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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) DISCLOSEABLE TRANSACTION: ACQUISITION OF
EQUITY IN THE TARGET COMPANY;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
UNDER RULE 14A.60 OF THE LISTING RULES**

DISCLOSEABLE TRANSACTION

The Company is pleased to announce that on 7 May 2024, Beijing Ruyi (a controlled structured entity of the Company) entered into the Equity Transfer Agreement with the Vendors, pursuant to which the Vendors have conditionally agreed to sell, and Beijing Ruyi has conditionally agreed to acquire, the Sale Interest equivalent to 100% equity of the Target Company at a Consideration of RMB259 million (subject to adjustments). Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its financial results, assets and liabilities will be consolidated into the accounts of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the transaction under the Equity Transfer Agreement is more than 5% but less than 25%, the transaction under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and therefore shall be subject to the reporting and announcement requirements but exempt from the relevant Shareholders' approval requirement under the Listing Rules.

Shareholders and potential investors should be aware that the transaction under the Equity Transfer Agreement is subject to the fulfillment of a number of conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date:

7 May 2024

Parties:

- (1) Vendor A, as one of the Vendors and owning 94.1047% equity interest of the Target Company;
- (2) Vendor B, as one of the Vendors and owning 5.8953% equity interest of the Target Company; and
- (3) Beijing Ruyi, as the purchaser.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Equity Transfer:

Subject to the Conditions Precedent and relevant terms of the Equity Transfer Agreement, Beijing Ruyi has agreed to acquire and the Vendors have agreed to transfer the Sale Interest (equivalent to 100% of the registered capital of the Target Company). Upon completion of the Equity Transfer, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its financial results, assets and liabilities will be consolidated into the accounts of the Group.

Basis for determination of the Consideration, payment arrangement and adjustments:

The Consideration for the Equity Transfer (subject to appropriate adjustments) shall be calculated as follows:

- (1) The initial consideration is RMB259 million (“**Initial Consideration**”), of which RMB243,731,173 is paid to Vendor A and RMB15,268,827 is paid to Vendor B; and

- (2) The Net Asset as set out in the Pro Forma Completion Accounts (“**Pro Forma Net Asset**”), which shall be paid proportionate to the respective shareholdings of Vendor A and Vendor B on the date of the Equity Transfer Agreement.

The payment arrangements for the Equity Transfer are as follows:

- (1) Beijing Ruyi shall pay 20% of the Initial Consideration (i.e. RMB51.8 million) (the “**Initial Payment**”) to the bank account designated by the Vendors within three Business Days after the date of the Equity Transfer Agreement, of which RMB48,746,235 shall be paid to Vendor A and RMB3,053,765 shall be paid to Vendor B; and
- (2) Beijing Ruyi shall pay (i) the remaining 80% of the Initial Consideration (i.e. RMB207.2 million) (the “**Subsequent Payment**”), of which RMB194,984,938 shall be paid to Vendor A and RMB12,215,062 shall be paid to Vendor B; and (ii) an amount equal to the Pro Forma Net Asset (proportionate to the respective shareholdings of Vendor A and Vendor B on the date of the Equity Transfer Agreement) to the bank account designated by the Vendors on the Completion Date.

Based on the Completion Accounts, the Consideration shall be further adjusted in the following manners:

- (1) By adding to the Consideration the amount (if any) by which the Net Asset determined by reference to the Completion Accounts is more than the Net Asset as set out in the Pro Forma Completion Accounts; and
- (2) By deducting from the Consideration the amount (if any) by which the Net Asset determined by reference to the Completion Accounts is less than the Net Asset as set out in the Pro Forma Completion Accounts.

Within 10 days after agreement or determination (as the case may be) of the Completion Accounts, (i) if the Consideration (as adjusted) is increased, Beijing Ruyi shall pay the amount of such increase to the Vendors (to be paid proportionate to the respective shareholdings of Vendor A and Vendor B on the date of the Equity Transfer Agreement); and (ii) if the Consideration (as adjusted) is reduced, the Vendors shall refund the amount of such reduction to Beijing Ruyi.

According to the Equity Transfer Agreement, each party agrees that the Consideration for the Equity Transfer (as adjusted in accordance with the above terms) shall not in any event exceed RMB350 million.

The Consideration for the Equity Transfer is determined between the parties on normal commercial terms after arm’s length negotiations based on (1) the sales performance and future development prospects of the operating projects of the Target Company, and (2) the market value of the Target Company’s major assets. The Consideration will be funded by the Group’s internal resources.

The Directors of the Company believe that the terms of the Equity Transfer Agreement and the Consideration for the Equity Transfer are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Completion:

The Completion shall take place within ten Business Days (or such other terms as may be agreed between Beijing Ruyi and the Vendors) (the “**Completion Date**”) by the parties subject to the Conditions Precedent as set out in the Equity Transfer Agreement being fulfilled or waived. The Target Company shall submit the documents to the relevant authorities for registration of the Equity Transfer and have them duly accepted by the relevant authorities on or within one Business Day after the Completion Date. The parties shall provide the necessary cooperation to facilitate the registration of the Equity Transfer within 10 Business Days after the Completion Date (or such other date as may be agreed by both parties).

Conditions Precedent:

The Completion of the Equity Transfer is conditional upon, among other things, the following material conditions having been fulfilled or waived (as the case may be):

- (1) there have not been any judgments, rulings, adjudications or prohibitions of laws, courts, arbitration institutions or relevant government authorities in the PRC that substantially restrict, prohibit or cancel the Equity Transfer;
- (2) the general meeting and executive directors of the Target Company have resolved to approve the Equity Transfer pursuant to the Equity Transfer Agreement;
- (3) the Vendors and the Target Company have submitted the transfer application for internal reorganisation to the relevant governmental authorities or completed internal reorganisation (as the case may be) pursuant to the Equity Transfer Agreement;
- (4) the Vendors have completed the settlement of the Target Company’s claims and debts pursuant to the Equity Transfer Agreement; and
- (5) Beijing Ruyi has fulfilled the payment obligation for the Initial Payment pursuant to the Equity Transfer Agreement.

Rescission or Termination:

The parties have agreed that the Equity Transfer Agreement may be rescinded or terminated in the following circumstances:

- (1) after negotiation, the parties jointly terminate the Equity Transfer Agreement and determine the effective time of termination in writing;

- (2) if any government authority promulgates any law or regulation, issues any order, decree or ruling, or takes any other legal action to restrict, prevent or otherwise prohibit the Equity Transfer, or renders the Equity Transfer illegal or impracticable to complete, and such order, decree, ruling or other legal action is final and not subject to application for review, suit or appeal, the Vendors shall have the right to terminate the Equity Transfer Agreement by serving a written notice to Beijing Ruyi;
- (3) in the event that Beijing Ruyi fails to make any payment of the Consideration for the Equity Transfer pursuant to the Equity Transfer Agreement and such payment is overdue for a period of more than 10 Business Days, the Vendors shall have the right to serve a written notice to Beijing Ruyi to terminate the Equity Transfer Agreement. If the Vendors terminate the Equity Transfer Agreement pursuant to this provision due to Beijing Ruyi's failure to duly settle the Subsequent Payment after making the Initial Payment, the Vendors shall have the right to forfeit the full amount of the Initial Payment as termination fee; and
- (4) in the event that the Vendors sell the Sale Interest to a third party before the Completion Date and fail to rectify the situation within 10 Business Days upon notification by Beijing Ruyi, Beijing Ruyi shall have the right to terminate the Equity Transfer Agreement by serving a written notice to the Vendors. The Vendors shall, within seven Business Days from the termination date as stated in such notice, refund to Beijing Ruyi in full any amount received and make a default payment equivalent to 20% of the Initial Consideration to Beijing Ruyi.

INFORMATION ON THE PARTIES

Information about Beijing Ruyi:

Beijing Ruyi is a company incorporated in the PRC with limited liability and principally engaged in the distribution, operation and marketing of game products. As at the date of this announcement, Beijing Ruyi is a controlled structured entity in which the Company has 100% beneficial interest.

Information about Vendor A:

Vendor A is a company incorporated in the PRC with limited liability and principally engaged in the development and distribution of games for users and developers around the world.

Information about Vendor B:

Vendor B is a company incorporated in the PRC with limited liability and principally engaged in science and technology promotion and application service business.

Information about the Target Company:

The Target Company is a limited liability company incorporated in the PRC and principally engaged in information service business. As at the date of this announcement, the Target Company is held as to 94.1047% and 5.8953% by Vendor A and Vendor B, respectively.

The financial information of the Target Company for the financial years ended 31 December 2022 and 31 December 2021, extracted from the unaudited financial statements prepared by the Target Company in accordance with the China Accounting Standards for Business Enterprises, is set out below:

	For the year ended	
	31 December	
	2022	2021
	<i>(RMB)</i>	<i>(RMB)</i>
Profit/(loss) before tax	3,972,344	8,542,013
Profit/(loss) after tax	2,891,382	4,428,828

As at 31 December 2023, the net assets of the Target Company amounted to approximately RMB343,573,088, based on the unaudited financial statements of the Target Company.

Upon completion of the Equity Transfer (including the internal reorganisation of the Target Company pursuant to the Equity Transfer Agreement), it is expected that the Target Company would achieve resource allocation optimisation and costs reduction, thereby contributing to its overall performance. The Company is optimistic about the business prospect, operation efficiency and overall performance of the Target Company upon completion of the Equity Transfer.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target Company's core assets are the research and development assets of the game "Red Alert Online" (《紅警OL》). The intellectual property (IP) of this game project is derived from the "Red Alert", a well-known single-player game IP of Electronic Arts, a United States company with a deep market foundation and an extensive player base. Over the past three years, "Red Alert Online" (《紅警OL》) had demonstrated a stable performance. Taking into account the life cycle of simulation games, the Company believes that the "Red Alert Online" (《紅警OL》) project will continue to generate considerable revenue in the future, and the research and development assets of the game project will also maintain high commercial value, aligning with the Company's acquisition criteria.

For the reasons above, the Directors are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable, and the transaction under the Equity Transfer Agreement is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) for the transaction under the Equity Transfer Agreement is more than 5% but less than 25%, the transaction under the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and therefore shall be subject to the reporting and announcement requirements but exempt from the relevant shareholders' approval requirement under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.60 OF THE LISTING RULES

Prior to the completion of the Equity Transfer, the Target Company has entered into an agreement with the Tencent Subsidiaries (the “**Existing Transactions Agreement**”). The Target Company has been carrying out continuing transactions pursuant to the Existing Transactions Agreement (the “**Target Company’s Existing Transactions**”), in relation to the transactions not yet completed as of the date of this announcement between the Target Company and Tencent Subsidiaries for the exclusive distribution, operation and promotion services of the game “Red Alert Online” (《紅警OL》). Such transactions shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Equity Transfer.

Details of the Existing Transactions Agreement and the transactions thereunder:

The principal terms of the Existing Transactions Agreement are set out below.

Date	:	17 October 2021 (amended and supplemented by the supplemental agreements dated 1 November 2022, 13 December 2022 and 31 May 2023)
Parties	:	(1) The Target Company (2) Tencent Subsidiaries
Term	:	17 October 2021 to 17 October 2025
Matter, consideration and payment	:	Pursuant to the Existing Transactions Agreement, the Tencent Subsidiaries shall act as the exclusive agents in the PRC to provide the Target Company with distribution, operation and promotion services for the game “Red Alert Online” (《紅警OL》). The Target Company shall authorise the Tencent Subsidiaries to act as the exclusive agents in the PRC for the distribution of “Red Alert Online” (《紅警OL》) on platforms operated by Tencent Holdings and other third parties, and the Tencent Subsidiaries will receive revenue directly from the end-users of the game on these platforms. The Tencent Subsidiaries shall pay the Target Company a share of revenue generated from the distribution and operation of “Red Alert Online” (《紅警OL》) on these platforms, and the revenue generated from paid promotions in accordance with the revenue sharing ratio agreed with the Target Company pursuant to the Existing Transactions Agreements. The said revenue share will be settled on a monthly basis.

Implications under the Listing Rules

As at the date of this announcement, Tencent Holdings is a shareholder indirectly holding more than 10% of the shares of the Company. Accordingly, Tencent Holdings and its subsidiaries are connected persons of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.60 of the Listing Rules, the Company shall be subject to the annual review and disclosure requirements (including publication of announcement and annual reporting) under Chapter 14A of the Listing Rules in respect of the Target Company's Existing Transactions. In the event of the renewal of the Existing Transactions Agreement or any amendment to the terms of the agreement governing the Target Company Existing Transactions, the Company shall be subject to all the applicable reporting, announcement and independent Shareholders' approval requirements (if applicable) under Chapter 14A of the Listing Rules.

Shareholders and potential investors should be aware that the transaction under the Equity Transfer Agreement is subject to the fulfillment of a number of conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Beijing Ruyi”	Beijing Ruyi Jingxiu Network Technology Co., Ltd.* (北京儒意景秀網絡科技有限公司)
“Board”	the board of Directors of the Company
“Business Day”	a day on which the banks in the PRC are open for business (excluding Saturdays, Sundays or public holidays in the PRC)
“Company”	China Ruyi Holdings Limited (中國儒意控股有限公司), 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)
“Completion Accounts”	the consolidated statement of financial position of the Target Company at the close of business on the Completion Date, which will be delivered to the Vendor within sixty (60) days after the Completion Date
“Completion Date”	the date of the completion of Equity Transfer set out under the paragraph headed “Equity Transfer Agreement — Completion” of this announcement
“Conditions Precedent”	the conditions precedent set out under the paragraph headed “Equity Transfer Agreement — Conditions Precedent” of this announcement

“Consideration”	the consideration for the Equity Transfer under the Equity Transfer Agreement, being RMB259 million, and the net asset value as set out in the Pro Forma Completion Accounts, as adjusted in accordance with the terms of the Equity Transfer Agreement, provided that the parties agree that the consideration (including the amount to be adjusted in accordance with the terms of the Equity Transfer Agreement) shall not exceed RMB350 million in any event
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the equity transfer transactions under the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between Beijing Ruyi and the Vendors on 7 May 2024 in respect of the Equity Transfer
“Existing Transactions Agreement”	the agreement dated 17 October 2021 entered into between the Target Company and the Tencent Subsidiaries in relation to the existing transactions of the Target Company (as amended and supplemented by the supplemental agreements dated 1 November 2022, 13 December 2022 and 31 May 2023)
“Group”	collectively, the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Initial Consideration”	has the meaning ascribed thereto under the paragraph headed “Equity Transfer Agreement — Basis for determination of the Consideration, payment arrangement and adjustments” in this announcement
“Initial Payment”	has the meaning ascribed thereto under the paragraph headed “Equity Transfer Agreement — Basis for determination of the Consideration, payment arrangement and adjustments”
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Net Asset”	total assets less total liabilities of the Target Company on a consolidation basis as set out in the Pro Forma Completion Accounts or the Completion Accounts, as the case may be, upon the Completion
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Region

“Pro Forma Completion Accounts”	the pro forma consolidated statements of financial position of the Target Company as at 00:00 on the Completion Date, which shall be delivered to Beijing Ruyi on or before the fifth business day prior to the Completion Date
“Pro Forma Net Asset”	has the meaning ascribed thereto under the paragraph headed “Equity Transfer Agreement — Basis for determination of the Consideration, payment arrangement and adjustments” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	100% equity in the Target Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Subsequent Payment”	has the meaning ascribed thereto under the paragraph headed “Equity Transfer Agreement — Basis for determination of the Consideration, payment arrangement and adjustments”
“Target Company”	Beijing C4-Games Technology Co., Ltd.* (北京有愛互娛科技有限 公司)
“Target Company’s Existing Transactions”	the transactions between the Target Company and the Tencent Subsidiaries in relation to the exclusive distribution, operation and channel promotion services of the game “Red Alert Online” (《紅警OL》) which have not been completed as at the date of this announcement
“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main board of the Stock Exchange (stock code: 700)
“Tencent Subsidiaries”	Shenzhen Tencent Computer Systems Company Limited and Shenzhen Tencent Tianyou Technology Company Limited, which are the subsidiaries of Tencent Holdings
“Vendor A”	Beijing Nuverse Information Technology Co., Ltd.* (北京朝夕光年信 息技術有限公司)

“Vendor B” Beijing Youyi Technology Co., Ltd.* (北京游逸科技有限公司)
“Vendors” Vendor A and Vendor B
“%” per cent

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

Hong Kong, 7 May 2024

As at the date of this announcement, the Executive Directors of the Company are Mr. Ke Liming and Mr. Zhang Qiang; the Non-Executive Director of the Company is Mr. Yang Ming; 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.

* *For identification purposes only*