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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in China Ruyi Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE COOPERATION WITH TENCENT COMPUTER
IN THE PROVISION OF GAME TECHNOLOGY AND
CHANNEL PROMOTION SERVICES;
(2) NOTICE OF SGM; AND
(3) CLOSURE OF REGISTER OF MEMBERS**

Independent financial adviser to the Company



邁時資本
MAXA CAPITAL

Capitalised terms used in this cover page shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 19 of this circular. A notice convening the SGM to be held at 4:00 p.m. on Friday, 29 April 2022 at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People's Republic of China is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use by the Shareholders at the SGM (and at any adjournment thereof) is also enclosed herein.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and returning it to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof in person should you so wish and in such event, the authority of the proxy shall be deemed to be revoked.

12 April 2022

PRECAUTIONARY MEASURES FOR THE SGM

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (1) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (2) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (3) No refreshment will be served, and there will be no corporate gift.

To enable Shareholders of the Company to participate in the SGM and to speak and observe in relation to the resolution(s) to be resolved at the SGM, Shareholders not attending the SGM in person may join a live streaming webcast of the SGM where they can both speak and see during the discussion session at the SGM via Zoom. Shareholders that intend to participate in the SGM via Zoom, you will need to register by sending an email to the share registrar at is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays) by providing personal particulars as follows:

- (a) full name;
- (b) registered Address;
- (c) number of Shares held;
- (d) contact Telephone Number; and
- (e) email Address,

no later than 4:00 p.m. on 27 April 2022 (being not less than 2 business days before the date appointed for holding the SGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by Thursday, 28 April 2022 which contains a link to join the live streaming webcast of the SGM. Shareholders **MUST NOT** forward the link to other persons who are not the Shareholders and who are not entitled to attend the SGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the (“**Intermediary**”)) and instruct the Intermediary to appoint you as proxy or

PRECAUTIONARY MEASURES FOR THE SGM

corporate representative to view and listen via live streaming webcast at the SGM and in doing so, you will be asked to provide your email address. Details regarding the live streaming webcast including the login details will be emailed to you by the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited.

Shareholders should note that viewing the live streaming webcast of the SGM via Zoom will not be counted towards a quorum nor will they be able to cast their votes online. Shareholders who wish to vote are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM by completing and returning the Proxy Form in accordance with the instructions therein by a time not less than 48 hours before the time appointed for the SGM (i.e. 4:00 p.m. on Wednesday, 27 April 2022), if they have not already done so.

All local laws and regulations must be strictly complied with. To the extent permitted under the applicable laws, the Company reserves the right to deny any person entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the other attendees at the SGM. Subject to the development of COVID-19, the Company may be required to change the SGM arrangements at short notice. Shareholders should check the websites of the Company (<http://www.ryholdings.com>) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the SGM arrangements.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairperson of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document. If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our registered office. If any Shareholder has any question relating to the meeting, please contact Tricor Secretaries Limited, the Company's branch share registrar and transfer office in Hong Kong as above.

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DEFINITIONS

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

“affiliate”	with respect to any designated entity, any other entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For the purpose of this circular, Tencent Computer together with its affiliates and the Company together with its affiliates will not be deemed as the affiliates of the counterpart
“Announcement”	the announcement of the Company dated 10 January 2022 in relation to the CCT Agreement
“Annual Caps”	the expected maximum annual transaction amount receivable by Tencent Computer from Shenzhen Jingxiu for the three years ending 31 December 2024 in respect of the transactions contemplated under the CCT Agreement, each being the “Annual Cap” of the corresponding year
“App Store(s)”	the application store (or application marketplace), being a type of digital distribution platform for mobile software applications
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“CCT Agreement”	the continuing connected transaction agreement dated 10 January 2022 entered into between Shenzhen Jingxiu and Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide, among other things, technical services and channel promotion services for the Group’s game products in Mainland China
“CCT Report”	has the meaning ascribed to it in the sub-section headed “Internal Control Policies” in the Letter from the Board of this circular
“Chuanqi Tianxia 《傳奇天下》”	the name of the first Cooperation Product that Shenzhen Jingxiu and Tencent Computer intend to enter into cooperation under the CCT Agreement
“Chuanqi Tianxia Cooperation Agreement”	has the meaning ascribed to it in the sub-section headed “Chuanqi Tianxia, the first Cooperation Product to be launched” in the Letter from the Board of this circular

DEFINITIONS

“Company”	China Ruyi Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 136)
“Comparable Games”	has the meaning ascribed to it in the sub-section headed “Basis of Determination” in the Letter from the Board of this circular
“connected person”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Cooperation Product(s)”	the mobile online game(s) for which the Group has exclusive agency rights in the PRC and which shall be distributed and operated by the Group in the PRC and for which Tencent Computer provides technical support and channel promotion services under the continuing connected transactions
“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of the Company
“Effective Term”	the term of the CCT Agreement which is set out in the sub-section headed “Effective Term” in the Letter from the Board of this circular
“Group”	the Company, its subsidiaries and controlled entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being the independent non-executive Directors, formed to advise the Independent Shareholders on the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Independent Financial Adviser”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM
“Latest Practicable Date”	8 April 2022, being the latest practicable date prior to the publication 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 Stock Exchange of Hong Kong Limited
“MMORPG”	has the meaning ascribed to it in the sub-section headed “Basis of Determination” in the Letter from the Board of this circular
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened, as and when appropriate, for the Independent Shareholders to consider, and vote on, the CCT Agreement and the transactions contemplated thereunder and the Annual Caps
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Sharing Percentage(s)”	has the meaning ascribed to it in the sub-section headed “Pricing Policies” in the Letter from the Board of this circular

DEFINITIONS

“Shenzhen Jingxiu”	Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司), a company established in the PRC with limited liability and a variable interest entity controlled by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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 and a controlled structured entity of Tencent Holdings
“Tencent Group”	Tencent Holdings, its subsidiaries and controlled entities
“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700)
“Water Lily”	Water Lily Investment Limited, a Shareholder which held 1,819,234,565 Shares as at the Latest Practicable Date and is indirectly wholly-owned by Tencent Holdings
“Water Lily Share Subscription Agreement”	has the meaning ascribed to it in the sub-section headed “SGM” in the Letter from the Board of this circular
“%”	per cent.

* *In this circular, the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

LETTER FROM THE BOARD



儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

Executive Directors:

Mr. Ke Liming (*Chairman*)

Ms. Chen Xi

Mr. Wan Chao

Mr. Zhang Qiang

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. Chau Shing Yim, David

Mr. Nie Zhixin

Mr. Chen Haiquan

Professor Shi Zhuomin

Principal place of business

in Hong Kong:

23rd Floor

China Evergrande Centre

38 Gloucester Road

Wanchai

Hong Kong

12 April 2022

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE COOPERATION WITH TENCENT COMPUTER
IN THE PROVISION OF GAME TECHNOLOGY AND
CHANNEL PROMOTION SERVICES; AND
(2) NOTICE OF SGM**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the CCT Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM.

LETTER FROM THE BOARD

THE CCT AGREEMENT

Date

10 January 2022

Parties

- (1) Shenzhen Jingxiu, a variable interest entity controlled by the Company; and
- (2) Tencent Computer, a controlled structured entity of Tencent Holdings and an associate of the connected person of the Company

Effective Term

The cooperation period under the CCT Agreement is three years, ending on 10 January 2025.

Principal Terms

Provision of Technical Services and Channel Promotion Services

Pursuant to the CCT Agreement, Tencent Computer agreed to provide the following services to Shenzhen Jingxiu in exchange for the service fees payable by Shenzhen Jingxiu to Tencent Computer:

- (1) **Specific technical services:** including, among other things, the provision of Software Development Kit (SDK) or Application Programming Interface (API) services such as login, anti-addiction and anti-hacking mechanism, minors protection, and the continuous provision of maintenance and update services for Cooperation Products; and the provision of the Software Development Kit which aims to assist the Group in building the payment or settlement channels necessary for the operation and development of the Cooperation Products, and ultimately to enable end-users to top-up and/or make payments via their accounts in the Cooperation Products developed by the Group on different mobile systems; and
- (2) **Channel promotion services:** allowing the Cooperation Products to be launched on Tencent platforms (including but not limited to Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶)).

Accordingly, Shenzhen Jingxiu shall pay, and Tencent Computer shall have the right to receive, a portion of the income in the manner as agreed between the parties based on the particular Cooperation Product. The payment and settlement terms under the CCT Agreement shall be separately agreed between the relevant parties in the implementation agreements to be entered into pursuant to the terms of the CCT Agreement.

LETTER FROM THE BOARD

PRICING POLICIES

Tencent Computer has a right to charge Shenzhen Jingxiu service fees which represent a certain percentage (“**Sharing Percentage**”) of (1) the income generated from the operation of the Cooperation Products (developed for iOS system) in the iOS App Store; (2) the income derived from the operation of the Cooperation Products (developed for Android operating system) on Tencent Group’s platforms; and (3) the income derived from the operation of the Cooperation Products (developed for Android operating system) in channels other than Tencent Group’s. The service fees will be settled in RMB on monthly basis.

The portion of income payable by the Group to Tencent Computer shall be determined after arm’s length negotiations between the parties with reference to (i) the prevailing market price; and (ii) taking into account various commercial factors in respect of the relevant Cooperation Products.

Methodology of determination of the Sharing Percentage in each individual transaction

In particular, as regards the determination of prevailing market price in respect of the relevant Cooperation Products as aforesaid, further details on the methodology, internal control policies and procedures put in place by the Group on determining the aforesaid pricing term, are set forth below:

(1) *Comparison of pricing terms against other independent third party service providers*

Given that the transactions contemplated under the CCT Agreement represent a new arrangement with Tencent Computer in order to enable the Group to broaden the scope of its entertainment business and tap into the mobile game industry in the PRC, there was no historical amount incurred prior to the date of the CCT Agreement and neither did the Group enter into any similar cooperation or arrangement with other independent third parties in relation to the provision of technical services and channel promotion services for the Group’s game product.

Accordingly, for the purposes of comparison, the Group shall review the prevailing market benchmark pricing terms for the provision of similar types of services under the same or similar conditions.

In order to evaluate market data comprehensively, the Group will form a dedicated team (led by the Chief Financial Officer and the Chief Technology Officer of the Group) to oversee the monitoring, collection and evaluation of the market data, including but not limited to the prevailing market benchmark on the pricing terms of comparable services on a quarterly basis. The above team will also conduct comparison analysis on the portion of income payable to Tencent Computer against the pricing terms offered by at least five independent third parties to ensure that the relevant Sharing Percentage, as determined from time to time in relation to each specific Cooperation Product, remains fair and reasonable, on normal commercial terms, and no more favourable to Tencent Computer when compared with terms offered by independent third parties.

LETTER FROM THE BOARD

Such team shall generate a report for the Group's management after each evaluation round of the market data. The historical and/or estimated portion of income payable and/or the relevant Sharing Percentage will then be submitted internally for final review and approval. In the event of fluctuation in the prevailing market pricing standards or when the portion of income payable to Tencent Computer and/or the relevant Sharing Percentage(s) deviates from customary market benchmark, the management of the Group will also be alerted. After review of such information, the Group shall, where appropriate, discuss and negotiate the terms of the transaction(s) contemplated under the CCT Agreement with Tencent Computer or take other actions as the management of the Group deems appropriate in order to ensure the fairness and reasonableness thereof at all times.

(2) *Various commercial factors*

The Company shall also consider the various commercial factors including the quality of technical support and channel promotion services, the value of a cooperating relationship with key market players and the customary pricing terms for game marketing, promotion, publishing and distribution. For discussion of these commercial factors, please refer to the section headed "*Comparison with other arrangements*" below.

In light of the above, the Board considers that the above measures would serve to ensure that the terms of each individual transaction to be conducted between the Group and Tencent Computer shall be no more favourable to Tencent Computer than that to independent third parties and will be conducted on normal commercial terms.

Chuanqi Tianxia, the first Cooperation Product to be launched

Chuanqi Tianxia would be the first Cooperation Product to be launched by the Group.

On 10 January 2022, Shenzhen Jingxiu entered into an underlying individual agreement with Tencent Computer in relation to the provision of technical services and channel promotion services for Chuanqi Tianxia (the "**Chuanqi Tianxia Cooperation Agreement**"), pursuant to which, the amount of service fee chargeable by Tencent Computer to Shenzhen Jingxiu shall be calculated at Sharing Percentage (ranging from 26% to 30%) of the gross income (derived from Android operation system) or net income (derived from iOS system). The service fees chargeable by Tencent Computer in respect of services provided under the Android operating system and services provided under the Apple iOS system are calculated on different basis due to the varying commission policies and revenue-sharing structures of amongst App Stores across different mobile platforms. The transaction between the Group and Tencent Computer contemplated under the Chuanqi Tianxia Cooperation Agreement represent a continuing connected transaction contemplated under the CCT Agreement.

LETTER FROM THE BOARD

In order to further assess the fairness and reasonableness of the terms under the Chuanqi Tianxia Cooperation Agreement, the Board has considered the following:

(1) *Importance of quality technical support and channel promotion services*

The Board noted that the mobile gaming industry in Mainland China has manifested accelerated development. The rise and prevalence of mobile gaming platforms as the channel for daily entertainment product consumption have led to increasing demand for technical support and channel promotion services offered by leading mobile games publishers and distributors. Such services have become invaluable resources that mobile game developers, operators and distributors compete for, because they are essential for the smooth and stable operation of the games and can substantially empower the games in attracting new users, promoting a closely-knitted player community, improving player experience and stickiness, increasing the conversion rate of paying players, and ultimately improving the financial return of the games. As the competition of the mobile gaming market continues to intensify, and the demand for premium technical support and impactful channel promotion services offered by leading mobile game publishers and distributors continues to rise in Mainland China, it has become customary for such major publishers and distributors to demand a revenue-sharing fee structure, and the fees charged (in the form of the revenue-sharing ratio) have increased significantly over the past few years.

(2) *Establishing relationship with key market players*

The Board has also considered the importance of establishing a cooperating relationship with key mobile game market players, particularly in light of the rapidly rising number of new market entrants in the already highly competitive mobile gaming industry. The Board considered that it is strategically critical for the Group to be able to leverage on the counterparty's existing technical expertise, distribution channels and end-user base to monetize the intellectual properties portfolio offered by the Group and to capture the Group's share in mobile gaming market with rising number of new market entrants.

(3) *Comparison with customary pricing terms and mechanism*

For comparison purposes, the Group has evaluated and assessed the prevailing market benchmark on the pricing terms of other independent game publishing or distribution channels in the Mainland China market, and the Group had also compared such pricing terms to those offered under the Chuanqi Tianxia Cooperation Agreement.

The prevailing market benchmark pricing terms for game marketing, promotion, publishing and distribution usually a revenue-sharing model and the sharing percentages were within a range of 40%–50%. Whilst the scope of services may vary depending on the nature, quality and commercial potential of the relevant mobile game, after considering such customary pricing terms and market benchmark, the Company noted that (i) it is not uncommon that the fee arrangements were structured in form of a fixed percentage of the gross billings generated from the mobile games; and (ii) in comparison with the aforesaid

LETTER FROM THE BOARD

prevailing market benchmark in the range of 40%–50% revenue-sharing, the Sharing Percentage adopted in the Chuanqi Tianxia Cooperation Agreement is no less favourable than those offered by other independent third party service providers.

Further, the contemplated revenue-sharing model under Chuanqi Tianxia Cooperation Agreement fixes the service fee payable to Tencent Computer within the 26%-30% range and does not include any guaranteed or minimum fee element. The Group considered that such term is more favourable to the Group for its attempt to expand into the mobile gaming market, because Shenzhen Jingxiu is not required to incur any upfront or minimum cost for any specific technical and channel promotion services provided by Tencent Computer.

Nonetheless, due to differences in terms of nature, popularity and ranking of different games, the Board considered that there is no standardized formula or calculation basis for determining the percentage of fees chargeable by Tencent Computer. The specific revenue-sharing fee arrangements will vary depending on the quality and commercial potential of the particular game and will be negotiated amongst the Group and Tencent Computer on a case-by-case basis.

(4) Other factors

To ensure that the commercial value of the subject intellectual properties can be maximized and that the terms of the transactions contemplated under the CCT Agreement (including the transactions contemplated under the Chuanqi Tianxia Cooperation Agreement) are in the best interests of the Group and the Shareholders as a whole, the following factors have also been considered: (i) the market status and recognition of various mobile game publishers and distributors; (ii) the technical expertise and financial resource of different publishers and distributors; (iii) the breadth of user base, user demographics and traffic of various game distribution platforms; and (iv) the potential number of players, the revenue and the profit that may be brought by the different distribution channels.

On the above basis, the Board noted that the terms under the Chuanqi Tianxia Cooperation Agreement are more favourable to the Group as the Sharing Percentage thereunder is lower than that offered under the quotations received by the Group from other independent third party service providers. More particularly and in light of the commercial factors discussed in the sub-paragraphs (1), (2) and (4) under the section headed “*Chuanqi Tianxia, the first Cooperation Product to be launched*” in this circular, the Board considered that the terms under the Chuanqi Tianxia Cooperation Agreement are more commercially advantageous to the Group than the terms obtainable from other independent third parties. Accordingly, the Board is of the view that the terms of the Chuanqi Tianxia Cooperation Agreement are fair and reasonable and in the interest of the Group and its Shareholders as a whole and no more favourable to Tencent Computer than that to independent third parties.

LETTER FROM THE BOARD

In any event, all of the above fees payable to Tencent Computer by Shenzhen Jingxiu shall be not more favourable to Tencent Computer nor less favourable to Shenzhen Jingxiu than those paid or charged by any independent third party under the same or similar conditions. The Group will review such fees from time to time by comparing them against the fees for comparable cooperation receivable by the Group from any independent third party.

ANNUAL CAPS AND BASIS OF DETERMINATION OF ANNUAL CAPS

Annual Caps for the three financial years ending 31 December 2022, 2023 and 2024

The expected annual maximum transaction amounts for the continuing connected transactions under the CCT Agreement for the three financial years ending 31 December 2024 amount to RMB300.0 million, RMB400.0 million and RMB500.0 million, respectively.

The Company does not anticipate that it will enter into any transactions under the CCT Agreement for the period from 1 January 2025 to 10 January 2025, and therefore, no annual cap has been set for such period. In the event that (i) any transaction amount under the CCT Agreement shall have been incurred during the aforesaid period from 1 January 2025 to 10 January 2025; or (ii) there are any change(s) to the proposed Annual Caps, the Company shall ensure its compliance with Chapter 14A of the Listing Rules at all times.

Given that the CCT Agreement is a new arrangement with Tencent Computer to enable the Group to broaden the scope of entertainment business and tap into the mobile game industry in Mainland China, there was no historical amount incurred prior to the date of the CCT Agreement.

Basis of Determination

Given the revenue-sharing mechanism contemplated in the CCT Agreement, the transaction amounts under the CCT Agreement are expected to hinge on the revenue-generating capacity and profitability of each Cooperation Product, as well as the coverage and extent of the Cooperation Products (for example, the number of Cooperation Products to be rolled out each year by the Group), which in turn, are subject to the future levels of acceptance of and popularity of the Cooperation Products.

LETTER FROM THE BOARD

Accordingly, despite the practicable difficulties in accurately estimating the income to be generated from each Cooperation Product in the next three years, the Board has determined the Annual Caps for the three financial years ending 31 December 2024 with reference to, among others, (i) the market demand for and development trend of gaming business; (ii) the roadmap for the development of the Cooperation Products of the Group; and (iii) the expected revenue-generating capacity and profitability of the Cooperation Products with reference to similar products of comparable attributes. More particularly, the Board has considered:

(1) *Market demand for and development trend of gaming business*

Mobile games play a key role in the Mainland China's gaming market. The mobile gaming industry in Mainland China has been developing at an accelerating speed. The market for mobile gaming in Mainland China is significant, and both the market size and the actual sales revenue of mobile games have increased substantially and steadily in the past few years.

In addition, the global gaming market also maintained stable growth in terms of market size and number of users, and Chinese mobile games have been gaining overseas market presence and market shares by offering high-quality content, refined operation and localized marketing strategies. This demonstrates the strong potential of China-developed mobile games in capturing the overseas market opportunities in parallel with the Chinese market.

Attributable to the evolving mobile communication technologies and increase in penetration rate of mobile users, the mobile game markets in China and overseas are expected to expand exponentially in the next few years. The Board thus considers that the CCT Agreement will enable the Group to broaden its revenue stream by tapping into the Chinese mobile game market and leverage on Tencent Group's technological capability and ecological system to enhance the competitiveness of the Cooperation Products.

(2) *Roadmap for the development of the Cooperation Products of the Group*

The Company expects to launch three game products and cooperate with Tencent Group in 2022. Chuanqi Tianxia, which the Group has exclusive distribution rights, is the first game under cooperation with Tencent Computer and estimates to launch in the second quarter of 2022. Chuanqi Tianxia is a game developed using Unreal Engine 4 with an official license in 3D lock-view massive multiplayer online role-playing game ("MMORPG"). As a mobile game under the Chuanqi series, Chuanqi Tianxia continues the legacy gameplay and features of the Chuanqi series, with substantial enrichment of the game content on the core gameplay and cross-generation upgrades to the graphics. The second Cooperation Product is a 3D simulation strategy game which takes the Three Kingdoms period as its background. The third Cooperation Product is a classic MMORPG based on Norse mythology.

As at the Latest Practicable Date, the Company expected to launch the second Cooperation Product and the third Cooperation Product during the second quarter and fourth quarter of 2022, respectively.

LETTER FROM THE BOARD

The Company's business plan for the years ending 31 December 2023, 2024 and 2025 in respect of the development of its mobile games shall primarily focus on the promotion and operation of, at least, those three Cooperation Products as well as the fourth and fifth Cooperation Products which are currently under negotiations and form part of the business pipeline in 2024. Concurrently, the Company may actively search for further cooperation and distribution opportunities regarding other potential mobile games.

(3) *Expected revenue-generating capacity and profitability of the Cooperation Products with reference to similar products of comparable attributes*

With reference to criteria including: (i) game genre; (ii) game theme; (iii) plot contents and character settings; (iv) video and image quality; (v) game lifecycle; and (vi) availability of previous games in other user terminals derived from the same proprietary content, the Board has selected a number of the comparable mobile games with similar attributes to the Cooperation Products (the “**Comparable Games**”) in order to assess the revenue-generating capacity and profitability of the Cooperation Products.

For Chuanqi Tianxia, the first Cooperation Product, the Board has selected two Comparable Games, both of which demonstrate similarity and comparability with Chuanqi Tianxia in respect of (i) the game genre (both being role-playing games (RPG)); (ii) plot contents and character settings; (iii) video and image quality; and (iv) availability of previous games in other user terminals derived from the same proprietary content.

For the second Cooperation Product, the Board has selected two Comparable Games, all of which demonstrate similarity and comparability with the second Cooperation Product in respect of (i) game genre (each being a strategy-based game); (ii) game theme (each taking “The Three Kingdoms” era as the game background); (iii) plot contents and character settings; (iv) video and image quality; and (v) game lifecycle (each has a relatively long game lifecycle).

For the third Cooperation Product, the Board has selected two Comparable Games, all of which demonstrate similarity and comparability with the third Cooperation Product in respect of (i) the game genre (all are MMORPG); (ii) plot contents and character settings; and (iii) video and image quality. The income to be generated for each Cooperation Product is projected based on the average income generated from the corresponding Comparable Games and estimated lifecycle of each Cooperation Product. The income generated from the Comparable Games was derived from the market data of each Comparable Game (including their historical number of downloads from both the iOS App Store and major Android App Stores in Mainland China) and the customary fees and commissions charged by the various App Stores.

LETTER FROM THE BOARD

(4) *Other factors*

The Board has also considered the following factors: (i) the market status and recognition of the Tencent Computer in the realm of game business; (ii) the promotion expertise and financial resource of the Tencent Computer; (iii) the breadth of user base, user demographics and traffic of various Tencent Group's platforms (including but not limited to Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶)); and (iv) the strong track record of Tencent Computer in promoting mobile games. Tencent Group, a leading provider of internet value added services in the PRC, offers a wide range of high-quality technological products and services and has a large user base. Tencent Computer is principally engaged in the business of provision of value-added services and internet advertisement services in the PRC. According to the annual report of Tencent Holdings for the financial year ended 31 December 2020, it strengthened its global leadership in mobile games via self-developed franchises and intellectual property collaboration with partners and investee companies. Its online games related value-added service contributed over RMB156 billion revenue to the Tencent Group during the financial year ended 31 December 2020, which represented over 32.3% of its total revenue for that same year.

As at the Latest Practicable Date, the game Chuanqi Tianxia had received more than 1.15 million expressions of interest from potential players; with the second and the third Cooperation Products having also started accepting expressions of interest from potential players.

The Group noted that the PRC government has strengthened minor protections in recent years including tightening restrictions on minors playing mobile games in Mainland China. The audience of the Cooperation Products are primarily targeted at adults instead of minors. Chuanqi-related proprietary content which Chuanqi Tianxia is based on has existed for more than 20 years, and the adults players who have played previous Chuanqi-related games form a significant portion of the targeted player pool of the game. Therefore, the Group is of the view that the impact of recent minor protection policies introduced in the Mainland China would be relatively minimal on the revenue and profitability of the Group's Cooperation Products.

Taking into account of the above factors, the Board has estimated the Annual Caps based on the projected annualized income to be generated from each Cooperation Product and multiplied by the relevant percentage of revenue, in the estimated range of 26%–30%, to be shared by Tencent Computer. The estimated income for Chuanqi Tianxia (being the first Cooperation Product), the second Cooperation Product and the third Cooperation Product for each of the three years ending 31 December 2022, 2023 and 2024 are approximately RMB1.1 billion, RMB1.5 billion and RMB1.2 billion respectively.

Based on the current pipeline, the total revenue attributable from the operations of the Cooperation Products for the financial years ending 31 December 2023 is currently expected to significantly exceed that from the current financial year ending 31 December 2022, given that all three Cooperation Products would have been fully launched and become revenue-generating by the end of 2022. In addition, the revenue for the year ending 31 December 2024 is expected to increase

LETTER FROM THE BOARD

compared to the previous year as a result of subsequent marketing effort in respect of the Cooperation Products and launch of two new Cooperation Products. Accordingly, the aforesaid expected revenue increases during the term of the CCT Agreement result in the RMB100 million annual increment in the Annual Caps.

Having considered the above factors and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps), the Board is of the view that the proposed Annual Caps are fair and reasonable and in the interest of the Group and its Shareholders as a whole.

From the date of the CCT Agreement up until and including the Latest Practicable Date, there had been no actual transaction amount incurred under the CCT Agreement and/or the Chuanqi Tianxia Cooperation Agreement, neither was there any transaction between Shenzhen Jingxiu and Tencent Computer prior to the entering of the CCT Agreement. Accordingly, the Company endeavours to ensure that, from the date of the CCT Agreement up until and including the date of the SGM, the highest applicable percentage ratio in relation to the annual maximum transaction amount under the CCT Agreement shall have remained below 5%.

INTERNAL CONTROL POLICIES

In order to ensure that the Group complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and the approval of the Annual Caps under the CCT Agreement, the Group has adopted a series of internal control policies in its daily operations. These internal control policies are implemented and monitored by the Group's internal audit and internal control department, independent non-executive Directors and external auditors:

- (1) the Group will monitor the transaction amount incurred for the transactions contemplated under the CCT Agreement on a monthly basis to ensure that the proposed Annual Caps thereunder will not be exceeded;
- (2) a dedicated team (led by the Chief Financial Officer and the Chief Technology Officer of the Group) will oversee the monitoring, collection and evaluation of the market data, including but not limited to the prevailing market benchmark on the pricing terms of comparable services on a quarterly basis. In addition, the Group will also prepare a continuing connected transaction report ("**CCT Report**") once every three months on the continuing connected transactions with Tencent Computer which will be submitted internally to such dedicated team within the Group for consideration. The content of the CCT Report includes, amongst others: (i) the service fees payable to Tencent Computer within the relevant reporting period; and (ii) the status of compliance with the proposed Annual Caps and utilization of the proposed Annual Caps;
- (3) the Company's internal audit and internal control department conducts semi-annual monitoring of connected transactions (including continuing connected transactions), the results of which together with the external auditor's report are then submitted to the audit

LETTER FROM THE BOARD

committee and independent non-executive Directors for review. The Company's internal audit and internal control department supervises connected transactions and ensures that these transactions are carried out in the following ways: (i) in accordance with the pricing principles of the CCT Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal or better commercial terms; and (iv) in accordance with the CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole;

- (4) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions and confirm in the annual report whether these transactions are carried out (i) on normal or better commercial terms; and (ii) in accordance with the CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and
- (5) the Company's external auditors will also conduct annual reviews of the pricing principles, total amount of accumulated transactions and, if applicable, Annual Caps of the CCT Agreement and make corresponding confirmations in the Company's annual report.

The Board believes that the above internal control procedures can ensure that the transactions under the CCT Agreement will be implemented on normal or better commercial terms.

INFORMATION ON THE COMPANY, SHENZHEN JINGXIU, TENCENT GROUP AND TENCENT COMPUTER

The Company

The Company is listed on the Stock Exchange (stock code: 136). The Company is an investment holding company. The Group is principally engaged in film and television programmes production, distribution and online streaming platform business, internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products and investment and trading of securities.

Shenzhen Jingxiu

Shenzhen Jingxiu is a company established under the laws of the PRC and a variable interest entity controlled by the Company. It is principally engaged in the development and procurement of film and television copyrights.

The Tencent Group

The Tencent Group is principally engaged in value-added services, online advertising, fintech and business services.

LETTER FROM THE BOARD

Tencent Computer

Tencent Computer is a controlled structured entity of Tencent Holdings. The company primarily engages in value-added services and advertisement services in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENT

In view of the Tencent Group's extensive experience in the realm of game products operation and it being one of the integrated internet service providers in the PRC, the Group plans to commence cooperation in the game business with Tencent Group.

The entering into of the CCT Agreement will enable the Group to broaden the scope of entertainment business of the Company, and concurrently enhance the monetization of the proprietary intellectual properties of the Group through the linkage between films and games, and in the long run, help to strengthen the Group's talent pool and consolidate its technological capability, which will in turn allow the Group to leap into a new stage of development.

Having adhered to the strategy of providing high-quality contents, committed to the research, development and production of high-quality contents, the Group has accumulated an extended portfolio of proprietary intellectual properties. The Board believes that the in-depth cooperation between the parties can serve to extend the Group's scope of business, enrich its business segments and achieve a multi-dimensional scale of content and user-experience, which will enhance user-immersion and thereby attribute to higher users' stickiness and attract more new users. Secondly, it can leverage on the advantages brought by the abundant reserve of high-quality contents of the Group so as to further capitalize on the copyrights value and enhance its monetization of contents so as to diversify and consolidate the Group's sources of income. Lastly, through the research, development and interaction established through the game business and the resulting in-depth communication between the technical teams of the parties, the Group can aim to strengthen its technological capability.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular after considering the advice of the Independent Financial Adviser) considers that the transactions contemplated under the CCT Agreement are entered into in the ordinary and usual course of business of the Company and its subsidiaries, on normal commercial terms after arm's length negotiations between the parties, and the terms of those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Tencent Computer is a controlled structured entity of Tencent Holdings. Since Tencent Holdings is a Shareholder indirectly holding more than 10% of the issued Shares in the Company, Tencent Computer is a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the highest Annual Cap on the fees chargeable by Tencent Computer to Shenzhen Jingxiu for the three financial years ending as at 31 December 2024 exceeds 5%, the CCT Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the CCT Agreement and the transactions contemplated thereunder. A notice convening the SGM to be held at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People's Republic of China on Friday, 29 April 2022 at 4:00 p.m. is set out on pages SGM-1 to SGM-4 of this circular.

Water Lily is a Shareholder and is indirectly wholly-owned by Tencent Holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder, other than Water Lily and its respective associates, has a material interest in the CCT Agreement which is different from other Shareholders. Therefore, Water Lily and its associate(s) will abstain from voting at the SGM. As at the Latest Practicable Date, Water Lily and its associate(s) held 1,819,234,565 Shares, which represent approximately 19.70% of the issued Shares. On 25 January 2022, the Company entered into a share subscription agreement (the "**Water Lily Share Subscription Agreement**") with Water Lily pursuant to which the Company has agreed to allot and issue, and Water Lily has agreed to subscribe, at HK\$2.50 per subscription share, 64,000,000 new Shares. At a special general meeting of the Company convened on 30 March 2022, the relevant shareholders of the Company have approved, among others, the Water Lily Share Subscription Agreement and the transaction(s) contemplated thereunder. Accordingly, upon completion of Water Lily's subscription of 64,000,000 new Shares, Water Lily and its associate(s) shall hold 1,883,234,565 Shares, which shall represent approximately 20.25% of the issued Shares (as enlarged by the Company's issue and allotment of 64,000,000 new Shares to Water Lily). For further details of the aforesaid share subscription, please refer to the announcement of the Company dated 25 January 2022, the circular of the Company dated 14 March 2022, and the poll results announcement of the Company dated 30 March 2022. To the best of the Directors' knowledge, information and belief, other than Water Lily, no Shareholder is required to abstain from voting at the SGM.

To the best of the knowledge and belief of the Directors, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in

LETTER FROM THE BOARD

any event not less than 48 hours before the time appointed for holding the SGM (i.e. no later than 4:00 p.m. on Wednesday, 27 April 2022) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish.

RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps); and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps).

The Board (including the members of the Independent Board Committee whose opinion is set forth in the “Letter from the Independent Board Committee” in this circular after considering the advice of the Independent Financial Adviser), is of the view that the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, 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. The Board recommends that the Independent Shareholders to vote in favour of the ordinary resolution relating thereto at the SGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 26 April 2022 to Friday, 29 April 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 25 April 2022.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

LETTER FROM THE BOARD

FORWARD-LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this circular and any of the matters set out herein are attainable, will actually occur or will be realized or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place any excessive reliance on the information disclosed herein. Any Shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

Yours faithfully,
By order of the Board
China Ruyi Holdings Limited
Ke Liming
Chairman

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 CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) for inclusion in this circular.



儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

12 April 2022

To the Independent Shareholders

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION WITH TENCENT COMPUTER IN THE PROVISION OF GAME TECHNOLOGY AND CHANNEL PROMOTION SERVICES

Dear Sir or Madam,

We refer to the circular issued by the Company to its Shareholders dated 12 April 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form an independent board committee to consider and advise you as to whether the terms of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to recommend as to whether the Independent Shareholders should approve the entering into of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps). Maxa Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 19 of the Circular and a letter of advice from Maxa Capital Limited, as set out on pages 22 to 38 of the Circular, both of which provide details of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps).

Having considered the terms of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps), the advice and recommendation from Maxa Capital Limited and the relevant information contained in the letter from the Board, we are of the opinion

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

that the (i) the terms of the CCT Agreement and the transactions contemplated thereunder and the proposed Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the CCT Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Mr. Chau Shing Yim,
David**

*Independent non-
executive Director*

Mr. Nie Zhixin

*Independent non-
executive Director*

Mr. Chen Haiquan

*Independent non-
executive Director*

**Professor Shi
Zhuomin**

*Independent non-
executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders setting out its advice in respect of the terms of the CCT Agreement, the transactions contemplated thereunder and the proposed annual caps, which has been prepared for the purpose of inclusion in this circular.



Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

12 April 2022

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE COOPERATION WITH TECENT COMPUTER IN THE PROVISION OF GAME TECHNOLOGY AND CHANNEL PROMOTION SERVICES

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 CCT Agreement, the transactions contemplated thereunder and the Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 April 2022 (the “**Circular**”), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 10 January 2022 (the “**Announcement**”). As set out in the Announcement, on 10 January 2022, Shenzhen Jingxiu, a variable interest entity controlled by the Company, entered into the CCT Agreement with Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group’s game products in China.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tencent Computer is a controlled structured entity of Tencent Holdings. Since Tencent Holdings is a Shareholder indirectly holding more than 10% of the issued Shares in the Company, Tencent Computer is a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the highest applicable percentage ratio as defined in the Listing Rules in respect of the highest Annual Cap on the fees chargeable by Tencent Computer to Shenzhen Jingxiu for the three years ending 31 December 2024 exceeds 5%, the CCT Agreement and the transactions contemplated thereunder are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Water Lily is a Shareholder and is indirectly wholly-owned by Tencent Holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder, other than Water Lily and its respective associates, has a material interest in the CCT Agreement which is different from other Shareholders. Therefore, Water Lily and its associate(s) will abstain from voting at the SGM. As at the Latest Practicable Date, Water Lily and its associate(s) held 1,819,234,565 Shares, which represent approximately 19.70% of the issued Shares. On 25 January 2022, the Company entered into Water Lily Share Subscription Agreement with Water Lily pursuant to which the Company has agreed to allot and issue, and Water Lily has agreed to subscribe, at HK\$2.50 per subscription share, 64,000,000 new Shares. At a special general meeting of the Company convened on 30 March 2022, the relevant shareholders of the Company has approved, among others, the Water Lily Share Subscription Agreement and the transaction(s) contemplated thereunder. Accordingly, upon completion of Water Lily's subscription of 64,000,000 new Shares, Water Lily and its associate(s) shall hold 1,883,234,565 Shares, which shall represent approximately 20.25% of the issued Shares (as enlarged by the Company's issue and allotment of 64,000,000 new Shares to Water Lily). For further details of the aforesaid share subscription, please refer to the announcement of the Company dated 25 January 2022, the circular of the Company dated 14 March 2022, and the poll results announcement of the Company dated 30 March 2022. To the best of the Directors' knowledge, information and belief, other than Water Lily, no Shareholder is required to abstain from voting at the SGM.

The Independent Board Committee comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the SGM to approve the entering into of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps). We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respect of the CCT Agreement and the transactions contemplated thereunder. In the past two years, we were appointed by the Company as the independent financial adviser in (i) February 2022 in respect of a share subscription transaction; (ii) April 2021 in respect of certain continuing connected transactions; and (iii) December 2020 in respect of a major transaction. In addition, we have been appointed by China Evergrande Group, which was the then controlling shareholder of the Company, as independent financial adviser in January and April 2021, respectively, to opine on the dilution of effective interest of certain subsidiaries of China Evergrande Group. Saved as disclosed above and apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the CCT Agreement; (ii) the Chuanqi Tianxia Cooperation Agreement; (iii) the annual reports of the Company for the year ended 31 December 2020 (the “**2020 AR**”) and for the year ended 31 December 2019 (the “**2019 AR**”); (iv) the annual results announcement of the Company for the year ended 31 December 2021 (the “**2021 AR**”); and (v) the basis and assumption adopted in determining the Annual Caps. We consider that we have reviewed sufficient and relevant information and documents, and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have reviewed, *inter alia*, 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 the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the SGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors 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 representations and opinions expressed by the Company, its advisers and/or the Directors. 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 verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

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. 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. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCT Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company. The Group is principally engaged in film and television programmes production, distribution and online streaming platform business, internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products and investment and trading of securities.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2019 (“FY2019”), 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”) as extracted from the 2019 AR, 2020 AR and 2021 ARA:

	For the year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	337,300	230,114	2,318,132
— Internet community and related businesses	278,269	185,470	52,031
— Manufacture and sales of accessories	59,031	44,644	51,029
— Content production and online streaming business	—	—	2,215,072
Gross profit	202,390	110,222	1,032,268
Profit for the year	92,073	12,022	1,173,652

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the Group's revenue amounted to approximately RMB230.1 million for FY2020, representing a decrease of approximately 31.8% as compared to that for FY2019. For FY2020, the Group conducted its internet community and related businesses in the communities across China, and its revenue from this business segment decreased from approximately RMB278.3 million for FY2019 to approximately RMB185.5 million for FY2020, including revenue from internet home furnishing sector of approximately RMB104.6 million, internet materials businesses sector of approximately RMB79.0 million and other sectors of approximately RMB1.9 million. The Group's revenue from the manufacture and sales of accessories segment also decreased from approximately RMB59.0 million for FY2019 to approximately RMB44.6 million for FY2020.

The Group recorded net profit of approximately RMB12.0 million for FY2020, which decreased by approximately 86.9% as compared to the net profit of approximately RMB92.1 million for FY2019. The decrease in the Group's net profit for FY2020 was mainly due to the decrease in profit from the internet community and related businesses segment. It contributed to a segment profit of approximately RMB31.1 million for FY2020 as compared to a segment profit of approximately RMB84.9 million for FY2019.

As illustrated from the table above, the total revenue of the Group was approximately RMB2,318.1 million for FY2021, representing an increase of approximately 907.4% as compared to approximately RMB230.1 million for FY2020. Such significant increase in the revenue was primarily attributable to the revenue derived from the content production and online streaming business segment from nil for FY2020 to approximately RMB2,215.1 million for FY2021. On 26 October 2020, the Company announced the acquisition of Virtual Cinema Entertainment Limited (“VCEL”) for a total consideration of HK\$7.2 billion (the “VCEL Acquisition”). The VCEL Acquisition was subsequently completed on 20 January 2021. VCEL, through the variable interest entity arrangement, controls and holds 100% interest in three variable interest entities, namely Shanghai Ruyi Movie Television Production Co., Ltd. (“Ruyi Films”), Shenzhen Jingxiu and Beijing Xiaoming Zhumeng Data Services Co., Ltd. (“Beijing Xiaoming”). Ruyi Films is a professional film and television production arm of the Group with industry-leading capabilities in research and development, production, as well as promotion and distribution. During FY2021, Ruyi Films released multiple films and television programmes, namely “A Little Red Flower” (《送你一朵小紅花》), “Hi, Mom” (《你好，李煥英》), “The Reunions” (《吉祥如意》), “Shock Wave 2” (《拆彈專家2》), “Xianguang” (《霞光》) and “Poetry of the Song Dynasty” (《大宋宮詞》). In particular, “A Little Red Flower”, which was released on 31 December 2020, recorded a cumulative box office of over RMB1.43 billion, and became the top-grossing film on New Year's Day in 2021 in China. “Hi, Mom”, which was released on 12 February 2021, recorded a box office of over RMB5.41 billion, and has ranked second in the box office of Chinese movies in 2021. The film also broke the record of exceeding the box office of RMB5 billion at the fastest pace in Chinese film history. Shenzhen Jingxiu and Beijing Xiaoming collectively operate a membership based online streaming platform named “Pumpkin Films” which is principally engaged in the business of operating online video platforms, including but not limited to uploading, converting, storing and playing back video content on the Internet, over-the-top channels, film and television series

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production and related intellectual properties franchising. As at 31 December 2021, the cumulative number of registered members and paying subscribers of Pumpkin Films reached approximately 70.8 million and 28.7 million, respectively.

The Group recorded net profit of approximately RMB1,173.7 million for FY2021 as compared to net profit of approximately RMB12.0 million for FY2020. Such significant increase for FY2021 was mainly due to the combined effects of (i) the profit derived from the content production and online streaming business segment of approximately RMB696.9 million; and (ii) the net loss derived from the internet community and related businesses of approximately RMB74.8 million.

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Non-current assets	44,780	38,890	6,626,991
Current assets	<u>1,493,025</u>	<u>1,234,351</u>	<u>3,992,901</u>
Total assets	<u>1,537,805</u>	<u>1,273,241</u>	<u>10,619,892</u>
Non-current liabilities	6,654	11,811	3,275,492
Current liabilities	<u>389,600</u>	<u>78,262</u>	<u>1,724,984</u>
Total liabilities	<u>396,254</u>	<u>90,073</u>	<u>5,000,476</u>
Net current assets	1,103,425	1,156,089	2,267,917
Net assets	1,141,551	1,183,168	5,619,416

The Group had total assets of approximately RMB1,273.2 million as at 31 December 2020, which mainly comprised of (i) cash and cash equivalents of approximately RMB1,031.1 million; and (ii) trade and other receivables of approximately RMB155.0 million. The Group had total assets of approximately RMB10,619.9 million as at 31 December 2021, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB2,581.9 million; (iii) intangible assets of approximately RMB684.8 million; and (iv) cash and cash equivalents of approximately RMB1,139.5 million. The goodwill and the intangible assets as at 31 December 2021 were mainly resulted from the combination of the content production and online streaming business upon completion of the VCEL Acquisition.

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The Group had total liabilities of approximately RMB90.1 million as at 31 December 2020, which mainly comprised of (i) other payables of approximately RMB60.1 million; and (ii) lease liabilities of approximately RMB16.7 million. The Group had total liabilities of approximately RMB5,000.5 million as at 31 December 2021, which mainly comprised of (i) contingent consideration payable of approximately RMB2,060.6 million; (ii) deferred tax liabilities of approximately RMB502.0 million; (iii) borrowings of approximately RMB1,523.0 million; and (iv) film and television programmes investment funds from investors of approximately RMB559.1 million. The contingent consideration payable represents the share consideration and warrants consideration to be issued in relation to the VCEL Acquisition.

The decrease in the total assets by approximately RMB264.6 million to approximately RMB1,273.2 million as at 31 December 2020 as compared to 31 December 2019 was mainly attributable to the decrease in cash and cash equivalents by approximately RMB282.2 million; and was partially offset by the increase in trade and other receivables by approximately RMB44.3 million. The decrease in the total liabilities by approximately RMB306.2 million to approximately RMB90.1 million as at 31 December 2020 as compared to 31 December 2019 was mainly due to (i) the decrease in other payables by approximately RMB224.1 million; and (ii) the decrease in borrowings by approximately RMB53.6 million.

The increase in the total assets by approximately RMB9,346.7 million to approximately RMB10,619.9 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to (i) the increase in goodwill by approximately RMB4,214.6 million; (ii) the increase in film and television programmes rights by approximately RMB2,581.9 million; (iii) the increase in trade and other receivables by approximately RMB1,145.5 million; and (iv) the increase in intangible assets by approximately RMB682.6 million, as a result of the VCEL Acquisition. The increase in the total liabilities by approximately RMB4,910.4 million to approximately RMB5,000.5 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to (i) the increase in contingent consideration payable of approximately RMB2,060.6 million in relation to the VCEL Acquisition; and (ii) the increase in borrowings of approximately RMB1,523.0 million.

The Group's current ratios were approximately 3.8 times, 15.8 times and 2.4 times as at each of 31 December 2019, 2020 and 2021, respectively. The significant decrease in the Group's current ratio as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to the significant increase in current liabilities as a result of (i) the current portion of the contingent consideration payable of approximately RMB686.9 million recognised in relation to the VCEL Acquisition; and (ii) film and television programmes investment funds from investors of approximately RMB559.1 million. The Group's gearing ratios, which are calculated on the basis of the Group's total interest-bearing borrowings and lease liabilities over the total equity, as at 31 December 2019, 2020 and 2021 were approximately 6.5%, 1.4% and 3.4%, respectively.

2. Background information of Tencent Group and Tencent Computer

Tencent Group is principally engaged in value-added services, online advertising, fintech and business services.

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Tencent Computer is a controlled structured entity of Tencent Holdings. Tencent Computer primarily engages in the value-added services and Internet advertisement services in the PRC.

3. Reasons for and benefits of entering into the CCT Agreement

As stated in the Letter from the Board, Tencent Group has extensive experience in the realm of game products operation and it being one of the integrated internet service providers in the PRC, the Group plans to commence cooperation in the game business with Tencent Group. The Directors consider that the entering into of the CCT Agreement will enable the Group to broaden the scope of entertainment business of the Company, and concurrently enhance the monetization of the proprietary intellectual properties of the Group through the linkage between films and games, and in the long run, help to strengthen the Group's talent pool and consolidate its technological capability, which will in turn allow the Company to leap into a new stage of development.

Having adhered to the strategy of providing high-quality contents, committed to the research, development and production of high-quality contents, the Group has accumulated an extended portfolio of proprietary intellectual properties. The Board believes that the in-depth cooperation between the parties can serve to extend the Group's scope of business, enrich its business segments and achieve a multi-dimensional scale of content and user-experience, which will enhance user-immersion and thereby attribute to higher users' stickiness and attract more new users. Secondly, it can leverage on the advantages brought by the abundant reserve of high-quality contents of the Group so as to further capitalize on the copyrights value and enhance its monetization of contents so as to diversify and consolidate the Group's sources of income. Lastly, through the research, development and interaction established through the game business and the resulting in-depth communication between the technical teams of the parties, the Group can aim to strengthen its technological capability.

Based on our research, we note from the report titled "2021 China Game Industry Report" (《2021 年中國遊戲產業報告》)¹ released by The Game Working Committee of the China Audio-Video and Digital Publishing Association, the number of mobile game users reached approximately 655.9 million as at 31 December 2021, increased by approximately 24.3% as compared to approximately 527.8 million as at 31 December 2017. In addition, the actual sales revenue of China mobile game increased from approximately RMB116.1 billion in 2017 to approximately RMB225.5 billion in 2021, representing a compound annual growth rate of approximately 18.1%. Thanks to the evolving mobile communication technologies and increase in penetration rate of mobile users, China's mobile game market has experienced rapid growth in recent years and the market size of China's mobile game market size is expected to increase in the next few years. Having taken into accounts the historical growth trend and substantial market size of the China mobile game market, we consider that the Cooperation Agreement will enable the Group to broaden its revenue stream by tapping into China mobile game market and leverage on Tencent Group's technological capability and ecological system, which in turn will enhance the competitiveness of the Cooperation Products.

¹ <https://www.cgic.com.cn/details.html?id=08d9c37e-e046-495c-8348-3dd4185ab794&tp=report>

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In view of the above, we concur with the Directors' view that the entering into of the CCT Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. The CCT Agreement

The principal terms of the CCT Agreement are set out below:

Date: 10 January 2022

Parties: (1) Shenzhen Jingxiu, a variable interest entity controlled by the Company; and
(2) Tencent Computer, a controlled structured entity of Tencent Holdings and an associate of the connected person of the Company

Effective term: The cooperation period under the CCT Agreement is three years, ending on 10 January 2025.

Principal Terms

Provision of Technical Services and Channel Promotion Services

Pursuant to the CCT Agreement, Tencent Computer agreed to provide the following services to Shenzhen Jingxiu in exchange for the service fees payable by Shenzhen Jingxiu to Tencent Computer:

- (1) **Specific technical services:** including, among other things, the provision of Software Development Kit (SDK) or Application Programming Interface (API) services such as login, anti-addiction and anti-hacking mechanism, minors protection, and the continuous provision of maintenance and update services for Cooperation Products; and the provision of the Software Development Kit which aims to assist the Group in building the payment or settlement channels necessary for the operation and development of the Cooperation Products, and ultimately to enable end-users to top-up and/or make payments via their accounts in the Cooperation Products developed by the Group on different mobile systems; and
- (2) **Channel promotion services:** allowing the Cooperation Products to be launched on Tencent platforms (including but not limited to Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶)).

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Accordingly, Shenzhen Jingxiu shall pay, and Tencent Computer shall have the right to receive, a portion of the income in the manner as agreed between the parties based on the particular Cooperation Product. The payment and settlement terms under the CCT Agreement shall be separately agreed between the relevant parties in the implementation agreements to be entered into pursuant to the terms of the CCT Agreement.

Pricing Policies

Tencent Computer has a right to charge Shenzhen Jingxiu service fees which represent a certain percentage (“**Sharing Percentage**”) of (1) the income generated from the operation of the Cooperation Products (developed for iOS system) in the iOS App Store; (2) the income derived from the operation of the Cooperation Products (developed for Android operating system) on Tencent Group’s platforms; and (3) the income derived from the operation of the Cooperation Products (developed for Android operating system) in channels other than Tencent Group’s. The service fees will be settled in RMB on monthly basis.

The portion of income payable by the Group to the Tencent Computer shall be determined after arm’s length negotiations between the parties with reference to (i) the prevailing market price; and (ii) taking into account various commercial factors in respect of the relevant Cooperation Products.

As disclosed in the Letter from the Board, for the purposes of comparison, the Group shall review the prevailing market benchmark pricing terms for the provision of similar types of services under the same or similar conditions of the CCT Agreement. In order to evaluate market data comprehensively, the Group will form a dedicated team (led by the Chief Financial Officer and the Chief Technology Officer of the Group) to oversee the monitoring, collection and evaluation of the market data, including but not limited to the prevailing market benchmark on the pricing terms of comparable services on a quarterly basis. The above team will also conduct comparison analysis on the portion of income payable to Tencent Computer against the pricing terms offered by independent third parties to ensure that the relevant Sharing Percentage, as determined from time to time in relation to each specific Cooperation Product, remains fair and reasonable, on normal commercial terms, and no more favourable to Tencent Computer when compared with terms offered by independent third parties.

We have discussed with the Management and understand that the Shenzhen Jingxiu entered into the Chuanqi Tianxia Cooperation Agreement on 10 January 2022 in relation to the provision of technical services and channel promotion services for the Group’s first game product, namely Chuanqi Tianxia (《傳奇天下》). As part of our due diligence, we have obtained a copy of the Chuanqi Tianxia Cooperation Agreement and reviewed the terms of such agreement. According to the Chuanqi Tianxia Cooperation Agreement, the amount of

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service fees chargeable by Tencent Group to Shenzhen Jingxiu depends on the income generated from the operation of Chuanqi Tianxia, ranging from 26% to 30% of the gross income (derived from Android operation system) or net income (derived from iOS system). In addition, we have obtained the comparison analysis prepared by the Management on the portion of income payable to Tencent Group against the pricing terms offered by independent game publishing and distribution channels. Based on our review of the comparison analysis, we note that the prevailing market rates charged by game publishing and distribution channels are typically in the range of 30% to 50% of the income derived from operation of the games. Therefore, we concur with the Management's view that the percentage of income shared by Tencent Group under the Chuanqi Tianxia Cooperation Agreement, being the range of 26% to 30%, is at normal commercial terms or better when comparing to the pricing terms of other independent game publishing and distribution channels.

As advised by the Management, Chuanqi Tianxia is the first game product launched by the Group and therefore the Group has not entered into similar cooperation or arrangement with other independent third parties in relation to the provision of technical services and channel promotion services for the Group's game product. Therefore, there is no historical transaction document entered into between the Group and other independent game publishing and distribution channels made available to us for pricing terms comparison purpose. In order to assess the fairness and reasonableness of the pricing terms of the Chuanqi Tianxia Cooperation Agreement, we have first reviewed the IPO prospectus released by companies which are principally engaged in developing or publishing of online or mobile games in the PRC and listed on the Main Board of the Stock Exchange in the past 12 months immediately before the date of the CCT Agreement and we have only identified one IPO transaction which fits the aforesaid selection criteria. Given that there is only a limited number of game developers and/or publishers seeking for IPO on the Stock Exchange in the past 12 months immediately before the date of the CCT Agreement, we have therefore decided to extend our review period up to 36 months in order to generate a meaningful sample size for comparison purpose. Based on our research on the Stock Exchange website, we have identified nine IPO transactions which fit the aforesaid selection criteria (the "**Comparable Pricing Terms**"). Having taken into account that (i) all the Comparable Pricing Terms are related to the issuers which are principally engaged in developing and/or publishing of games and listed on the Main Board of the Stock Exchange; (ii) our analysis is primarily focused on the comparison of the pricing terms of the fees paid to game publishing and distribution channels; and (iii) the 36 months period for the selection of the Comparable Pricing Terms has resulted in generation of a reasonable sample size, we consider that the Comparable Pricing Terms are exhaustive,

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sufficient, fair and representative samples for our assessment of the pricing terms of the Chuanqi Tianxi Cooperation Agreement. The following table sets forth the summary of the Comparable Pricing Terms:

Company name	Stock code	Date of the IPO prospectus	Pricing terms in respect of fees paid to game publishing and distribution channels
Qingci Games Inc.	6633.HK	6 December 2021	Undisclosed (<i>Note 1</i>)
Sino-Entertainment Technology Holdings Limited	6933.HK	30 June 2020	30%–55% of gross billings
Archosaur Games Inc.	9990.HK	30 June 2020	30%–55% of gross billings
Jiu Zun Digital Interactive Entertainment Group Holdings Limited	1961.HK	27 February 2020	20% to 75% of the net receipt
XD Inc.	2400.HK	29 November 2019	30%–60% of gross billings
CMGE Technology Group Limited	0302.HK	19 October 2019	30%–50% of gross billings
FriendTimes Inc.	6820.HK	24 September 2019	30%–55% of gross billings
Homeland Interactive Technology Ltd.	3798.HK	18 June 2019	50%–60% of sales proceeds net of payment service fee
Zengame Technology Holding Limited	2660.HK	3 April 2019	30%–60% of gross billings

Source: the Stock Exchange website

Note:

- The prospectus of Qingci Games Inc. does not disclose the percentage of gross billings or revenue paid by Qingci Games Inc to the game publishing or distribution channel. Nonetheless, we note from the Industry Overview section of Qingci Games Inc.'s prospectus that the commissions to payment and distribution channels as well as marketing and promotion expenses, which in aggregate, typically account for 30% to 55% of the gross billings.

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As illustrated from the table above, the game publishing and distribution channels, which mainly responsible for marketing, promotion and providing platform for distribution of the mobile games, would typically charge approximately 30% to 55% of the gross billings generated from the mobile games. Although the scope of services of the game publishing and distribution channels might vary depending on the nature, quality and commercial potential of the mobile games, we consider that the Comparable Pricing Terms are relevant for the purpose of assessing the pricing terms of the Chuanqi Tianxia Cooperation Agreement.

We note that the CCT Agreement does not contain any guarantee or minimum fee element, which we consider to be more favourable to the Group as Shenzhen Jingxiu is not required to incur any upfront or minimum cost for operating and promoting the game product on Tencent Group's platform. The CCT Agreement, which adopts a revenue-sharing mechanism, is not an uncommon business practice as we note that the game publishing and distribution channels would generally charge fees based on certain percentage of the gross billings. In particular, the percentage of gross income chargeable by Tencent Group under the Chuanqi Tianxia Cooperation Agreement, being the range of 26% to 30%, is not less favourable than the Comparable Pricing Terms, being the range of approximately 30% to 55%.

In view of the above, we consider that the terms of the CCT Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Annual Caps

The Annual Caps under the CCT Agreement for the three years ending 31 December 2022, 2023 and 2024 are RMB300.0 million, RMB400.0 million and RMB500.0 million, respectively. Given that the CCT Agreement is a new arrangement with Tencent Computer to enable the Group to broaden the scope of entertainment business and tap into the mobile game industry in the PRC, there is no historical amount incurred prior to the date of the CCT Agreement.

As set out in the Letter from the Board, the Annual Caps are determined with reference to numerous factors, among others, (i) the market demand for and development trend of gaming business; (ii) the roadmap for the development of the Cooperation Products of the Group; and (iii) the expected revenue-generating capacity and profitability of the Cooperation Products with reference to similar products of comparable attributes.

In order to assess the reasonableness of the Annual Caps, we have obtained and reviewed (i) the exclusive game distribution agreements entered into between the game developers and Shenzhen Jingxiu in respect of the first, second and third Cooperation Products; and (ii) the revenue projection derived from the Cooperation Products along with the underlying calculations of the Annual Caps for the three years ending 31 December 2022, 2023 and 2024, and discussed with the Management on the bases and assumptions adopted in the calculations. We note from the CCT Agreement that a revenue-sharing mechanism is adopted where the amount of fees payable to Tencent Computer would depend on the income generated from the operation of the Cooperation

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Products developed for iOS system and Android system. Therefore, the Annual Caps is calculated with reference to, among others, the estimated number of active users, popularity and lifecycle of the Cooperation Products.

As advised by the Management, it is expected that the Company will launch three game products and cooperate with Tencent Group in 2022. Chuanqi Tianxia, which the Group has exclusive distribution rights, is the first game under cooperation with Tencent Computer and estimated to launch in the second quarter of 2022. Chuanqi Tianxia is a game developed using Unreal Engine 4 with an official license in 3D lock-view massive multiplayer online role-playing game (“MMORPG”). As a mobile game under the Chuanqi series, Chuanqi Tianxia continues the legacy gameplay and features of the Chuanqi series, with substantial enrichment of the game content on the core gameplay and cross-generation upgrades to the graphics. The second game product is a 3D simulation strategy game which takes the Three Kingdoms period as its background. As at the Latest Practicable Date, the Company expects to launch the second game product and the third game product, which is a classic MMOPRG based on Norse mythology, during the second quarter and fourth quarter of 2022, respectively.

As advised by the Management, due to (i) the lack of historical data in respect of the Cooperation Products; and (ii) the unpredictability in the mobile game user’s habits and behavior as well as the popularity or ratings of the Cooperation Products, there are practicable difficulties in accurately estimating the income to be generated from each Cooperation Products for the three years ending 31 December 2024. Therefore, when determining the Annual Caps, the Management has made reference to the operating data of other the mobile games that are similar or comparable to the Cooperation Products (the “**Comparable Games**”) in projecting the income generated from the operation of the Cooperation Products. When selecting the Comparable Games, the Management has taken into account of, among others, the following criteria: (i) the game genre; (ii) settings of plot contents and characters; (iii) quality of images; and (iv) game lifecycle, of the Comparable Games, which are similar to the Cooperation Products to be launched by the Company. The income to be generated for each Cooperation Products is projected based on the average income generated from the Comparable Games and estimated lifecycle of each Cooperation Products. The Annual Caps are then estimated based on the projected annualised income to be generated from each Cooperation Products and multiplied by the relevant percentage of revenue, being the range of 26% to 30%, to be shared by Tencent Computer. As part of our due diligence, we have independently obtained the cumulative number of downloads of and income derived from the Comparable Games, from Beijing Qimai Technology Co., Ltd. (a company that is principally engaged in the provision of business analysis of mobile product intelligence in the PRC), to verify against the data used in calculating the projected annualised income of the Cooperation Products. Based on our review, we are not aware of any material discrepancy between the data of the Comparable Games we have obtained and the data adopted by the Company in the calculating the Annual Caps.

Based on our discussion with the Management and review of the calculation for the Annual Caps, the Annual Cap of RMB300.0 million for the year ending 31 December 2022 is determined with reference to the average annualised income of the Comparable Games as adjusted on a pro-rata basis with reference to the expected launch date of the three Cooperation Products, which are

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expected to be launched in the second and fourth quarter of 2022 respectively. The increase of the Annual Cap to RMB400.0 million for the year ending 31 December 2023 is mainly due to the full year effect of the three Cooperation Products under operation. For the year ending 31 December 2024, the Management estimates that the Annual Cap will increase to RMB500.0 million, which is mainly driven by the expected launch of two new Cooperation Products in 2024. Since the Management is still in the preliminary stage of negotiating with the game developers on the fourth and fifth Cooperation Products, we reckon that there are practicable difficulties for the Management in identifying comparable games for the purpose of projecting the income to be derived from the fourth and fifth Cooperation Products. Therefore, the Management has decided to use the simple average of the projected annualised income of the first, second and third Cooperation Products when determining the estimated income to be derived from the fourth and fifth Cooperation Products in 2024.

The transaction amounts under the CCT Agreement would eventually depend on the future levels of acceptance of and popularity of the Cooperation Products, which are beyond the control of the Group. Therefore, we consider it difficult for the Management to determine the Annual Caps with high degree of certainty. Also, the CCT Agreement is a new arrangement between the Group and Tencent Computer, and there is no historical transaction that can be referenced and indicative of the future transactions amount. Nonetheless, we consider that it is in the interests of the Group and the Shareholders to determine the Annuals Caps which can accommodate the potential growth of the Group's business. In addition, the Group has appropriate internal control policies (please refer to the section headed "6. Internal Control Policies" below for reference) in place to safeguard the interests of the Shareholders. In assessing the fairness and reasonableness of the Annual Caps, we have discussed with the Management the factors taken into account as stated earlier in this section. We consider it is reasonable for the Company to use the above factors and assumption in determining the Annual Caps and that the Annual Caps for each of the three years ending 31 December 2024 (including the projected annualised income adopted by the Company in determining the Annual Caps) to be fair and reasonable.

6. Internal Control Policies

In order to ensure that the Group complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and the approval of the Annual Caps under the CCT Agreement, the Group has adopted a series of internal control policies in its daily operations. These internal control policies are implemented and monitored by the Group's internal audit and internal control department, independent non-executive Directors and external auditors:

- (i) the Group will monitor the transaction amount incurred for the transactions contemplated under the CCT Agreement on a monthly basis to ensure that the proposed Annual Caps thereunder will not be exceeded;
- (ii) a dedicated team (led by the Chief Financial Officer and the Chief Technology Officer of the Group) will oversee the monitoring, collection and evaluation of the market data, including but not limited to the prevailing market benchmark on the pricing terms of comparable services on a quarterly basis. In addition, the Group will also prepare a

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continuing connected transaction report (“**CCT Report**”) once every three months on the continuing connected transactions with Tencent Computer which will be submitted internally to such dedicated team within the Group for consideration. The content of the CCT Report includes, amongst others: (i) the service fees payable to Tencent Computer within the relevant reporting period; and (ii) the status of compliance with the proposed Annual Caps and utilisation of the proposed Annual Caps;

- (iii) the Company’s internal audit and internal control department conducts semi-annual monitoring of connected transactions (including continuing connected transactions), the results of which together with the external auditor’s report are then submitted to the audit committee and independent non-executive Directors for review. The Company’s internal audit and internal control department supervises connected transactions and ensures that these transactions are carried out in the following ways: (a) in accordance with the pricing principles of the CCT Agreement; (b) in the ordinary and usual course of business of the Group; (c) on normal or better commercial terms; and (d) in accordance with the CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole;
- (iv) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions and confirm in the annual report whether, these transactions are carried out (i) on normal or better commercial terms; and (ii) in accordance with the CCT Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and
- (v) the Company’s external auditors will also conduct annual reviews of the pricing principles, total amount of accumulated transactions and, if applicable, Annual Caps of the CCT Agreement and make corresponding confirmations in the Company’s annual report.

For the purpose of evaluating the effectiveness of internal control policies in place to monitor the pricing methods and procedures under the CCT Agreement and usage of the Annual Caps, and ensure that the Annual Caps would not be exceeded, we have discussed with the Management and understood that the comparison analysis on the pricing terms of comparable services will be submitted quarterly and jointly approved by the CFO and CTO of the Group. The head of the Group’s finance department will be responsible for monitoring the revenue generated from the Cooperation Products and cumulative amount of fees payable to Tencent Computer on a monthly basis. The Group’s finance department will report to the senior management should the amount of fees paid to Tencent Computer is closed to or expected to exceed the Annual Caps. Given that there is no historical transaction between Shenzhen Jingxiu and Tencent Computer prior to the date of the CCT Agreement, there is no historical transaction record and internal approval document available in respect of the transactions contemplated under the CCT Agreement for our review. However, we note that the Company has been in compliance with the requirements under the Listing Rules as we note from the 2019 AR and 2020 AR that the Company’s auditors had issued unqualified letters containing the findings and conclusions in respect of the Company’s continuing connected

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transactions and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions (i) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transaction; and (ii) have exceeded the maximum aggregate annual caps in respect of the disclosed continuing connected transactions. In view of the above, we consider that there are effective internal control policies in monitoring the pricing methods and procedures under the CCT Agreement and the usage of the Annual Caps and ensure that the Annual Caps would not be exceeded.

In light of the on-going reporting requirements to the transactions contemplated under the CCT Agreement, in particular, (i) the restriction on the transaction amount under the CCT Agreement by way of the Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company on the terms of the CCT Agreement and the Annual Caps, and given the Company's internal safeguards in place, we are of the view that appropriate measures will be in place to monitor the transactions contemplated under the CCT Agreement.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the CCT Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM for approving the CCT Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This document, for which the Directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document 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 document misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executives of the Company in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company 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) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, were as follows:

Interest of Directors of the Company

Name of Director	Capacity in which interests are held	Interest in the Shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Mr. Ke Liming	Interest of a controlled corporation	3,727,381,250 (Note 1)	40.36%
Ms. Chen Xi	Beneficial owner	48,000,000 (Note 2)	0.52%
Mr. Wan Chao	Beneficial owner	2,032,000 (Note 3)	0.02%
Mr. Zhang Qiang	Beneficial owner	10,000,000 (Note 4)	0.11%

Notes:

- (1) 1,893,101,943 Shares were indirectly held by Mr. Ke Liming through Pumpkin Film Limited, a company indirectly wholly-owned by Mr. Ke Liming. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly-owned by him.
- (2) Ms. Chen Xi was interested in 48,000,000 Shares, all of which were represented by share options of the Company.
- (3) Mr. Wan Chao was interested in 2,032,000 Shares, of which 1,592,000 Shares were directly held by Mr. Wan Chao and 440,000 Shares were deemed interests held through his spouse, Ms. Hu Zhengrong.
- (4) Mr. Zhang Qiang was interested in 10,000,000 Shares, all of which were represented by share options of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company 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) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Interests of substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity in which interests are held	Interest in the Shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Mr. Ke Liming	Interest of a controlled corporation	3,727,381,250	40.36%
Pumpkin Films Limited (Note 1)	Beneficial owner	3,727,381,250	40.36%
Tencent Holdings Limited	Interest of a controlled corporation	1,883,234,565	20.39%
Water Lily (Note 2)	Beneficial owner	1,883,234,565	20.39%
Ms. Li Shao Yu	Interest of a controlled corporation	910,000,000	9.85%
Eagle Smart Capital Investment Group Limited (Note 3)	Beneficial owner	910,000,000	9.85%

Notes:

- (1) Pumpkin Films Limited is indirectly wholly-owned by Mr. Ke Liming, a Director.
- (2) Water Lily is an indirect wholly-owned subsidiary of Tencent Holdings Limited.
- (3) Eagle Smart Capital Investment Group Limited is directly wholly-owned by Mr. Li Shao Yu.

Save as disclosed above in the table, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or proposed Director or their respective close associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed Director had any direct or indirect interest in any asset which had been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACT

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

9. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Maxa Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)

- (b) As at the Latest Practicable Date, Maxa Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Maxa Capital Limited 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 they appear respectively.
- (d) As at the Latest Practicable Date, Maxa Capital Limited did not have any interest, direct or indirect, in any assets which have been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 23rd Floor, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, the Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Mr. Fong Kar Chun, Jimmy, who is a member of the Law Society of Hong Kong and a qualified solicitor in Hong Kong.

- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS ON DISPLAY

A copy of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.ryholdings.com>) from the date of this circular up to and including the date of the SGM:

- (a) the written consent of Maxa Capital Limited as referred to in the section headed “QUALIFICATION AND CONSENT OF EXPERT” in this appendix; and
- (b) the CCT Agreement.

NOTICE OF SGM



儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Ruyi Holdings Limited (the “**Company**”) shall be held at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People’s Republic of China on Friday, 29 April 2022 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution. Words and expressions that are not expressly defined in this notice of SGM shall bear the same meaning as those defined in the circular of the Company dated 12 April 2022.

ORDINARY RESOLUTION

“THAT

- (a) the CCT Agreement (as defined in the circular of the Company dated 12 April 2022 of which this notice forms part (the “**Circular**”)) (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) the Annual Caps (as defined in the Circular) for the respective financial years ending on 31 December 2022, 31 December 2023 and 31 December 2024 be and are hereby approved; and
- (c) any one Director (or one Director and the secretary of the Company or any two Directors or such other person (including a Director) or persons as the Board may appoint, in the case of execution of documents under seal) be and is/are hereby authorized for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the CCT Agreement and the transactions contemplated thereunder including the affixing of common seal thereon.”

Yours faithfully,
By order of the Board
China Ruyi Holdings Limited
Ke Liming
Chairman

Hong Kong, 12 April 2022

NOTICE OF SGM

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member.
2. A form of proxy for use at the SGM is enclosed herewith. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours (i.e. no later than 4:00 p.m. on Wednesday, 27 April 2022) before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and deposit of the form of proxy will not preclude a Shareholder from attending and voting in person at the SGM or any adjournment thereof (as the case may be).

In view of the ongoing COVID-19 pandemic, the Company strongly recommends Shareholders of the Company to exercise your voting rights by appointing the chairperson of the SGM as your proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM in person.

3. Completion and return of the form of proxy will not preclude a Shareholder of the Company from attending and voting in person at the SGM convened or any adjournment thereof and in such event, the authority of the proxy shall be deemed to be revoked.
4. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it was solely entitled thereto. If more than one of such joint holders are present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 26 April 2022 to Friday, 29 April 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 25 April 2022.
6. References to time and dates in this notice are to Hong Kong time and dates.

NOTICE OF SGM

PRECAUTIONARY MEASURES FOR THE SGM

The health of our Shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing Coronavirus Disease 2019 (COVID-19) pandemic, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) The Company encourages each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) No refreshment will be served, and there will be no corporate gift.

To enable Shareholders of the Company to participate in the SGM and to speak and observe in relation to the resolution(s) to be resolved at the SGM, Shareholders not attending the SGM in person may join a live streaming webcast of the SGM where they can both speak and see during the discussion session at the SGM via Zoom at zoom link address. Shareholders that intend to participate in the SGM via Zoom, you will need to register by sending an email to the share registrar at is-enquiries@hk.tricorglobal.com or via telephone hotline at (852) 2980 1333 during business hours (9:00 a.m. to 5:00 p.m., Monday to Friday, excluding Hong Kong public holidays) by providing personal particulars as follows:

- (a) full name;
- (b) registered Address;
- (c) number of Shares held;
- (d) contact Telephone Number; and
- (e) email Address,

no later than 4:00 p.m. on 27 April 2022 (being not less than 2 business days before the date appointed for holding the SGM) to enable the Company to verify the Shareholders' status.

Authenticated Shareholders will receive an email confirmation by Thursday, 28 April 2022 which contains a link to join the live streaming webcast of the SGM. Shareholders MUST NOT forward the link to other persons who are not the Shareholders and who are not entitled to attend the SGM.

If you are a non-registered Shareholder, you should contact your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the (“**Intermediary**”)) and instruct the Intermediary to appoint you as proxy or corporate representative to view and listen via live streaming webcast at the SGM and in doing so, you will be asked to provide your email address. Details regarding the live streaming webcast including the login details will be emailed to you by the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited.

Shareholders should note that viewing the live streaming webcast of the SGM via Zoom will not be counted towards a quorum nor will they be able to cast their votes online. Shareholders who wish to vote are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM by completing and returning the Proxy Form in accordance with the instructions therein by a time not less than 48 hours before the time appointed for the SGM (i.e. 4:00 p.m. on Wednesday, 27 April 2022), if they have not already done so.

NOTICE OF SGM

All local laws and regulations must be strictly complied with. To the extent permitted under the applicable laws, the Company reserves the right to deny any person entry into the SGM venue or require any person to leave the SGM venue so as to ensure the health and safety of the other attendees at the SGM. Subject to the development of COVID-19, the Company may be required to change the SGM arrangements at short notice Shareholders should check the websites of the Company (<http://www.ryholdings.com>) and the Stock Exchange (www.hkexnews.hk) for further announcements and updates on the SGM arrangements.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairperson of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document. If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our registered office. If any Shareholder has any question relating to the meeting, please contact Tricor Secretaries Limited, the Company's branch share registrar and transfer office in Hong Kong as above.

As at the date of this notice, the executive directors of the Company are Mr. KE Liming, Ms. CHEN Xi, Mr. WAN Chao and Mr. Zhang Qiang; and the independent non-executive directors of the Company are Mr. CHAU Shing Yim, David, Mr. NIE Zhixin, Mr. CHEN Haiquan and Professor SHI Zhuomin.