency such resources are used. The unit prices of each online publicity resources will

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be determined with reference to market rates; and (2) the service fees for movie and TV series distribution service will either be: (i) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or (ii) calculated based on the box office of movies or sales revenue of TV series in accordance with the following formulae: for movies: Distribution service fees = revenue-sharing box office * distribution service fees rate; for TV series: Distribution service fees = sales revenue * distribution service fees rate

Note: The revenue-sharing box office refers to the box office of the movie distributed after deduction of value-added tax, National Film Development Fund Contribution and the revenue distribution to cinemas. The value-added tax and National Film Development Fund Contribution represent a fix percentage of the box office (representing approximately 8.36%), while the revenue distribution to cinemas shall represent an agreed proportion of net box office, which equals to the box office after deduction of value-added tax and National Film Development Fund Contribution (representing approximately 8.36%), to be paid to cinemas (representing approximately 57% of the net box office). Sales revenue shall refer to the total purchase price of the TV series paid. The distribution service fees rate will be determined with reference to prevailing market rates and which generally range from single digit to low-double digit.

Prior to entering into any definitive agreement pursuant to the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the Group will assess and compare the fee structure and pricing terms (if applicable) proposed by members of the Enlight Media Group with the prevailing market rates. The Group will only enter into definitive agreements in respect of movie and TV series promotion and distribution services with such members of the Enlight Media Group when the fee structure and pricing terms, as a whole, is in line or better than the prevailing market rates and the entering into definitive agreement is in the best interest of the Company and the Shareholders as a whole.

For our due diligence purpose, we enquired into the Company the distribution service fees range of the prevailing market rates. In addition, we noted from the Company's prospectus dated 23 January 2019 that when acting as a lead distributor, the rate of distribution fee (equals the distribution fee the Group received divided by the total revenue-sharing box office) the Group received typically ranged from 5% to 12%. When acting as a co-distributor, the Group's distribution fee may be either a pre-agreed amount or determined at a rate ranging from 1% to 2%.

Upon our request, we obtained (i) individual contracts of the distribution services provided by the Group (act as a co-distributor) to two members of Enlight Media Group and a member of the Represented Tencent Group for three movies where the Group is entitled to predetermined distribution fee rates; and (ii) an individual contract of the distribution services provided by the Group (act as lead distributor) to a member of the Represented Tencent Group for one movie. As advised by the Company, the Group provided distribution services or recorded service fees for the distribution services to connected persons for five movies in total during the Historical Period. Therefore, we consider the above-mentioned individual contracts involving distribution services for four different movies are sufficient for us to form our view. According to the individual

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contracts, we noticed that, among other things, the Group was entitled to distribution fee rates no less than the aforesaid rate range of 1% to 2% (act as a co-distributor) or no less than 5% (act as a lead distributor).

- (b) Provision of Movie and TV Series Promotion and Distribution Services by the Enlight Media Group to the Group

The pricing policies are substantially the same as those under which the Group provide movie and TV series promotion and distribution services to the Enlight Media Group.

Upon our request, we also obtained a copy of individual contract regarding the Enlight Media Group's provision of promotion and distribution services to the Group. As confirmed by the Company, the Group only entered into one individual contract with Enlight Media Group for the provision of promotion and distribution services by Enlight Media Group to the Group during the Historical Period. According to the aforesaid individual contract, save for a fixed services fee to be paid by the Group, the Group will only pay a proportion of revenue-sharing box office when the box office of such film exceeds certain amount.

With reference to the Board Letter, in order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted certain internal control procedures. Details of the internal control procedures are set out under the section headed "Internal Control" of the Board Letter.

Having also considered that various internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement, we consider the effective implementation of internal control measures will ensure the fair pricing under the framework agreement. According to our findings as mentioned above, we do not doubt the effectiveness of the internal control measures.

In addition, we also noted that the Reporting Team is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team. We consider that the Company has sufficient measures to monitor the utilisation of the annual caps under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement.

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Proposed annual caps

Promotion and distribution services provided by Group

The table below demonstrates (i) the historical amounts of fees relating to movie and TV series promotion and distribution services paid by the Enlight Media Group to the Group for the two years ended 31 December 2020 and 1H2021 with existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
Historical amounts of fees relating to movie and TV series promotion and distribution services	42.7	31.1	14.6 (<i>Note</i>)
Existing annual caps	240.0	290.0	350.0
Utilization rate	17.8%	10.7%	N/A
	For the year ending 31 December 2022 <i>RMB'million</i>	For the year ending 31 December 2023 <i>RMB'million</i>	For the year ending 31 December 2024 <i>RMB'million</i>
Proposed annual caps	92.0	101.2	111.3

Note: the figure was for the six months ended 30 June 2021.

With reference to the Board Letter, the proposed annual caps for the promotion and distribution services provided by the Group were determined based on certain factors, details of which are set out under the sub-section headed “Proposed Annual Caps and Basis of Determination” under the section headed “2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement” of the Board Letter.

According to the above table, the utilization rates of existing annual caps for the two years ended 31 December 2020 were low. Despite that the Company downward adjusted the proposed annual caps for the three years ending 31 December 2024 as compared to the existing annual cap for FY2021, the proposed annual caps for the three years ending 31 December 2024 represented substantial increases as compared to historical amount for the two years ended 31 December 2020. To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses.

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With reference to the Board Letter and as advised by the Company, based on the Group experience, the Group anticipated that Enlight Media will engage the Group to provide promotion and distribution services for approximately 7 to 9 movies (including at least one to two blockbuster movies with higher promotion and distribution costs) for each of the three years ending 31 December 2024.

We obtained detailed breakdown of the historical amounts of fees relating to movie and TV series promotion and distribution services for the Historical Period. From the detailed breakdown, we noted that:

- the Group was engaged by Enlight Media Group for the promotion and distribution of one blockbuster movie for each of FY2019, FY2020 and 1H2021 and historical amounts of fees charged by the Group in respect of such blockbuster movies ranged from approximately RMB12.9 million to approximately RMB35.4 million; and
- the historical amounts of fees relating to movie and TV series promotion and distribution services (other than those blockbuster movies) ranged from approximately RMB0.6 million to RMB4.0 million.

Based on the above factors, we are of the view that the proposed annual caps enable the Group to provide promotion and distribution services for 1 to 2 blockbuster movies and 5 to 8 other lower budgets movies and TV series. As such, we consider the proposed annual caps for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of approximately 10% as compared to the proposed annual caps for FY2022 and FY2023 respectively. As mentioned above, the national box office revenue increased from approximately RMB44.1 billion to approximately RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of approximately 9.89%. As advised by the Company, the cost of promotion and distribution services directly links to the total investment of the movie/TV series in general. The Company expects the increase in the national box office revenue may further lead the increase of the total investment of the movie/TV series, hence the increase in budgets for promotion and distribution services by movies' producers/distributors. Accordingly, we considered the estimated growth rate of approximately 10% for the proposed annual caps to be justifiable.

In light of the above factors, we are of the view that the proposed annual caps for FY2023 and FY2024 to be fair and reasonable.

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Promotion and distribution services provided by Enlight Media Group

The table below demonstrates (i) the historical amounts of fees relating to movie and TV series promotion and distribution services paid by the Group to the Enlight Media Group for the two years ended 31 December 2020 and six months ended 30 June 2021 with existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
Historical amounts of fees relating to movie and TV series promotion and distribution services	Nil	Nil	Nil (<i>Note</i>)
Existing annual caps	50.0	80.0	130.0
Utilization rate	Nil	Nil	N/A
	For the year ending 31 December 2022 <i>RMB'million</i>	For the year ending 31 December 2023 <i>RMB'million</i>	For the year ending 31 December 2024 <i>RMB'million</i>
Proposed annual caps	40.0	44.0	48.4

Note: the figure was for the six months ended 30 June 2021.

According to the above table, the Group did not pay any fees relating to movie and TV series promotion and distribution services to Enlight Media Group for the Historical Period.

To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses:

- With reference to the Board Letter, based on the Group's business plan, the Group expects to engage Enlight Media Group to provide promotion and distribution services for approximately 2 movies for each of the three years ending 31 December 2024.

As mentioned above, the Group currently plans to invest in approximately 7 to 9 movies with the Enlight Media Group for each of the three years ending 31 December 2024, we consider the Group's plan to engage Enlight Media Group to provide promotion and distribution services for approximately 2 movies for each of the three years ending 31 December 2024 to be justifiable.

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- According to the above table and as advised by the Company, the Group did not record any historical amounts regarding the provision of movie and TV series promotion and distribution services by Enlight Media Group to the Group for the three years ended 31 December 2020 and the six months ended 31 December 2021.

According to the Company's prospectus dated 23 January 2019, the Group paid service fees of approximately RMB17.0 million to Enlight Media Group for the promotion and distribution services in respect of one movie in 2017.

The implied average service fees for one movie promotion and distribution services amounted to approximately RMB20 million for FY2022, representing a CAGR of approximately 3% as compared to the abovementioned service fees for one movie promotion and distribution services in 2017. As the CPI index in the PRC for 2020 presented an increase of approximately 2.5% as compared to that for 2019; and an increase of approximately 2.9% as compared to that for 2018, we consider the implied average service fees for one movie promotion and distribution services to be justifiable.

Based on the above factors, we consider the proposed annual cap for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of 10% as compared to the proposed annual caps for FY2022 and FY2023 respectively. As mentioned above, the national box office revenue increased from approximately RMB44.1 billion to approximately RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of approximately 9.89%. As advised by the Company, the cost of promotion and distribution services directly links to the total investment of the movie/TV series in general. The Company expects the increase in the national box office revenue may further lead the increase of the total investment of the movie/TV series, hence the increase in budgets for promotion and distribution services. Accordingly, we considered the estimated growth rate of approximately 10% for the proposed annual caps to be justifiable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2024 under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of income to be generated or cost to be incurred from the transactions contemplated under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement. Consequently, we express no opinion as to how closely the actual income to be generated or cost to be incurred from the transactions contemplated under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement will correspond with the proposed annual caps.

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Having considered the factors, we are of the view that the terms of the transactions contemplated under the 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement are on normal commercial terms and are fair and reasonable.

C. 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement

Principal terms of the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement are set out as follows:

- Date:** 20 August 2021
- Parties:** (i) the Company (for itself and on behalf of the Group)
(ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
- Terms:** from 1 January 2022 to 31 December 2024
- Subject Matter:** (a) **Provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group**

The Group will provide movie and TV series promotion and distribution services to the Represented Tencent Group, and service fees will be paid to the Group in respect of such services:

- Movies and TV series promotion services: the Group will plan and coordinate various marketing and promotional activities to optimize the performance of movies and TV series, including but not limited to, conducting marketing and publicity campaigns as well as organizing fans gatherings and road shows.
- Movies and TV series distribution services: the Group will coordinate the distribution of marketing materials to cinemas and TV stations, configure marketing strategies and release plans, monitor box office performance and market feedback of movies and TV series.

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(b) Provision of Movie and TV Series Promotion and Distribution Services by the Represented Tencent Group to the Group

The Represented Tencent Group will also provide movie and TV series promotion and distribution services to the Group. The principal terms are substantially the same as the terms on which Represented Tencent Group provides movie and TV series promotion and distribution services to the Group.

Payment and others:

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees, payment method and other details of the service arrangement in the manner provided in the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on fair and reasonable basis after arm's length negotiation between the parties taking into account various factors such as the prospects of relevant movies and TV series, and the Group's resources contribution, costs and expenses incurred in providing such promotion and distribution services.

Pricing policies

(a) Provision of movie and TV series promotion and distribution services by the Group to the Represented Tencent Group

The fees payable by the Represented Tencent Group will be negotiated on an arm's length basis and determined on a case-by-case basis. In particular:

- Movie and TV series promotion services: the service fees for movie and TV series promotion services will be determined with reference to many factors including the types of resources deployed, the estimated cost of the resources, the prevailing market price for the resources, the total budget of movie and TV series for promotion services, etc.
- Movie and TV series distribution services: the service fees for movie and TV series distribution service will either be:
 - (1) a predetermined fixed amount with reference to the expected box office or sales revenue agreed by both parties; or
 - (2) service fees calculated based on the box office of movies or sales revenue of TV series in accordance with the following formula:

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For Movies: Distribution service fees = revenue-sharing box office * distribution service fees rate

For TV series: Distribution service fees = sales revenue * distribution service fees rate

- (b) Provision of movie and TV series promotion and distribution services by the Represented Tencent Group to the Group

The pricing policies are substantially the same as those under which the Group provide movie and TV series promotion and distribution services for the Represented Tencent Group.

With reference to the Board Letter, in order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted certain internal control procedures. Details of the internal control procedures are set out under the section headed “Internal Control” of the Board Letter.

Having also considered that various internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement, we consider the effective implementation of internal control measures will ensure the fair pricing under the framework agreement. According to our findings as mentioned in section headed “2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement” above, we do not doubt the effectiveness of the internal control measures.

In addition, we also noted that the Reporting Team is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team. We consider that the Company has sufficient measures to monitor the utilisation of the annual caps under the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement.

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Proposed annual caps

Promotion and distribution services provided by Group

The table below demonstrates (i) the historical amounts of fees relating to movie and TV series promotion and distribution services paid by the Represented Tencent Group to the Group for the two years ended 31 December 2020 and 1H2021 with existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ending 31 December 2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical amounts of fees relating to movie and TV series promotion and distribution services	3.0	11.3	91.1 (<i>Note</i>)
Existing annual caps	11.0	13.2	180.0
Utilization rate	27.3%	85.7%	N/A
	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed annual caps	210.7	231.7	256.8

Note: the figure was for the six months ended 30 June 2021.

With reference to the Board Letter, the proposed annual caps for the promotion and distribution services provided by the Group were determined based on certain factors, details of which are set out under the sub-section headed “Proposed Annual Caps and Basis of Determination” under the section headed “2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement” of the Board Letter.

According to the above table, the utilization rates of existing annual caps for FY2020 were high. To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses.

We understood that the Group have been working with Tencent, an important strategic shareholder, to develop the Tencent-Maoyan Alliance (騰貓聯盟) by entering into a series of cooperative framework agreements to further strengthen the depth of the Group’s online and offline collaborations. As also stated in the Board Letter, due to the

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formation and official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group intends to deepen the cooperation with Tencent in many fields including promotion and distribution of movies and TV series. As the Represented Tencent Group has abundant platform and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series. In addition, some of the Represented Tencent Group's resources are quite unique and can be supplemental to the traditional resources the Group uses in hand.

The Group expected to provide promotion and distribution services to a member of Represented Tencent Group and a video platform operated by Represented Tencent Group respectively pursuant to the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement. The estimated revenue to be derived from such services from each of the aforesaid member/unit was in line with revenue derived from promotion services provided by the Group to member of Represented Tencent Group for 1H2021.

For our due diligence purpose, we obtained detailed breakdown of the historical amounts of fees relating to movie and TV series promotion and distribution services pursuant to the 2019 Tencent Movie and TV Series Promotion and Distribution Framework Agreement for the two years ended 31 December 2020 and for the six months ended 30 June 2021. We noted from the aforesaid breakdown that the Group was engaged by the Represented Tencent Group for the promotion and distribution of two blockbuster movies during 1H2021 and the historical amounts of fees charged by the Group in respect of such blockbuster movies were approximately RMB90 million in aggregate.

With reference to the Board Letter and as advised by the Company, the Company anticipated to provide promotion and distribution services relating to 5 to 7 movies to the Represented Tencent Group for each of the three years ending 31 December 2024 (including FY2022). The implied amount of fees to be charged by the Group in respect of the promotion and distribution services for each movie for FY2022 would range from approximately RMB30 million to RMB42 million.

Having considered that the implied amount of fees to be charged as aforementioned is in line with the Group's average historical amounts of fees charged during 1H2021 amounted to approximately RMB45.0 million, we are of the view that the proposed annual cap for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of approximately 10% and 11% as compared to the proposed annual caps for FY2022 and FY2023 respectively. With reference to the Board Letter, the aforesaid growth rates were estimated taking into consideration that after the official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group anticipates to provide promotion and distribution services to more movies and TV series especially those invested by the Group and the Represented Tencent Group.

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Having considered (i) the national box office revenue increased from approximately RMB44.1 billion to approximately RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of approximately 9.89% and the Company expects the increase in the national box office revenue may further lead the increase of the total investment of the movie/TV series, together with cost of promotion and distribution services; (ii) the official launch of Tencent-Maoyan Alliance (騰貓聯盟) in 2021 and that the Represented Tencent Group has abundant platform and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series; and (iii) the historical aggregate amount of investment for 1H2021 is far more than that for FY2019 and FY2020, we consider the estimated growth rates for FY2023 and FY2024 to be justifiable. Accordingly, we considered the proposed annual caps for FY2023 and FY2024 to be fair and reasonable.

Promotion and distribution services provided by Represented Tencent Group

The table below demonstrates (i) the historical amounts of fees relating to movie and TV series promotion and distribution services paid by the Group to the Represented Tencent Group for the two years ended 31 December 2020 and 1H2021 with existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
Historical amounts of fees relating to movie and TV series promotion and distribution services	Nil	Nil	1.6 (<i>Note</i>)
Existing annual caps	N/A	50.0	65.0
Utilization rate	Nil	Nil	N/A
	For the year ending 31 December 2022 <i>RMB'million</i>	For the year ending 31 December 2023 <i>RMB'million</i>	For the year ending 31 December 2024 <i>RMB'million</i>
Proposed annual caps	50.0	60.0	72.0

Note: the figure was for the six months ended 30 June 2021.

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To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses:

- With reference to the Board Letter, based on the Group's business plan, the Group expects to engage the Represented Tencent Group to provide to provide movie and TV series promotion and distribution service to at least one movie for each of the three years ending 31 December 2024.

As mentioned above, based on the preliminary discussion of the Company with members of the Represented Tencent Group, the Group currently plans to invest in 5 to 8 movies with the Represented Tencent Group in 2022. We consider the Group's plan to engage the Represented Tencent Group to provide promotion and distribution services for approximately two movies for each of the three years ending 31 December 2024 to be justifiable.

- As advised by the Company, due to the fact that (i) the Group did not engage Represented Tencent Group to provide movie and TV series promotion and distribution services for FY2019 and FY2020; and (ii) the historical amount of RMB1.6 million was part of the total promotion and distribution fees (which is subject to finalisation) payable to the Represented Tencent Group in respect of the promotion and distribution of one movie, the expected promotion and distribution services fees were therefore made with reference to such fees the Group paid to the Enlight Media Group in 2017.

As analysed above, we consider the implied average service fees for the promotion and distribution of one movie to be justifiable.

- Based on the discussion with the Company, we understood that the Group may also engage Represented Tencent Group to promote and distribute TV series with expected service fee of not more than RMB10 million per TV series.

Based on the above factors, we consider the proposed annual cap for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of 10% and 10% as compared to the proposed annual caps for FY2022 and FY2023 respectively. With reference to the Board Letter, the aforesaid growth rates were estimated taking into consideration that after the official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group anticipates to provide promotion and distribution services to more movies and TV series especially those invested by the Group and the Represented Tencent Group.

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Having considered (i) the national box office revenue increased from RMB44.1 billion to RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of 9.89% and the Company expects the increase in the national box office revenue may further lead the increase of the total investment of the movie/TV series, which the cost of promotion and distribution services is directly linked to in general; (ii) the official launch of Tencent-Maoyan Alliance (騰貓聯盟) in 2021 and that the Represented Tencent Group has abundant platform and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series; and (iii) the historical aggregate amount of investment for 1H2021 is far more than that for FY2019 and FY2020, we consider the growth rates for FY2023 and FY2024 to be justifiable. Accordingly, we considered the proposed annual caps for FY2023 and FY2024 to be fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2024 under the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of income to be generated or cost to be incurred from the transactions contemplated under the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement. Consequently, we express no opinion as to how closely the actual income to be generated or cost to be incurred from the transactions contemplated under the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement will correspond with the proposed annual caps.

Having considered the factors, we are of the view that the terms of the transactions contemplated under the 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement are on normal commercial terms and are fair and reasonable.

D. 2021 Payment Services Cooperation Framework Agreement

Principal terms of the 2021 Payment Services Cooperation Framework Agreement are set out as follows:

Date:	20 August 2021
Parties:	(i) the Company (for itself and on behalf of the Group) (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
Terms:	from 1 January 2022 to 31 December 2024

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Subject Matter: The Represented Tencent Group will provide the Group with payment services through its payment channels so as to enable users of the Group to conduct online transactions and the Group will pay service commissions to the Represented Tencent Group in respect of such services.

Payment: Separate underlying agreements will be entered into which will set out the precise scope of services, commission rates, the applicable payment channels and other details of the service arrangements in the manner provided in the 2021 Payment Services Cooperation Framework Agreement. The service commissions will be determined after arm's length negotiation between the parties with reference to the market rates.

Pricing policies

Before entering into any payment service agreement pursuant to the 2021 Payment Services Cooperation Framework Agreement, the Group will assess the business needs and take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment services providers; (ii) consumers' preference among different online payment service providers; and (iii) the commission rates proposed by the Represented Tencent Group and the prevailing market rates. Generally, the Represented Tencent Group has prescribed for standard service fee rate depending on the industry and the nature of the transaction, and such rate generally ranges from 0.1% to 1%. As of the Latest Practicable Date, the prevailing fee rate charged by the Represented Tencent Group to the Group was in line with the standard fee rate prescribed by the Represented Tencent Group. The Company will only enter into a payment service agreement with the Represented Tencent Group when the payment service agreement is in the best interests of the Company and the Shareholders as a whole.

For our due diligence purpose, we have searched on the website of the relevant online payment platform and noted that, (i) standard service fee rate (depending on, among other things, the industry) ranges from 0.1% to 1%; and (ii) saved for some of the merchants which may be entitled to preferential handling fee rate upon satisfaction of certain preferential conditions, all other the terms and conditions of the payment services under the online payment platform are the same for all merchants. We also noted that the prevailing fee rate charged by the Represented Tencent Group to the member of Group fall within the aforesaid ranges of standard service fee rate.

With reference to the Board Letter, in order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework

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agreements, and are carried out under normal commercial terms, the Company has adopted certain internal control procedures. Details of the internal control procedures are set out under the section headed “Internal Control” of the Board Letter.

Having also considered that various internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement, we consider the effective implementation of internal control measures will ensure the fair pricing under the framework agreement. According to our findings as mentioned above, we do not doubt the effectiveness of the internal control measures.

In addition, we also noted that the Reporting Team is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team. We consider that the Company has sufficient measures to monitor the utilisation of the annual caps under the 2021 Payment Services Cooperation Framework Agreement.

Proposed annual caps

The table below demonstrates (i) the historical amounts of service commissions paid by the Group to the Represented Tencent Group for the two years ended 31 December 2020 and 1H2021 with existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
Historical amounts of service commission paid or payable to the Represented Tencent Group	39.0	21.4	34.2 (<i>Note</i>)
Existing annual caps	54.0	67.0	86.0
Utilization rate	72.2%	31.9%	N/A

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	For the year ending 31 December 2022 RMB'million	For the year ending 31 December 2023 RMB'million	For the year ending 31 December 2024 RMB'million
Proposed annual caps	65.0	110.0	120.0

Note: the figure was for the six months ended 30 June 2021.

With reference to the Board Letter, the proposed annual caps for service commissions to be paid by the Group to the Represented Tencent Group were determined based on certain factors, details of which are set out under the subsection headed “Proposed Annual Caps and Basis of Determination” under the section headed “2021 Payment Services Cooperation Framework Agreement” of the Board Letter.

According to the above table, the utilization rates of existing annual caps for the two years ended 31 December 2020 were not high. The Company downward adjusted the proposed annual caps for the three years ending 31 December 2024 as compared to the existing cap for FY2021. To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses.

Upon our further request, we obtained the detailed calculation for the proposed annual caps for the three years ending 31 December 2024. We noted that the calculation for the proposed annual caps is consistent with the basis as stated in the Board Letter, i.e. the proposed annual caps were determined based on (a) expected national box office; (b) online ticketing rate; (c) expected market share of the Group’s online entertainment ticketing service business; (d) the expected utilisation rate of the Represented Tencent Group’s online payment platform; and (e) the expected fee rate charged by Tencent Group, for the three years ending 31 December 2024.

As mentioned above, both the national box office revenue of the PRC (including domestic movies) and the box office revenue of domestic movies in the PRC recorded year-on-year increase during each of the year 2016, 2017, 2018 and 2019. The national box office revenue in the PRC increased from approximately RMB44.1 billion for the year 2015 to approximately RMB64.3 billion for the year 2019, represent a CAGR of approximately 9.89%, while the box office of domestic movies in the PRC increased from approximately RMB27.1 billion for the year 2015 to approximately RMB41.2 billion for the year 2019, represent a CAGR of approximately 11.04%. Furthermore, the box office revenue of domestic movies in the PRC accounted for approximately 53.85% to 64.07% of the total national box office revenue during the five years ended 31 December 2019.

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According to the 2020 Annual Report, in 2020, the total gross box office for the PRC's movie industry was approximately RMB20.3 billion. Based on the Company's understanding, the substantial decrease in gross box office for the PRC's movie industry in FY2020 was mainly due to the impact of COVID-19, such as cinemas strictly implemented the 75% attendance limit imposed by the government; all the cinemas in mainland China had been shut down for 183 days from 23 January 2020.

As (i) national box office revenue of the PRC for 2020 was impacted by the COVID-19, we consider the national box office revenue of the PRC for 2020 was not applicable for the purpose of our analysis; (ii) there was no material difference between the expected national box office for 2022 and the national box office revenue of the PRC for 2019; and (iii) the expected growth of national box office revenue of the PRC for 2023 and 2024 (i.e. approximately 7% to 8% per annum) was in line with the CAGR of national box office revenue in the PRC from 2015 to 2019 (i.e. approximately 9.89%), we consider the expected national box office revenue for the three years ending 31 December 2024 to be reasonable.

We noted that the Company assumed online ticketing rate to be approximately 90% for each of the three years ending 31 December 2024. Based on the website of China UnionPay (cn.unionpay.com), China UnionPay together with commercial banks and payment agencies investigated in the PRC's consumer mobile payment security behaviour. Based on the investigation, for 2020, 98% of the interviewees deemed the mobile payment as the most frequently used payment method in the PRC. Therefore, we consider the online ticketing rate to be justifiable.

In respect of the expected market share of the Group's online entertainment ticketing service business, we noted from the Company's annual reports for FY2019 and FY2020 that the Group's market share of the total gross market value of the ticketing business throughout 2019 exceeded 60% and remained stable during FY2020. The expected market share of the Group's online entertainment ticketing service business is in line with the historical figures. Accordingly, we consider the expected market share of the Group's online entertainment ticketing service business to be justifiable.

In respect of the expected fee rate charged by Represented Tencent Group, we noted that the expected fee rate charged by Represented Tencent Group for FY2022 is in line with the fee rate currently charged by Represented Tencent Group and for FY2023 and FY2024 is in line with the fee rate as published by website of WeChat Pay (pay.weixin.qq.com).

Based on the above factors and that the Group assumed that the expected utilisation rate of the Represented Tencent Group's online payment platform to be 50%, we consider the proposed annual caps for the three years ending 31 December 2024 to be fair and reasonable.

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Shareholders should note that as the proposed annual caps for the three years ending 31 December 2024 under the 2021 Payment Services Cooperation Framework Agreement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the transactions contemplated under the 2021 Payment Services Cooperation Framework Agreement. Consequently, we express no opinion as to how closely the actual cost to be incurred from the transactions contemplated under the 2021 Payment Services Cooperation Framework Agreement will correspond with the proposed annual caps.

Having considered the above factors, we are of the view that the terms of the transactions contemplated under the 2021 Payment Services Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable.

E. 2021 Tencent Entertainment Content Production Cooperation Framework Agreement

Principal terms of the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement are set out as follows:

- Date:** 20 August 2021
- Parties:**
- (i) the Company (for itself and on behalf of the Group)
 - (ii) Tencent Computer (for itself and on behalf of the Represented Tencent Group)
- Terms:** from 1 January 2022 to 31 December 2024
- Subject Matter:** the Group and the Represented Tencent Group agreed to cooperate with each other in the joint arrangements including but not limited to:
- Making joint investment in the production of several types and formats of entertainment content, including but not limited to, movies, TV series, concerts and live shows.
 - Forming joint ventures or other joint arrangements (whether as a partnership, a company or in any other form) in connection with or for the purpose of the joint investment in the production of several types of entertainment content mentioned above.

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Payment: Separate underlying agreements and other collateral agreements will be entered into which will set out the precise investment amounts, investment proportion, investment return distribution, payment method and other details of the arrangements in the manner provided in the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement. The definitive terms of each of such agreements will be determined on a case-by-case basis and on a fair and reasonable basis after arm's length negotiation between relevant parties taking into account various factors such as resources contribution (including intellectual property rights), and financial commitments (including investment amounts, other costs and expenses incurred).

Pricing policies

Both parties have agreed that the investment amounts, investment proportion and revenue/profit sharing mechanism for each definitive agreement that will be entered into pursuant to the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement will be determined on a case-by-case basis and on a fair and reasonable basis with reference to factors such as evaluation of the prospects of the content, ownership of the copyrights, costs and expenses involved in the development, resources available for the production process. Generally, unless otherwise agreed by the parties, the Group's investment return (being the portion out of the total returns generated by the jointly invested entertainment content) shall be determined with reference to the Group's investment proportion. Based on preliminary discussion with the Represented Tencent Group, the investment amount contributed by the Group per movie is expected to range from RMB30.0 million to RMB40.0 million. Based on the historical assessment of the Group's participation in the movies jointly invested by the Group and the Represented Tencent Group, the investment proportion of the Group ranges from 5% to 30%, and the revenue/profit sharing proportion of the Company follows the same proportion. Nevertheless, the above investment proportion and the revenue/profit sharing proportion of the Company are only for illustrative purpose and shall be subject to arms' length negotiation between the Company and the Represented Tencent Group. Prior to entering into any definitive agreement pursuant to the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement and/or making the relevant jointly investment, the Group (including the committee comprises of the Group's senior management and relevant department heads) will assess the needs and will compare the proposed revenue/profit sharing mechanism against the terms proposed by other comparable entertainment content producers who are Independent Third Parties (if applicable). The Company will only enter into definitive agreements and invest in relevant entertainment content when the revenue/profit sharing mechanism is in line with or no less favourable to the Group than the mechanism offered by other comparable existing or potential cooperation partners, and entering into the definitive agreement is in the best interest of the Group and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained and review individual agreements for such investments in three movies in total during of FY2019, FY2020 and FY2021 respectively. As such individual agreements were entered in each of FY2019, FY2020 and FY2021, we consider the number of individual agreements are sufficient for us to form our view. We noted that the Group's investment proportion is in line with the percentage of investment amount to the investment costs for such movies and investment return will be determined with reference to, among other things, the investment proportion.

With reference to the Board Letter, in order to ensure that the terms under relevant framework and definitive agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from independent third parties, comply with the annual caps and pricing policies under relevant framework agreements, and are carried out under normal commercial terms, the Company has adopted certain internal control procedures. Details of the internal control procedures are set out under the section headed "Internal Control" of the Board Letter.

Having considered that various internal departments of the Company including but not limited to the finance department and compliance and legal department are jointly responsible for evaluating the terms under framework and definitive agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement, we consider the effective implementation of internal control measures will ensure the fair pricing under the framework agreement. According to our findings as mentioned above, we do not doubt the effectiveness of the internal control measures.

In addition, we also noted that the Reporting Team is responsible for monitoring the transaction amounts of the continuing connected transactions to ensure that the annual caps under the framework agreements are complied with, and that any definitive agreement under the relevant framework agreements shall be entered into by the Company with the prior approval of the Reporting Team. We consider that the Company has sufficient measures to monitor the utilisation of the annual caps.

LETTER FROM GRAM CAPITAL

Proposed annual caps

The table below demonstrates (i) the historical aggregate amount of investment contributed by the Group for the two years ended 31 December 2020 and 1H2021 with the existing annual caps; and (ii) proposed annual caps for the three years ending 31 December 2024:

	For the year ended 31 December 2019 <i>RMB'million</i>	For the year ended 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>
Historical aggregate amount of investment	44.5	26.6	119.8 <i>(Note)</i>
Existing annual caps	226.0	286.0	353.4
Utilisation rates	19.7%	9.3%	N/A
	For the year ending 31 December 2022 <i>RMB'million</i>	For the year ending 31 December 2023 <i>RMB'million</i>	For the year ending 31 December 2024 <i>RMB'million</i>
Proposed annual caps	308.0	364.0	430.0

Note: the figure was for the six months ended 30 June 2021.

With reference to the Board Letter, the proposed annual caps were determined based on certain factors, details of which are set out under the sub-section headed “Proposed Annual Caps and Basis of Determination” under the section headed “2021 Tencent Entertainment Content Production Cooperation Framework Agreement” of the Board Letter.

According to the above table, the utilization rates of existing annual caps for the two years ended 31 December 2020 were low. To assess the fairness and reasonableness of the proposed annual caps for the three years ending 31 December 2024, we conducted following analyses.

With reference to the Board Letter, according to the Group’s experience, for most of movies jointly invested by the Group and the Represented Tencent Group, the investment amount in one movie usually ranges from approximately RMB3.0 million to RMB60.0 million. Based on preliminary discussion with the Represented Tencent Group, the Group currently plans to invest in 8 to 10 movies with the Represented Tencent Group in 2022, the investment amount per movie made by the Group is expected to range from RMB30.0 million to RMB40.0 million.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained figures showing the historical investment records for such investments with number of films invested during the Historical Period. We noted that the average investment amount in one movie was approximately RMB27.3 million during the Historical Period. In addition, number of films invested by the Group during FY2019, FY2020 and 1H2021 amounted to 3, 2 and 2, respectively.

We understood that the Group have been working with Tencent, an important strategic shareholder, to develop the Tencent-Maoyan Alliance (騰貓聯盟) by entering into a series of cooperative framework agreements to further strengthen the depth of the Group's online and offline collaborations. As also stated in the Board Letter, due to the formation and official launch of Tencent-Maoyan Alliance (騰貓聯盟), the Group intends to deepen the cooperation with Tencent in many fields including promotion and distribution of movies and TV series. As the Represented Tencent Group has abundant platform and media resources, the Group wishes to leverage such resources in the promotion and distribution of movie and TV series. In addition, some of the Represented Tencent Group's resources are quite unique and can be supplemental to the traditional resources the Group uses in hand. As the official launch of Tencent-Maoyan Alliance (騰貓聯盟) in 2021 and that the Represented Tencent Group operates a number of well-known online video platforms, the Group expects to have more cooperation with the Represented Tencent Group to further achieve synergy effect. Based on the aforesaid, we consider the increase in number of movies the Group currently plans to invest with Represented Tencent Group in 2022 to be justifiable.

Having considered the above factors, we are of the view that the proposed annual cap for FY2022 to be fair and reasonable.

According to the table above, the proposed annual caps for FY2023 and FY2024 represented an increase of approximately 18% and 18% as compared to the proposed annual caps for FY2022 and FY2023 respectively. With reference to the Board Letter, the growth rate was determined with reference to (a) the increasing cost; (b) the anticipated growth rate of the TV series, web series, web movies and variety shows market in the PRC and the condition of the Group.

Having considered (i) the national box office revenue increased from RMB44.1 billion to RMB64.3 billion from the year 2015 to the year 2019, with a CAGR of approximately 9.89%; (ii) the official launch of Tencent-Maoyan Alliance (騰貓聯盟) in 2021 and that the Represented Tencent Group operates a number of well-known online video platforms; and (iii) the historical aggregate amount of investment for 1H2021 was much more than that for FY2019 and FY2020, we consider the growth rates for FY2023 and FY2024 to be justifiable. Accordingly, we considered the proposed annual caps for FY2023 and FY2024 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2024 under the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of amount to be invested from the transactions contemplated under the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement. Consequently, we express no opinion as to how closely the actual amount to be invested from the transactions contemplated under the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement will correspond with the proposed annual caps.

Having considered the above factors, we are of the view that the terms of the transactions contemplated under the 2021 Tencent Entertainment Content Production Cooperation Framework Agreement are on normal commercial terms and are fair and reasonable.

Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the Transactions must be restricted by the relevant proposed annual caps; (ii) the terms of the Transactions (together with the proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions (together with the proposed annual caps) must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the listed issuer's board of directors; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the cap.

In the event that the value of the Transaction is anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the number of issued Shares was 1,141,561,347 Shares of nominal value of US\$0.00002 each which have been fully paid.

3. EXPERT AND CONSENTS

The following are the qualification of the expert who has given opinions and advice contained in this circular:

Name	Qualification
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.
- (b) neither had any shareholding in any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.
- (c) did not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2020, being the date to which the latest published audited annual financial statements of the Company were made up.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with the Company or its subsidiaries which was not expiring or might not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (b) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors/ Chief Executive	Capacity	Nature of Interests	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. ZHENG Zhihao ¹	Interest in controlled corporations	Long Position	19,277,225	1.69
	Beneficial owner	Long Position	19,938,539 ²	1.75
Mr. WANG Changtian ³	Interest in controlled corporations	Long Position	312,722,773	27.39
		Short Position	158,743,072	13.91
Ms. WANG Jian	Beneficial owner	Long Position	450,000	0.04

Notes:

1. As at the Latest Practicable Date, Rhythm Brilliant Limited directly held 19,277,225 Shares in our Company. Rhythm Brilliant Limited is a wholly-owned subsidiary of Mr. ZHENG Zhihao. Therefore, Mr. ZHENG Zhihao is deemed to be interested in the 19,277,225 Shares held by Rhythm Brilliant Limited for purpose of Part XV of the SFO.
2. These interests include 15,066,000 share options granted by the Company to Mr. ZHENG Zhihao under the Post-IPO Share Option Scheme on January 19, 2021 entitling him to subscribe for 15,066,000 shares of the Company. As of the Latest Practicable Date, Mr. ZHENG Zhihao has not exercised any share options.
3. As at the Latest Practicable Date, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 277,979,625 Shares (among which 158,743,072 Shares were provided as security to a person other than a qualified lender) and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Holdings as to 42.55% of its equity interests, which in turn is owned by Mr. WANG Changtian as to 95% of its equity interests. Therefore, Mr. WANG Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.

Save as disclosed above and elsewhere in this circular, as at the Latest Practicable Date, neither the Directors nor chief executive of the Company (including their spouses and children under 18 years of age) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors, directly or indirectly, has had any interest in any assets which had since December 31, 2020 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in this circular, there was no contract or arrangement subsisting as at the Latest Practicable Date, in which any of the Directors or proposed directors was materially interested and which was significant in relation to the businesses of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as the Directors or the chief executive of the Company were aware, the Substantial Shareholders, other than the Directors or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
Vibrant Wide Limited ¹	Beneficial owner	Long Position	119,236,553	10.45
		Short Position	158,743,072	13.91
Hong Kong Pictures International Limited ¹	Beneficial owner	Long Position	193,486,220	16.95
Inspired Elite Investments Limited ²	Beneficial owner	Long Position	82,693,975	7.24
Meituan ²	Interest in controlled corporations	Long Position	82,693,975	7.24
Crown Holdings Asia Limited ²	Interest in controlled corporations	Long Position	82,693,975	7.24
Songtao Limited ²	Interest in controlled corporations	Long Position	82,693,975	7.24
TMF (Cayman) Ltd. ²	Trustee	Long Position	82,693,975	7.24
Wang Xing ²	Interest in controlled corporations	Long Position	82,693,975	7.24
Image Flag Investment (HK) Limited ³	Beneficial owner	Long Position	157,169,260	13.77
Tencent Holdings Limited ³	Interest in controlled corporations	Long Position	157,169,260	13.77
Weying (BVI) Limited	Beneficial owner	Long Position	110,198,429	9.65
Interstellar Investment Ltd. ⁴	Beneficial owner	Long Position	66,127,317	5.79

Name of Substantial Shareholders	Capacity	Nature of Interest	No. of Shares	Approximate percentage of the issued share capital of the Company (%)
NottingHill Investment Ltd. ⁴	Interest in controlled corporations	Long Position	66,127,317	5.79
FountainVest China Capital Partners Fund III, L.P. ⁴	Interest in controlled corporations	Long Position	66,127,317	5.79
FountainVest China Capital Partners GP3 Ltd. ⁴	Interest in controlled corporations	Long Position	66,127,317	5.79

Notes:

- As at the Latest Practicable Date, Vibrant Wide Limited and Hong Kong Pictures International Limited directly held 277,979,625 Shares (among which 158,743,072 Shares were provided as security to a person other than a qualified lender) and 193,486,220 Shares in our Company, respectively. Vibrant Wide Limited is owned by Mr. WANG Changtian as to 100% of its equity interests. Hong Kong Pictures International Limited is a wholly-owned subsidiary of Enlight Media, which is owned by Enlight Holdings as to 42.55% of its equity interests, which in turn is owned by Mr. WANG Changtian as to 95% of its equity interests. Therefore, Mr. WANG Changtian is deemed to be interested in the 471,465,845 Shares held by Vibrant Wide Limited and Hong Kong Pictures International Limited for purpose of Part XV of the SFO.
- Inspired Elite Investments Limited is wholly-owned by Meituan, which is owned as to 39.18% by Crown Holdings Asia Limited, which is in turn wholly-owned by Songtao Limited, Songtao Limited is in turn wholly-owned by TMF (Cayman) Ltd., and in turn wholly-owned by Mr. WANG Xing. Therefore, Meituan, Crown Holdings Asia Limited, Songtao Limited, TMF (Cayman) Ltd. and Mr. WANG Xing are deemed to be interested in the 82,693,975 shares held by Inspired Elite Investment Limited for purpose of Part XV of the SFO.
- Image Flag Investment (HK) Limited is wholly-owned by Tencent Holdings Limited. Therefore, Tencent Holdings Limited is deemed to be interested in the 157,169,260 shares held by Image Flag Investment (HK) Limited for purpose of Part XV of the SFO.
- Interstellar Investment Ltd. is wholly-owned by NottingHill Investment Ltd., which is owned as to 77.34% by FountainVest China Capital Partners Fund III, L.P., which is in turn wholly-owned by FountainVest China Capital Partners GP3 Ltd. Hence, NottingHill Investment Ltd., FountainVest China Capital Partners Fund III, L.P. and FountainVest China Capital Partners GP3 Ltd. are deemed to be interested in the Shares held by Interstellar Investment Ltd.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors were aware, no other persons (other than the Directors or chief executive) had any interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

7. COMPETING INTERESTS

As at the Latest Practicable Date, Hong Kong Pictures International Limited holds approximately 16.95% of the Shares and is a wholly owned subsidiary of Enlight Media. Enlight Media is owned as to 42.55% by Enlight Holdings which is owned by Mr. WANG Changtian as to 95%.

Save as disclosed above, and the directorships held by Mr. Wang Changtian, Ms. Li Xiaoping and Mr. Chen Shaohui in Enlight Media Group, none of the Directors or their associates has any competing interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.maoyan.com/>) for a period of 14 days from the date of this circular:

- (a) 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement;
- (b) 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement;
- (c) 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement;
- (d) 2021 Payment Services Cooperation Framework Agreement;
- (e) 2021 Tencent Entertainment Content Production Cooperation Framework Agreement;
- (f) letter from the Independent Board Committee;
- (g) letter from the Independent Financial Adviser; and
- (h) letter of consent from Gram Capital.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Maoyan Entertainment

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1896)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Extraordinary General Meeting of Maoyan Entertainment (the “**Company**”) will be held at No. 3 Building, Yonghe Hangxing Garden, No. 11 Hepingli East Street, Dongcheng District, Beijing, PRC on Tuesday, November 30, 2021 at 2:00 p.m. for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolutions.

Unless otherwise specified, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated November 10, 2021 (the “**Circular**”).

Ordinary Resolutions

1. To consider and, if thought fit, pass with or without modification the following resolutions as ordinary resolutions:

“That:

- (a) the 2021 Enlight Movie and TV Series Production Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated November 10, 2021, be and is hereby approved, ratified and confirmed;
- (b) 2021 Enlight Movie and TV Series Promotion and Distribution Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated November 10, 2021, be and is hereby approved, ratified and confirmed;
- (c) 2021 Tencent Movie and TV Series Promotion and Distribution Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated November 10, 2021, be and is hereby approved, ratified and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) 2021 Payment Services Cooperation Framework Agreement, and the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated November 10, 2021, be and is hereby approved, ratified and confirmed;
- (e) 2021 Tencent Entertainment Content Production Cooperation Framework Agreement, the transactions contemplated thereunder and the proposed annual caps, details of which are more particularly described in the circular of the Company dated November 10, 2021, be and is hereby approved, ratified and confirmed; and
- (f) any one executive Director be and is hereby authorized for and on behalf of the Company to execute, and where required, to affix the common seal of the Company to, any documents, instruments or agreements, and to do any acts and things deemed by him or her to be necessary, expedient or appropriate in order to give effect to and implement the transactions contemplated under the 2021 Framework Agreements (including the proposed annual caps thereunder for the three years ending December 31, 2024).

By order of the Board
Maoyan Entertainment
Mr. Zheng Zhihao
Executive Director

Hong Kong, November 10, 2021

Registered office:

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

Head office and principal place

of business in China:
No. 3 Building, Yonghe Hangxing Garden
No. 11 Hepingli East Street
Dongcheng District
Beijing, PRC

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (i) A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a shareholder of the Company.
- (ii) In order to be valid, the completed form of proxy must be deposited at the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the EGM (or any adjourned meeting thereof) if they so wish.
- (iii) A form of proxy must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, must be either executed under seal or under the hand of an officer or attorney duly authorized to sign the same.
- (iv) In the case of joint holders of any shares, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such shares as if he was solely entitled thereto. However, if more than one of such joint holders is present at the meeting, either personally or by proxy, the joint holder whose name stands first in the register of members of the Company will alone be entitled to vote in respect of such shares.
- (v) On a poll, every shareholder present at the EGM shall be entitled to one vote for every fully paid-up share of which he is the holder. The result of such poll shall be deemed to be the resolution of the EGM at which the poll was so required or demanded.
- (vi) Shareholders or their proxies attending the EGM shall be responsible for their own accommodation and travel expenses.
- (vii) The register of members of the Company will be closed from Thursday, November 25, 2021 to Tuesday, November 30, 2021, both days inclusive, in order to determine the eligibility of shareholders to attend the EGM, during which period no share transfers will be registered. To be eligible to attend the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, November 24, 2021.
- (viii) Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in this notice will be taken by poll at the EGM.

As at the date of this notice, the Board of Directors of the Company comprises Mr. Zheng Zhihao as Executive Director, Mr. Wang Changtian, Ms. Li Xiaoping, Ms. Wang Jian, Mr. Cheng Wu, Mr. Chen Shaohui, Mr. Lin Ning and Mr. Tang Lichun, Troy as Non-executive Directors, and Mr. Wang Hua, Mr. Chan Charles Sheung Wai, Mr. Yin Hong and Ms. Liu Lin as Independent Non-executive Directors.