THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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 AND CONNECTED TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY AND THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE; (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 shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 5 to 25 of this circular. A notice convening the special general meeting of the Company (the "**SGM**") to be held at 11:00 a.m. on Wednesday, 26 March 2025 at Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong is set out on pages SGM-1 to SGM-2 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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

7 March 2025

CONTENTS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Jingxiu"	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
"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)
"Comparables"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Basis for determination of the Consideration and payment arrangement" in this circular
"Completion"	the completion of the Equity Transfer pursuant to the terms and conditions of the Equity Transfer Agreement
"Completion Date"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Basis for determination of the Consideration and payment arrangement" in this circular
"Conditions Precedent"	the conditions precedent set out under the section headed "Equity Transfer Agreement — Conditions Precedent" in this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Equity Transfer, totaling RMB825 million
"Consideration Share(s)"	new shares to be allotted and issued by the Company to Tencent Hong Kong or its designated parties
"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 among the Purchasers, the Vendors, the Target Company and the Company on 13 January 2025 in respect of the Equity Transfer, as supplemented from time to time

"Initial Transaction Consideration"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Basis for determination of the Consideration and payment arrangement" in this circular
"Group"	collectively, the Company and its subsidiaries
"Guangxi Tencent"	Guangxi Tencent Venture Capital Co., Ltd.* (廣西騰訊創業投資有限公司)
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board which comprises all the independent non-executive Directors, namely, Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, established to advise the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares)
"Independent Financial Adviser"	Maxa Capital Limited, being appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares)
"Independent Shareholders"	Shareholders other than Water Lily, Mr. Yang Ming and their respective associates
"Latest Practicable Date"	27 February 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"P/B"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Further explanation regarding the P/E multiples of the Comparables" in this circular
"P/E"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Basis for determination of the Consideration and payment arrangement" in this circular

"P/S"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Further explanation regarding the P/E multiples of the Comparables" in this circular
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan Region
"Purchaser(s)"	Beijing Jingxiu and Virtual Cinema Entertainment
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened on 26 March 2025 to approve, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholders' Agreement"	Shareholders' Agreement dated 13 January 2025 to be entered into among the Purchasers, Tencent Digital and the Target Company
"Shareholder(s)"	holder(s) of Share(s) of the Company
"Specific Mandate"	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the SGM to allot and issue the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Beijing Yonghang Technology Company Limited* (北京永航科技有限公司)
"Target Equity"	30% equity interest in the Target Company
"Tencent Digital"	Tencent Digital (Shenzhen) Company Limited* (騰訊數碼(深圳)有限公司)

"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 Hong Kong"	Tencent Mobility Limited
"Third Installment Date"	has the meaning ascribed thereto under the section headed "Equity Transfer Agreement — Basis for determination of the Consideration and payment arrangement" in this circular
"Tibet Yonghang"	Tibet Yonghang Enterprise Management Partnership (Limited Partnership)* (西藏永航企業管理合夥企業(有限合夥))
"Vendor(s)"	Tencent Digital, Tencent Hong Kong, Guangxi Tencent and Tibet Yonghang
"Virtual Cinema Entertainment"	Virtual Cinema Entertainment Limited
"Water Lily"	Water Lily Investment Limited, a Shareholder which held 2,545,734,565 Shares as at the Latest Practicable Date and is indirectly wholly-owned by Tencent Holdings
"%"	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.*

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:	*Registered Office:*
Mr. Ke Liming *(Chairman)*	Clarendon House
Mr. Zhang Qiang	2 Church Street
	Hamilton HM 11
Non-executive Director:	Bermuda
Mr. Yang Ming	
	Head office and principal place of business in Hong Kong:
Independent Non-executive Directors:	
Mr. Chau Shing Yim, David	Room 3701, 37/F
Mr. Nie Zhixin	Lee Garden One
Mr. Chen Haiquan	33 Hysan Avenue
Professor Shi Zhuomin	Causeway Bay
	Hong Kong

7 March 2025

To the Shareholders

Dear Sir or Madam,

(1)DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY AND THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE; (2) NOTICE OF SGM; AND (3) CLOSURE OF REGISTER OF MEMBERS

INTRODUCTION

Reference is made to the announcement of the Company dated 13 January 2025 regarding the discloseable and connected transaction for the acquisition of 30% equity interest in the Target Company and the issue of Consideration Shares under the Specific Mandate.

The purpose of this circular is to provide you with, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to the issue Consideration Shares); (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares); (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares); and (iv) the notice of the SGM.

EQUITY TRANSFER AGREEMENT

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

Date:

13 January 2025 (after trading hours)

Parties:

(1) the Target Company;

(2) Tencent Digital (as one of the Vendors and owner of approximately 80.3026% equity interest of the Target Company);

(3) Tencent Hong Kong (as one of the Vendors and owner of approximately 12.8280% equity interest of the Target Company);

(4) Guangxi Tencent (as one of the Vendors and owner of approximately 6.0000% equity interest of the Target Company);

(5) Tibet Yonghang (as one of the Vendors and owner of approximately 0.8694% equity interest of the Target Company);

(6) Beijing Jingxiu (as one of the Purchasers);

(7) Virtual Cinema Entertainment (as one of the Purchasers); and

(8) the Company (as the guarantor of the Purchasers).

Equity Transfer and Consideration:

The total registered capital of the Target Company as at the Latest Practicable Date was RMB18,668,743. Subject to the Conditions Precedent and relevant terms of the Equity Transfer Agreement, the Purchasers have agreed to acquire, and the Vendors have agreed to transfer the Target Equity. The following table summarized the registered capital of the Target Company and the Target Equity to be transferred by each Vendor and acquired by each Purchaser, as well as the breakdown of respective consideration (including the Consideration Shares to be issued by the Company):

Vendors	Purchasers	Registered capital of the Target Company to be transferred *(RMB)*	Target Equity to be transferred *(approximate)*	Consideration to be received *(RMB)*
Tencent Digital	Beijing Jingxiu	1,923,366	10.3026%	283,321,497
Tencent Hong Kong	Virtual Cinema Entertainment	2,394,833	12.8280%	352,770,980 (among which RMB82,500,000 are settled by the Consideration Shares)
Guangxi Tencent	Beijing Jingxiu	1,120,123	6.0000%	164,999,768
Tibet Yonghang	Beijing Jingxiu	162,301	0.8694%	23,907,755
Total		**5,600,623**	**30.0000%**	**825,000,000**

Basis for determination of the Consideration and payment arrangement:

Pursuant to the Equity Transfer Agreement, the Consideration is RMB825 million in total, including (i) RMB742.5 million in cash, and (ii) the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share. In particular:

(1) within ten (10) business days or other times agreed by parties subject to the Conditions Precedent being fully satisfied or waived in writing (the "**Completion Date**"), Virtual Cinema Entertainment shall pay 20% of the Consideration, i.e. an aggregate amount of RMB165,000,000 (the "**Initial Transaction Consideration**") to the Vendors, of which RMB82,500,000 to Tencent Hong Kong, and RMB82,500,000 settled by the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share;

(2) unless otherwise agreed in the Equity Transfer Agreement, each Purchaser shall, before the first (1st) anniversary of the Completion Date or other date agreed by the parties, pay a lump sum of 40% of the Consideration, i.e. an aggregate amount of RMB330,000,000, to the respective Vendors. In particular, Beijing Jingxiu shall pay RMB141,660,749, RMB82,499,884 and RMB11,953,877 to Tencent Digital, Guangxi Tencent and Tibet Yonghang, respectively, and Virtual Cinema Entertainment shall pay RMB93,885,490 to Tencent Hong Kong; and

(3) unless otherwise agreed in the Equity Transfer Agreement, each Purchaser shall, before the second (2nd) anniversary of the Completion Date or other date agreed by the parties (the "**Third Installment Date**"), pay a lump sum of 40% of the Consideration, i.e. an aggregate amount of RMB330,000,000, to the respective Vendors. In particular, Beijing Jingxiu shall pay RMB141,660,748, RMB82,499,884 and RMB11,953,878 to Tencent Digital, Guangxi Tencent and Tibet Yonghang, respectively, and Virtual Cinema Entertainment shall pay RMB93,885,490 to Tencent Hong Kong.

The Consideration was arrived at after arm's length negotiations between the Purchasers and the Vendors and was determined with reference to (i) the historical financial performance of the Target Company, particularly its stable revenue exceeding RMB1 billion in each year from 2021 to 2023; (ii) the reasons for and benefits of the Equity Transfer, as discussed in the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" below; and (iii) the implied price-to-earnings ("**P/E**") multiple of 5.3 times, calculated based on the implied 100% equity value of the Target Company as deduced from the Consideration for the Equity Transfer and the profit after tax of the Target Company for the year ended 31 December 2023 of approximately RMB519 million, which falls within the range of the P/E multiples and is similar to the median or average P/E multiples of comparable companies (the "**Comparables**") as at 10 January 2025 as set out below. The Consideration (other than the Consideration Shares) will be financed by the internal resources of the Group.

Further explanation regarding the P/E multiples of the Comparables:

The Company believes that, in terms of valuation, the market approach is the most appropriate valuation method for assessing the fair value of the Target Company for the following reasons: (i) it involves fewer subjective assumptions than the income approach as such subjective assumptions are not easily quantifiable or determinable; and (ii) the market approach can better reflect the current market expectations of the relevant industry than the cost approach as under the market approach, the price multiples of the Comparables are derived from market consensus.

The commonly used multiples considered under the market approach include three types: P/E multiple, price-to-book ("**P/B**") multiple, and price-to-sales ("**P/S**") multiple. When a company, like the Target Company, records normal profit levels, P/B and P/S multiples may not effectively measure the company's profitability as these multiples do not account for the operational profitability of the business and fail to reflect the true income-generating capacity and value of the business. Furthermore, the P/B multiple is typically used for the valuation of asset-based businesses or companies but the Target Company as a game development company is a light-asset enterprise with the majority of its asset composition comprising of cash and bank balances and trade and other receivables, collectively accounting for approximately 93.4% of its total assets as at 30 June 2024, while the P/S multiple is usually applied to the valuation of unprofitable companies. The Company believes that the P/E multiple can appropriately reflect the ongoing operations of the Target Company, with earnings being viewed as a primary determinant of a company's value. In light of the above and the fact that the Target Company recorded normal profit levels in the most recent fiscal year, the Company considers the use of the P/E multiple to be fair and reasonable, and in line with market practices.

In selecting suitable Comparables, the Company has adopted the following selection criteria, all of which shall be met:

(i) the shares are listed on the Main Board of the Stock Exchange;

(ii) over 70% of the total revenue in FY2023 derived from the provision of game development and operation in the PRC;

(iii) revenue less than RMB3 billion in FY2023 (thus are comparable to the revenue scale of the Target Company); and

(iv) recorded net profits attributable to owners of the company in FY2023.

The Company has identified and selected 5 Comparables from publicly available sources, which are exhaustive based on the selection criteria disclosed above. The principal business and P/E multiples of the Comparables as at 10 January 2025 are set out in the following table for illustrative purpose only:

	Stock code	Company name	Market capitalisation as at 10 January 2025 (A) *HK$ million*	Revenue in FY2023 *RMB million*	Percentage of revenue derived from provision of game development and operation in the PRC in FY2023	Net profits attributable to owners of the company in FY2023 (B) *RMB million*	Principal business	P/E multiple (C) = (A)/(B)[Note 2]
1.	2660.HK	Zengame Technology Holding Limited	2,601.49	2,059.38	95.3%	725.88	A well-established developer and operator of mobile games in the PRC with a special focus on the card and board, and other casual games	3.25
2.	3798.HK	Homeland Interactive Technology Ltd.	1,796.76	1,779.67	96.2%	436.94	A leading developer and operator of localized mobile card and board games in the PRC with a special focus on localized mahjong and poker games	3.73

	Stock code	Company name	Market capitalisation as at 10 January 2025 (A) *HK$ million*	Revenue in FY2023 *RMB million*	Percentage of revenue derived from provision of game development and operation in the PRC in FY2023	Net profits attributable to owners of the company in FY2023 (B) *RMB million*	Principal business	P/E multiple (C) = (A)/(B)Note 2
3.	2458.HK	Gala Technology Holding Limited	569.94	633.63	100.0%	74.20	An investment holding company principally engaged in the mobile sports game development, publishing and operation in the PRC	6.96
4.	0434.HK	Boyaa Interactive International LimitedNote 1	3,494.10	394.58	100.0%	117.18	An investment holding company principally engaged in the development and operation of online chess and board games	27.02
5.	1022.HK	Feiyu Technology International Company Ltd.	367.38	226.19	90.3%	52.01	An investment holding company, its subsidiaries are principally engaged in operation, development and distribution of webgames and mobile games as well as game-related advertising and licensing services in Mainland China	6.40
						AverageNote 1		**5.08**
						MedianNote 1		**5.06**
						MaximumNote 1		**6.96**
						MinimumNote 1		**3.25**

Source: Wind database (an independent reputable source of reference)

Notes:

1. The market capitalisation of Boyaa Interactive International Limited has increased substantially since November 2024 due to the appreciation in the market value of its held cryptocurrency. As such, it is considered that its P/E multiple may not reflect the market valuation based on its ordinary business and therefore excluded from the calculation.

2. Exchange rate of HK$1 = RMB0.90622 is used as extracted from Wind database, being the medium price of the exchange rate between RMB and HK$ as announced by the People's Bank of China on the last business day in 2023.

The implied P/E multiple of 5.3 times, which is calculated based on the implied 100% equity value of the Target Company of RMB2.75 billion as deduced from the Consideration for 30% equity interest of the Target Company of RMB825 million and the profit after tax of the Target Company for the year ended 31 December 2023 of approximately RMB519 million, falls with the range of P/E multiples and is similar to the median or average P/E multiples of the Comparables as at 10 January 2025 as set out above.

Although the Consideration represents a premium over the Target Company's net asset value, it is considered as fair and reasonable, and in line with market practice, primarily because (i) the Target Company is a game development enterprise and operates as a typical light-asset company. Its core value is primarily reflected in the technical team, R&D capabilities, brand value, user base, and market resource, which play a decisive role in the Target Company's long-term development but may not be reflected in its financial positions; and (ii) as discussed in the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" below, the Target Company's core game products have high market recognition and strong financial performance. Its R&D team has demonstrated the ability to continuously launch popular games. Valuation in the gaming industry typically focuses more on future earnings and market potential rather than mere book assets. Given this, the Company maintains a positive outlook on the Target Company's future financial performance.

Having considered the aforesaid factors, the Board (including the independent non-executive Directors 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) considered that taking reference to the P/E multiples of the Comparables is fair and reasonable for the purpose of the determination of the Consideration.

Consideration Shares:

The Company has a total of 15,483,441,619 issued Shares as at the Latest Practicable Date. 36,666,667 Consideration Shares represent approximately 0.2368% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.2363% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there is no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares). The price of HK$2.432 per Consideration Share was determined on an arm's length basis between the Company and the Vendors and was arrived with reference to the average closing price per Share of HK$2.432 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Equity Transfer Agreement. Taking into account the medium prices of the exchange rate between RMB and HK$ as announced by the People's Bank of China as at the date of the Equity Transfer Agreement (i.e., HK$1 = RMB0.92308), the Company and the Vendors agreed to adopt the approximately equivalent RMB amount of RMB2.25 per Consideration Share to determine the number of the Consideration Shares.

The aggregate nominal value of the Consideration Shares is approximately HK$733,333.34. If, during any period between the execution date of the Equity Transfer Agreement and the allotment and issue of the Consideration Shares, the Company consolidates, subdivides or otherwise adjusts its ordinary share capital, the number and/or the issue price of the Consideration Shares will be adjusted in accordance with the amount (if any) determined by the Company on its absolute discretion. The Consideration Shares, upon the completion of the allotment and issue, will rank *pari passu* in all respects with the existing Shares in issue of the Company.

The primary reason for issuing Consideration Shares to settle a portion of the Consideration is that Virtual Cinema Entertainment, as an offshore company, currently has limited budget. Therefore, a combination of cash payment and the issuance of Consideration Shares allows the Group to complete the Equity Transfer in an efficient manner.

The Directors (including the independent non-executive Directors 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) consider that the issue price of the Consideration Shares is fair and reasonable.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions Precedent:

The payment of the Initial Transaction Consideration by Virtual Cinema Entertainment to the Vendors in accordance with related terms of the Equity Transfer Agreement shall be subject to all of the following conditions being fully satisfied or waived by the Purchasers in writing:

(1) the Equity Transfer and the new articles of association of the Target Company have been approved by the way of resolution at the shareholders' meeting of the Target Company, and the Vendors have agreed to waive the pre-emptive right of the Equity Transfer in writing;

(2) the Equity Transfer has been approved by the Purchasers, the Company has obtained the Independent Shareholders' approval in relation to the transactions contemplated under the Equity Transfer Agreement (including the issue of the Consideration Shares under the Specific Mandate) in accordance with the requirements of the Listing Rules, and the Purchasers are satisfied with the results of the due diligence on the Target Company on a reasonable basis;

(3) the approval for the listing of, and permission to deal in, the Consideration Shares by the Listing Committee of the Stock Exchange has been obtained by the Company, and such approval has not been revoked or withdrawn prior to the Completion Date;

(4) the Target Company has signed the non-disclosure agreements with key persons as set out in the Equity Transfer Agreement;

(5) the related parties have signed the Equity Transfer Agreement, Shareholders' Agreement and the new articles of association of the Target Company;

(6) the representations and warranties under the related terms of the Equity Transfer Agreement made by the Vendors and the Target Company, respectively, are (and shall remain) true, accurate and complete in all material respects on the date of the execution of the Equity Transfer Agreement and the Completion Date;

(7) the undertakings and obligations that shall be complied and fulfilled by the Vendors before and including the Completion Date as required under the Equity Transfer Agreement have been complied and fulfilled, and the Vendors have not breached the Equity Transfer Agreement; and

(8) during the period from the date of signing of the Equity Transfer Agreement to the Completion Date, within the knowledge of the Vendors as shareholders of the Target Company, there are no occurrence of any event or circumstance which should or may have a material adverse effect on the legal existence, operating permit, business operation, financial position or other material aspects of the Target Company.

Except for the aforementioned conditions (6), (7) and (8), other conditions can not be waived by the Purchasers. As at the Latest Practicable Date, the aforementioned conditions (1) and (4) have been fulfilled and none of the conditions have been waived.

The transfer of the Target Equity by each of the Vendors to the Purchasers in accordance with the Equity Transfer Agreement shall be subject to all of the following conditions being fully satisfied or waived by such Vendors in writing:

(1) the Company has completed all necessary pre-requisite procedures for the allotment and issue of the Consideration Shares (including obtaining approval from the Independent Shareholders and approval for the listing of, and permission to deal in, the Consideration Shares by the Listing Committee of the Stock Exchange) and undertakes to complete the payment of the Consideration Shares on the Completion Date;

(2) all representations and warranties given by the Purchasers under the relevant terms of the Equity Transfer Agreement are (and shall remain) true, accurate and complete as at the date of signing of the Equity Transfer Agreement and the Completion Date;

(3) the undertakings and obligations that shall be complied and fulfilled by the Purchasers before and including the Completion Date as required under the Equity Transfer Agreement have been complied and fulfilled, and the Purchasers have not breached the Equity Transfer Agreement;

(4) all representations and warranties given by the Company under the relevant terms of the Equity Transfer Agreement are (and shall remain) true, accurate, complete and valid as at the date of signing of the Equity Transfer Agreement and the Completion Date, and the Company has not breached the Equity Transfer Agreement; and

(5) there are no events or circumstances which may have a material adverse effect on the performance of the obligations under the Equity Transfer Agreement by the Purchasers.

Except for the aforementioned condition (1), other conditions can be waived by the Vendors. As at the Latest Practicable Date, none of the aforementioned conditions have been fulfilled and none of the conditions have been waived.

Guarantee:

The Company has irrevocably agreed to provide irrevocable guarantee with joint liability to each Vendor for the performance of all payment obligations of each Purchaser under the Equity Transfer Agreement.

Completion:

Upon completion of the Equity Transfer, Tencent Digital, Beijing Jingxiu and Virtual Cinema Entertainment will hold 70%, approximately 17.1720% and approximately 12.8280% equity interest of the Target Company respectively. Therefore, the Target Company will become an associate of the Company, and its results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company after completion of the Equity Transfer.

Termination:

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

(1) after negotiation, the parties may jointly terminate the Equity Transfer Agreement;

(2) in the event that the Purchasers fail to make any payment of the Consideration in accordance with the relevant terms of the Equity Transfer Agreement and such payment is overdue for a period of fifteen (15) natural days, the Vendors shall have the right to serve a written notice to the other parties to terminate the Equity Transfer in whole or in part, and the Purchasers shall return the corresponding Target Equity to the Vendors in accordance with the relevant terms of the Equity Transfer Agreement, including, but not limited to, taking all the necessary actions to cooperate in handling the change of registration with the competent authorities, and the Vendors shall have the right to claim against the Purchasers for all losses suffered by them as a result;

(3) in the event that before the Third Installment Date, the defaulting party fails to perform its obligations under the Equity Transfer Agreement within thirty (30) days after the non-defaulting party has given a written notice, the non-defaulting party shall have the right to terminate the Equity Transfer Agreement in advance after serving a written notice to the other parties, unless otherwise agreed in the relevant terms of the Equity Transfer Agreement, and the defaulting party shall compensate the non-defaulting parties for all losses caused by its breach of the Equity Transfer Agreement. Specifically, if any Purchaser fails to pay the Consideration in full and on time as stipulated in the Equity Transfer Agreement, and remains non-compliant within five (5) days after being duly notified by the relevant Vendor(s), the relevant Purchaser(s) shall bear a daily penalty of 0.05% of the unpaid Consideration;

(4) in the event that for reasons other than those attributable to the Purchasers, the Conditions Precedent are not satisfied within one hundred and twenty (120) days from the date of signing of the Equity Transfer Agreement and a written waiver from the Purchasers is not obtained, the Purchasers shall have the right to terminate the Equity Transfer Agreement in advance after serving a written notice to the other parties; and in the event that for reasons other than those attributable to the Vendors, the Conditions Precedent are not satisfied within one hundred and twenty (120) days from the date of

signing of the Equity Transfer Agreement and a written waiver from the Purchasers is not obtained, the Vendors shall have the right to terminate the Equity Transfer Agreement in advance after serving a written notice to the other parties;

(5) other circumstances stipulated by laws and regulations.

SHAREHOLDERS' AGREEMENT

On the same date, the Purchasers, Tencent Digital and the Target Company entered into the Shareholders' Agreement in relation to, among other things, the management of the Target Company and the relationship among the shareholders of the Target Company. The principal terms of the Shareholders Agreement are set out as follows:

Composition of the board of directors:

The board of directors of the Target Company shall consist of four (4) directors. In the event that the Purchasers in aggregate hold not less than 10% of the equity interest in the Target Company, the Purchasers in aggregate shall have the right to appoint one director. The candidate to be appointed by the Purchasers as the director of the Target Company has not yet been determined at current stage. The remaining directors shall be appointed by Tencent Digital. The chairperson and legal representative of the Target Company shall be a director appointed by Tencent Digital.

Most favoured nation treatment:

Tencent Digital and the Target Company agree that if under any document entered into prior to the Shareholders' Agreement, Tencent Digital enjoys any rights which are more favourable than those enjoyed by the Purchasers under the Shareholders' Agreement, Equity Transfer Agreement and other documents related to the Equity Transfer, the Purchasers shall automatically enjoy such same rights.

Transfer restrictions:

Under no circumstances shall other shareholders of the Target Company directly or indirectly transfer their equity interest in the Target Company to any third party in any way without the consent of Tencent Digital, but the transfers to its related parties shall not be restricted.

Right of first refusal:

Subject to the relevant provisions of the Shareholders' Agreement, if any shareholder of the Target Company transfers its equity interest in the Target Company to any entity, other shareholders of the Target Company shall enjoy the right of first refusal towards such equity interest under the same conditions.

Right of co-sale:

If Tencent Digital intends to transfer its equity interest in the Target Company to the transferee and the Purchasers fail to exercise its right of first refusal, the Purchasers shall have the right (but not the obligation) to sell its equity interest in the Target Company together with Tencent Digital to the transferee on a proportional basis under the same terms and conditions.

Tencent Digital shall procure the transferee to accept the equity interest to be jointly sold by the Purchasers, otherwise Tencent Digital shall not transfer the equity interest in the Target Company.

Pre-emptive rights:

If the Target Company increases its registered capital or issues new shares in the future, each shareholder of the Target Company shall have the right (but not the obligation) to subscribe for the newly increased registered capital or newly issued equity interest of the Target Company based on their respective shareholding ratio in the Target Company.

Anti-dilution rights:

Prior to the initial public offering of the Target Company, if the Target Company proposes to introduce new shareholders by increasing its registered capital, and the unit price of registered capital for the proposed increased registered capital is lower than the unit price of registered capital as agreed in the Equity Transfer Agreement, the Purchasers are entitled to an adjustment to the purchase price for the equity interest in the Target Company already held by it by applying the weighted average method as agreed in the Shareholders' Agreement to redetermine the number of equity interest in the Target Company held by the Purchasers. The Purchasers are entitled to, at their election, a compensation from the Target Company or Tencent Digital in the manner as agreed in Shareholders' Agreement. Specifically, the Purchasers have the right to choose to either (i) require the Target Company to issue additional registered capital to the Purchasers at the lowest price permitted by laws, or to increase the registered capital by transferring surplus reserves or capital reserves of the Target Company, or (ii) have Tencent Digital transfer its equity interest in the Target Company to the Purchasers at the lowest price permitted by laws, so that after such adjustment, the equity interest held by the Purchasers in the Target Company equals to the quotient obtained by dividing the Consideration made by the Purchasers under the Equity Transfer Agreement by the adjusted unit price of registered capital held by the Purchasers in the Target Company.

The Target Company does not have a concrete plan for an initial public offering as at the Latest Practicable Date.

The Equity Transfer Agreement and the Shareholders' Agreement do not provide for any profit guarantee arrangement, or any option or similar right under which the Purchasers and/or the Group would be entitled to sell the Target Equity back to the Vendors.

INFORMATION ON THE PARTIES

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 content production, online streaming and advertising services, online gaming services and manufacturing and sales of accessories.

Beijing Jingxiu:

Beijing Jingxiu (formerly known as Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司)) is a company established under the laws of the PRC and a subsidiary of the Company. Its principal business activities are online game operations and services. As at the Latest Practicable Date, Beijing Jingxiu is a controlled structured entity in which the Company has 100% beneficial interest.

Virtual Cinema Entertainment:

Virtual Cinema Entertainment is a company established in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Tencent Digital:

Tencent Digital is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in software development.

Tencent Hong Kong:

Tencent Hong Kong is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Tencent Holdings. Its primary businesses are development and operation of online entertainment services, provision of advertising services and investment holding.

Guangxi Tencent:

Guangxi Tencent is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in investment holding.

Tibet Yonghang:

Tibet Yonghang is a limited partnership established in the PRC and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in software development.

Target Company:

The Target Company is a company incorporated in the PRC with limited liability and principally engaged in game development and related businesses. The core assets of the Target Company include the R&D assets of games in the PRC such as "QQ Dance" (《QQ炫舞》), "QQ Dance II" (《QQ炫舞2》) and "QQ Dance Mobile" (《QQ炫舞手遊》). QQ Dance series are national classic game IPs with a history of over fifteen years in the PRC, with music and dance as the core, providing a rich variety of dance modes, a massive pop music library and a powerful social system. Players can make friends, interact with each other, and show their personality in the game. Hundreds of millions of registered users have been accumulated in "QQ Dance", "QQ Dance II" and "QQ Dance Mobile", which make them take a leading position in domestic music and dance games in the PRC. According to Sensor Tower, a mobile app data analytics platform and an independent source, (《QQ炫舞》), "QQ Dance II" (《QQ炫舞2》) and "QQ Dance Mobile" (《QQ炫舞手遊》) collectively accounted for approximately 70.5% of the market share in the mobile music game category in the PRC for the year ended 31 December 2024.

As at the Latest Practicable Date, the Target Company is held as to approximately 80.3026% by Tencent Digital, approximately 12.8280% by Tencent Hong Kong, approximately 6.0000% by Guangxi Tencent and approximately 0.8694% by Tibet Yonghang, respectively.

The financial information of the Target Company for the three financial years ended 31 December 2023, which is extracted from the financial statements prepared by the Target Company in accordance with the China Accounting Standards for Business Enterprises, is set out below:

	For the nine months ended 30 September	**For the year ended 31 December**		
	2024	**2023**	**2022**	**2021**
	(unaudited)	(audited)	(audited)	(audited)
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*
Revenue	824,946,680.02	1,170,896,390.55	1,088,303,208.84	1,189,503,687.40
Profit before tax	479,207,790.17	549,525,800.35	59,639,327.57	731,273,021.15
Profit after tax	418,567,481.55	519,390,080.55	65,756,778.58	650,731,669.36

Note: The profit margin of the Target Company decreased from 54.71% in 2021 to 6.04% in 2022, primarily due to a one-off loss of approximately RMB320 million incurred from the disposal of a wholly-owned subsidiary, as well as increased staff remuneration costs resulting from the expansion of the R&D team for a new game project. The profit margin rebounded to 44.36% in 2023, mainly attributable to the disbanding of the R&D team for a game project. For the nine months ended 30 September 2024, the profit margin of the Target Company further increased to 50.74% through its improved operations.

As at 31 December 2023, the total assets and net assets of the Target Company amounted to RMB1,844,012,653.54 and RMB1,563,648,154.57, respectively, based on the audited financial statements of the Target Company. As at 30 September 2024, the total assets and net assets of the Target Company amounted to RMB2,144,264,003.85 and RMB1,982,215,636.12, respectively, based on the unaudited financial statements of the Target Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group has vigorously developed its game business in recent years and achieved exciting results. It has successively and successfully launched six games, namely "Troubled Times: Chase for Hegemony" (《亂世逐鹿》), "Chuanqi Tianxia" (《傳奇天下》), "Ragnarok Origin" (《仙境傳說：愛如初見》), "Civilization Mobile" (《世界啟元》), "To the Top" (《排球少年》) and "Red Alert Online" (《紅警OL》), fully demonstrating its strong IP resource reserve and strategic operation capabilities. At the same time, more than ten games are planned to be launched into the market successively this year and next year, underscoring a rich project reserve. Looking ahead, the Group hopes to obtain more attractive IPs and games through investment and business expansion, with the ultimate goal of constructing a diversified product matrix.

The Target Company has demonstrated excellent performance in the past. It successfully created the national classic game IP, "QQ Dance" (《QQ炫舞》), which has accumulated hundreds of millions of registered users, boasting a vast player base and strong influence. Following the completion of the Equity Transfer, the Target Company will continue to develop its existing games and, based on "QQ Dance" (《QQ炫舞》) IP, promote the research and development, as well as iterative computing of new games. Except for the existing launched games, as at the Latest Practicable Date, the Target Company had one additional game in the development stage. Particularly, the Target Company plans to focus on: (i) innovating and upgrading music and dance gameplay mechanics and social gameplay mechanics to enhance the appeal and trendiness of existing products, thereby achieving sustainable user growth and revenue; (ii) developing the next generation of products by actively exploring the realms of live performances and user-generated content (UGC), with the aim of establishing a top-tier content creation capability that further expands its reach among younger audiences; and (iii) expanding the overseas market for music and dance games to increase the its international market share.

The completion of the transactions contemplated under the Equity Transfer Agreement will supplement the Group's strategic operation experience in the gaming sector, thereby assisting the Group in continuously deepening its gaming business, and further enhancing the overall competitiveness and market influence of the Group's gaming business. After the completion of the Equity Transfer, both the majority and minority shareholders will become more actively involved in the corporate governance and business operation of the Target Company, utilizing their respective resources to support its development and expansion. As the majority shareholder, Tencent Digital is expected to play a more dominant role in shaping the future product strategy of the Target Company, contributing technological and market resources. The Group will fully leverage its resource advantages in the film and television field, by utilizing its rich star resources and theater-chain resources to facilitate game promotion. The game distribution of the Target Company will continue to be carried out by the distributor it has previously partnered with. At the same time, as a leading domestic film and television production company with a full-industrial-chain layout, the Group will jointly explore the film-game model with the Target Company, striving to build "QQ Dance" (《QQ炫舞》) into a globally renowned comprehensive entertainment IP, in a bid to maximize the IP value, and drive innovative breakthroughs and growth of the business.

Acquiring a minority stake in the Target Company represents a flexible and strategically significant investment approach for the Group. After the Equity Transfer, the Group and Tencent Digital can leverage their respective resource advantages to support the Target Company. This not only strengthens the cooperative relationship among the Group, Tencent Digital and the Target Company but also lays a solid foundation for future collaboration. Moreover, despite holding a minority position, the Group can still achieve financial returns through long-term equity ownership in the Target Company.

The current deal structure of the Equity Transfer is for the purposes of achieving the business objectives and while minimizing potential conflicts with relevant laws and regulations in the following respects:

(i) Purchasers involved in the Equity Transfer and the deal structure have been carefully selected after thorough consideration by the Company and Tencent Holdings. It has been requested by Tencent Holdings that the 12.828% equity interest in the Target Company held by its overseas subsidiary (i.e., Tencent Hong Kong) be transferred to an offshore subsidiary of the Company to streamline and expedite payment procedures. The Company and Tencent Holdings collectively decided that Virtual Cinema Entertainment, as the Purchaser, is best suited to acquire such interests. Through the Equity Transfer, Tencent Holdings aims to partner with an experienced brand in the gaming industry, thus it is requested that the 17.172% equity interest in the Target Company held by its several PRC subsidiaries be transferred to Beijing Jingxiu because Beijing Jingxiu has extensive experience and strong reputation in the gaming industry. In particular, Beijing Jingxiu has a proven track record in game development, having achieved remarkable success in this field; and it has extensive and deep relationships with the Mobile Hardcore Alliance ("**MHA**"), and is able to secure core resources from MHA, which could provide high-visibility placement for games in mobile applications platforms on various smartphones to significantly increase the game's exposure and download rates, thereby laying a solid foundation for the successful distribution of games. Beijing Jingxiu is involved in the distribution, operation, and marketing of game products, contributing to the Group's gaming business. Beijing Jingxiu holds the necessary permits and licenses required to operate content production and online streaming businesses, which are subject to foreign investment restrictions under PRC laws. Following the Equity Transfer, Beijing Jingxiu, as a shareholder of the Target Company, will be able to fully leverage its valuable resources of such streaming restricted business to collaborate with the Target Company's game development business.

(ii) The Company has consulted the PRC legal advisers which confirmed that (a) the Target Company, engaging in game development, is not subject to foreign investment restrictions under PRC laws; and (b) under such situation, the existing deal structure using contractual arrangements, does not violate applicable PRC laws and regulations. While the existing deal structure using contractual arrangements does not satisfying the "narrowly tailored" requirement under the guidance letter HKEX-GL77-14, the Company believes that acquiring the minority equity interest in the Target Company partially through Beijing Jingxiu, a structured entity controlled by the Company via existing contractual arrangements, will not have any material adverse impact or pose any significant risks to the Group's management and operations because the non-restricted business of the Target Company is immaterial. The revenue and profit before tax attributable to the equity interest in the Target Company to be held by Beijing Jingxiu upon the Equity Transfer accounted for approximately 5.54% and 9.67% of the Group for the year ended 31 December 2023, respectively, and the total assets attributable to the equity interest in the Target Company to be held by Beijing Jingxiu upon the Equity Transfer accounted for approximately 1.87% of the Group as at 30 June 2024. If the scale of Target Company subsequently grows to a material size, the Company will transfer the equity interest held by Beijing Jingxiu in the Target Company to a subsidiary of the Company to minimize the relevant risks (if any). In addition, the Company has implemented robust internal control measures to effectively manage and safeguard the assets of the controlled entities and to ensure the proper functioning of the contractual arrangements: (a) the relevant structured contracts of the Group provide that, without the prior written consent of Shanghai Muzhou Internet Technology Ltd.* (the "**WFOE**", 上海沐洲網絡科技有限公司, a wholly owned subsidiary of the Company), the relevant PRC registered shareholder(s) of the operating companies (the "**OPCOs**") and the ultimate beneficial owner(s) to each of the OPCOs shall not or shall not procure to at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the OPCOs, or allow any encumbrance thereon of any security interest (other than pursuant to the relevant equity pledge agreements); (b) under the relevant management and operation agreements entered into by, among others, the WFOE and OPCOs, each of the OPCOs will appoint its directors and senior management as recommended by the WFOE; and (c) the WFOE shall regularly and at any time review the books and records of each of the OPCOs.

The Directors (including the independent non-executive Directors 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), are of the view that the terms of the Equity Transfer Agreement are determined after arm's length negotiation on normal commercial terms, the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after the allotment and issue of the Consideration Shares under the Equity Transfer Agreement (assuming there is no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares):

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	*Approximate percentage*	*Number of Shares*	*Approximate percentage*
Directors (note 1)				
Mr. Ke Liming *(note 2)*	2,627,381,250	16.97%	2,627,381,250	16.93%
Mr. Yang Ming *(note 3)*	1,080,000	0.01%	1,080,000	0.01%
Substantial Shareholders (other than Mr. Ke Liming)				
Water Lily *(note 4)*	2,545,734,565	16.44%	2,545,734,565	16.40%
Tencent Hong Kong or its designated parties *(note 5)*	—	—	36,666,667	0.24%
Sub-total of non-public Shareholders	5,174,195,815	33.42%	5,210,862,482	33.57%
Public Shareholders	10,309,245,804	66.58%	10,309,245,804	66.43%
Total number of issued Shares	15,483,441,619	100.00%	15,520,108,286	100.00%

Notes:

1. As at the Latest Practicable Date, Mr. Zhang Qiang, an executive Director, was interested in 10,000,000 Shares (within the meaning of Part XV of the SFO), being the underlying shares of the share options granted pursuant to the share option scheme of the Company. For the purpose of this circular, the above table does not include any underlying shares to be issued under any share options granted to the Directors.

2. As at the Latest Practicable Date, 2,627,381,250 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board, through Pumpkin Films Limited, a company wholly-owned by him.

3. As at the Latest Practicable Date, Mr. Yang Ming, a non-executive Director, was directly interested in 1,080,000 Shares.

4. Water Lily is a wholly-owned subsidiary of Tencent Holdings.

5. In accordance with the Equity Transfer Agreement, RMB82,500,000 of the Consideration will be settled by the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share.

6. Certain figures included in the table above have been rounded to the nearest integer or two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Equity Transfer Agreement exceed 5% but are less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company and shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Target Company and the Vendors are all subsidiaries of and controlled by Tencent Holdings, which is a substantial shareholder indirectly holding more than 10% of the Shares of the Company, and thus they are connected persons of the Company. Therefore, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed 5% and the Consideration is over HK$10,000,000, the Equity Transfer Agreement is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Directors (including the independent non-executive Directors 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) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and are beneficial to the business development of the Group. Mr. Yang Ming, a non-executive director of the Company, currently serves as the legal representative and chairman of the Target Company. He has abstained from voting on the board resolution considering and approving the transactions contemplated under the Equity Transfer Agreement (including the grant of the Specific Mandate to issue the Consideration Shares). Save as mentioned above, to the best 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 transactions contemplated under the Equity Transfer Agreement (including the grant of the Specific Mandate to issue the Consideration Shares) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A notice convening the SGM to be held at 11:00 a.m. on Wednesday, 26 March 2025 at Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular.

Water Lily is a Shareholder and is a company indirectly wholly-owned by Tencent Holdings. Mr. Yang Ming, a non-executive director of the Company, currently serves as the legal representative and chairman of the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder, other than Water Lily, Mr. Yang Ming and their respective associates, has a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares) which is different from other Shareholders. Therefore, Water Lily, Mr. Yang Ming and their respective associates will abstain from voting at the SGM. As at the Latest Practicable Date, Water Lily held 2,545,734,565 Shares, which represent approximately 16.44% of the issued Shares; and Mr. Yang Ming held 1,080,000 Shares, which represent approximately 0.01% of the issued Shares. To the best of the Directors' knowledge, information and belief, other than Water Lily and Mr. Yang Ming, no Shareholder is required to abstain from voting at the SGM.

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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM 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 in relation to the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares); and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares).

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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares) are fair and reasonable, and on normal commercial terms, although not in the ordinary and usual course of business of the Group, 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 Monday, 24 March 2025 to Wednesday, 26 March 2025 (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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 March 2025.

ADDITIONAL INFORMATION

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

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.

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

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

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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares) 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)

7 March 2025

To the Independent Shareholders

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF 30% EQUITY INTEREST IN
THE TARGET COMPANY AND THE ISSUE OF CONSIDERATION
SHARES UNDER THE SPECIFIC MANDATE**

Dear Sir or Madam,

We refer to the circular issued by the Company to its Shareholders dated 7 March 2025 (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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares) 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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares). 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 25 of the Circular and a letter of advice from Maxa Capital Limited, as set out on pages 28 to 56 of the Circular, both of which provide details and the basis for the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares).

Having considered the basis for the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares), the advice and recommendation from Maxa Capital Limited and the relevant information contained in the letter from the Board, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, although not entered into in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favor of the resolution to be proposed at the SGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares).

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Chau Shing Yim, David	**Mr. Nie Zhixin**	**Mr. Chen Haiquan**	**Professor Shi Zhuomin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares), which has been prepared for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

7 March 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY; AND THE ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares), 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 7 March 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 13 January 2025 (after trading hours), the Purchasers (each a subsidiary of the Company), the Vendors, the Target Company and the Company (as the guarantor of the Purchasers) entered into the Equity Transfer Agreement, pursuant to which the Purchasers have conditionally agreed to acquire, and the Vendors have conditionally agreed to transfer, the Target Equity (representing a total of 30% equity interest of the Target Company and corresponding to RMB5,600,623 out of the Target Company's registered capital), at a total consideration of RMB825 million, including (i) RMB742.5 million in cash, and (ii) the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share. Upon completion of the Equity Transfer, Tencent Digital, Beijing Jingxiu and Virtual Cinema Entertainment will hold 70%, approximately 17.1720% and approximately 12.8280% equity interest of the Target Company respectively.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the transactions contemplated under the Equity Transfer Agreement exceed 5% but are less than 25%, the Equity Transfer constitutes a discloseable transaction of the Company and shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Target Company and the Vendors are all subsidiaries of and controlled by Tencent Holdings, which is a substantial shareholder indirectly holding more than 10% of the Shares of the Company, and thus they are connected persons of the Company. Therefore, the Equity Transfer Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceed 5% and the Consideration is over HK$10,000,000, the Equity Transfer Agreement is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Water Lily is a Shareholder and is a company indirectly wholly-owned by Tencent Holdings. Mr. Yang Ming, a non-executive director of the Company, currently serves as the legal representative and chairman of the Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder, other than Water Lily, Mr. Yang Ming and their respective associates, has a material interest in the Equity Transfer which is different from other Shareholders. Therefore, Water Lily, Mr. Yang Ming and their respective associates will abstain from voting at the SGM. As at the Latest Practicable Date, Water Lily and its associate(s) held 2,545,734,565 Shares, which represented approximately 16.44% of the issued Shares; and Mr. Yang Ming held 1,080,000 Shares, which represent approximately 0.01% of the issued Shares. To the best of the Directors' knowledge, information and belief, other than Water Lily and Mr. Yang Ming, no Shareholder is required to abstain from voting at the SGM.

INDEPENDENT BOARD COMMITTEE

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 in respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares). 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 respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares). In the past two years, we were appointed by the Company as the independent financial adviser in respect of (i) the revision of annual cap in respect of the total amount receivable by Beijing Jingxiu from Tencent Representative Companies (as defined below) for the two years ended 31 December 2024 and the year ending 31 December 2025; (ii) the issue of new shares to Water Lily under specific mandate and the refreshment of general mandate; and (iii) the continuing connected transactions in respect of the cooperation of Beijing Jingxiu and the subsidiaries of Tencent Holdings in the field of gaming, details of which were set out in the circulars of the Company dated 29 November 2024, 4 December 2023, 30 August 2023 and 12 June 2023, respectively. The aforesaid previous appointments were limited to providing one-off independent advisory service, for which we received normal professional fees. Accordingly, we do not consider previous appointments give rise to any conflict for us in acting as the Independent Financial Adviser in respect of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares). 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 Equity Transfer Agreement; (ii) the annual report of the Company for the year ended 31 December 2022 (the "**2022 AR**"); (iii) the annual report of the Company for the year ended 31 December 2023 (the "**2023 AR**"); and (iv) the interim report of the Company for the six months ended 30 June 2024 (the "**2024 IR**"). 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.

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 Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares), we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and the Purchasers

The Company is an investment holding company. The Group is principally engaged in content production, online streaming and advertising services, online gaming services and manufacturing and sales of accessories.

Beijing Jingxiu (formerly known as Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司)) is a company established under the laws of the PRC and a subsidiary of the Company. It is principally engaged in the online game operations and services. As at the Latest Practicable Date, Beijing Jingxiu is a controlled entity in which the Company has 100% beneficial interest.

Virtual Cinema Entertainment is a company established in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2022 ("**FY2022**") and 31 December 2023 ("**FY2023**"), and for the six months ended 30 June 2023 ("**1H2023**") and 30 June 2024 ("**1H2024**") as extracted from the 2022 AR, 2023 AR and 2024 IR:

	For the year ended 31 December		**For the six months ended 30 June**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	**1,319,928**	**3,627,247**	**804,056**	**1,839,559**
— Content production business	105,641	2,227,108	646,372	48,081
— Online streaming and online gaming businesses	1,163,522	1,377,163	139,100	1,773,099
— Other businesses	50,765	30,976	18,584	18,379
— Inter-segment elimination	—	(8,000)	—	—
Gross profit/(loss)	**261,615**	**1,160,983**	**(345,302)**	**1,264,092**
Profit/(Loss) for the year/period	**787,552**	**682,540**	**(263,651)**	**(122,658)**

FY2023 vs FY2022

As illustrated in the table above, the Group's revenue amounted to approximately RMB3,627.2 million for FY2023, representing an increase of approximately 174.8% as compared to approximately RMB1,319.9 million for FY2022. The increase in the Group's revenue was mainly due to (i) the increase in revenue derived from the content production business by approximately RMB2,121.5 million to approximately RMB2,227.1 million for FY2023 as the Company took responsive measures during the outbreak of the pandemic and the film and television industry witnessed a gradual recovery; and (ii) the increase in revenue derived from the online streaming and online gaming businesses by approximately RMB213.6 million to approximately RMB1,377.2 million for FY2023, which was mainly attributable to the increase in revenue generated from online gaming services. During FY2023, the number of films which the Group participated in production and distribution significantly increased year-on-year, with a cumulative box office of approximately RMB7.6 billion. Films in which the Group served as the main producer, including "Five Hundred Miles" (《交換人生》), "Post-Truth" (《保你平安》) and "One and Only" (《熱烈》), earned good reputation from the audience. The films in which the Group served as the co-producer, including "Lost in the Stars" (《消失的她》) and "Johnny Keep Walking" (《年會不能停》), also achieved remarkable results in terms of box office. The television dramas "Love is Full of Jiudaowan" (《情滿九道彎》) and "Fireworks of My Heart" (《我的人間煙火》) produced by the Company also brought good reputation and ratings to the Company. During FY2023, the Company established excellent product development and distribution teams, and conducted in-depth analysis of the development of its launched games and future operations. The Company will continue to explore joint distribution and development of more top-notch intellectual properties ("**IP(s)**"). As such, the Group will develop its existing game fields with huge potential, covering Simulation Game (SLG), Massively Multiplayer Online Role-playing Game (MMORPG), Card Game and other categories.

The Group recorded net profit of approximately RMB682.5 million for FY2023, which decreased by approximately 13.3% as compared to the net profit of approximately RMB787.6 million for FY2022. The decrease in the Group's net profit for FY2023 as compared to FY2022 was mainly due to the combined effects of (i) increase in gross profit by approximately RMB899.4 million benefited from the substantial increase in the revenue generated from the content production business and the online streaming and online gaming businesses; (ii) decrease in other net gains by approximately RMB791.8 million as the Group recognised fair value loss of approximately RMB124.4 million in contingent consideration payable in relation to acquisition of Virtual Cinema Entertainment Limited (the "**Virtual Cinema Acquisition**") for FY2023 whereas a fair value gain of approximately RMB988.6 million was recognised for FY2022; and (iii) increase in income tax expenses by approximately RMB231.1 million.

1H2024 vs 1H2023

The total revenue of the Group was approximately RMB1,839.6 million for 1H2024, representing an increase of approximately 128.8% as compared to approximately RMB804.1 million for 1H2023. Such increase in the revenue was primarily attributable to the revenue derived from the online streaming and online gaming businesses from approximately RMB139.1 million for 1H2023 to approximately RMB1,773.1 million for 1H2024. As one of the largest platforms acting as the agent and the distributor in China at the same time, Pumpkin Films Limited generated considerable revenue and profit for the Company during 1H2024 by introducing high-quality films and top-tier new dramas on an ongoing basis. Furthermore, the online gaming business of the Group performed strongly during 1H2024. On 26 March 2024, the Group had launched "Ragnarok ORIGIN" (《仙境傳說：愛如初見》), which has also received good feedback from game players. With the dual assistance of game content and competitive tournaments, it is expected such product will continue to provide the Company with considerable revenue and profit.

The Group recorded net loss of approximately RMB122.7 million for 1H2024 as compared to net loss of approximately RMB263.7 million for 1H2023. The reduction in the Group's net loss for 1H2024 as compared to 1H2023 was mainly due to the combined effects of (i) turnaround from gross loss of approximately RMB345.3 million for 1H2023 to gross profit of approximately RMB1,264.1 million for 1H2024 mainly due to the continued growth from the revenue generated from the online streaming and online gaming businesses; (ii) change from other net gain of approximately RMB160.1 million for 1H2023 to other net loss of approximately RMB903.2 million for 1H2024 as the Group recognised fair value gain of approximately RMB187.2 million in contingent consideration payable in relation to the Virtual Cinema Acquisition for 1H2023 whereas a fair value loss of approximately RMB590.4 million was recognised for 1H2024.

	As at 31 December		As at 30 June
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Non-current assets	8,018,020	9,987,299	9,959,217
Current assets	5,200,949	6,693,859	9,040,049
Total assets	**13,218,969**	**16,681,158**	**18,999,266**
Non-current liabilities	3,201,956	2,224,204	2,241,312
Current liabilities	2,041,582	3,420,970	4,478,588
Total liabilities	**5,243,538**	**5,645,174**	**6,719,900**
Net current assets	3,159,367	3,272,889	4,561,461
Net assets	**7,975,431**	**11,035,984**	**12,279,366**

Total assets

The Group had total assets of approximately RMB16,681.2 million as at 31 December 2023, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB2,730.3 million; (iii) trade and other receivables of approximately RMB4,472.3 million; and (iv) financial assets at fair value through profit or loss of approximately RMB3,514.4 million. The increase in the total assets by approximately RMB3,462.2 million to approximately RMB16,681.2 million as at 31 December 2023 as compared to 31 December 2022 was mainly attributable to (i) increase in trade and other receivables by approximately RMB2,423.5 million, mainly due to the increase of business volume; (ii) increase in financial assets at fair value through profit or loss by approximately RMB2,927.3 million, mainly due to the acquisition of 49% equity interest in Beijing Wanda Investment Co., Ltd. which was completed in December 2023 (the "**Beijing Wanda Acquisition**"); and partially offset by (iii) decrease in film and television programmes rights by approximately RMB1,330.7 million, mainly due to the increase of amortisation charge following the first release of certain film and television programmes; and (iv) decrease in cash and cash equivalents by approximately RMB619.8 million, mainly due to the significant cash out flow in investing activities resulting from the Beijing Wanda Acquisition.

The Group had total assets of approximately RMB18,999.3 million as at 30 June 2024, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB3,164.8 million; (iii) trade and other receivables of approximately RMB4,103.2 million; (iv) financial assets at fair value through profit or loss of approximately RMB3,274.0 million; and (v) cash and cash equivalents of approximately RMB2,764.9 million. The increase in the Group's total assets by approximately RMB2,318.1 million to approximately RMB18,999.3 million as at 30 June 2024 as compared to 31 December 2023 was mainly due to (i) increase in cash and cash equivalents by approximately RMB2,195.0 million, mainly due to the improvement in operating results; (ii) increase in film and television programmes rights by approximately RMB434.5 million, mainly due to the increase in investment of film and television programmes rights; and partially offset by (iii) decrease in trade and other receivables by approximately RMB369.0 million, mainly due to settlement of the receivable amounts by third parties.

Total liabilities

The Group had total liabilities of approximately RMB5,645.2 million as at 31 December 2023, which mainly comprised of (i) borrowings of approximately RMB1,755.4 million; (ii) contingent consideration payable of approximately RMB1,322.8 million; (iii) film and television programmes investment funds from investors of approximately RMB739.1 million; (iv) trade and other payables of approximately RMB836.9 million; and (v) current income tax liabilities of approximately RMB412.6 million. The increase in the total liabilities by approximately RMB401.6 million to approximately RMB5,645.2 million as at 31 December 2023 as compared to 31 December 2022 was mainly due to (i) increase in contingent consideration payable by approximately RMB142.3 million, mainly due to the fair value change of the contingent consideration payable; and (ii) increase in current income tax liabilities by approximately RMB213.6 million, mainly due to the increase of taxable income.

The Group had total liabilities of approximately RMB6,719.9 million as at 30 June 2024, which mainly comprised of (i) borrowing of approximately RMB1,876.1 million; (ii) contingent consideration payable of approximately RMB1,925.2 million; (iii) film and television programmes investment funds from investors of approximately RMB651.9 million; and (iv) trade and other payables of approximately RMB1,144.9 million. The increase in the total liabilities by approximately RMB1,074.7 million to approximately RMB6,719.9 million as at 30 June 2024 as compared to 31 December 2023 was mainly due to (i) increase in borrowings by approximately RMB120.8 million, mainly due to the increase of secured bank borrowings; (ii) increase in contingent consideration payable by approximately RMB602.3 million, mainly due to the fair value change of the contingent consideration payable; and (iii) increase in trade and other payables by approximately RMB308.0 million, mainly due to the increase in advance receipt of film and television programmes issuance and production.

2. Background information of the Target Company

The Target Company is a company incorporated in the PRC with limited liability and principally engaged in game development and related business. The core assets of the Target Company include the R&D assets of games in the PRC such as "QQ Dance" (《QQ炫舞》), "QQ Dance II" (《QQ炫舞2》) and "QQ Dance Mobile" (《QQ炫舞手遊》). QQ Dance series are national classic game IPs with a history of over fifteen years in the PRC, with music and dance as the core, providing a rich variety of dance modes, a massive pop music library and a powerful social system. Players can make friends, interact with each other, and show their personality in the game. Hundreds of millions of registered users have been accumulated in "QQ Dance", "QQ Dance II" and "QQ Dance Mobile", which make them take a leading position in domestic music and dance games in the PRC. According to Sensor Tower, a mobile app data analytics platform and independent source, "QQ Dance" (《QQ炫舞》), "QQ Dance II" (《QQ炫舞2》) and "QQ Dance Mobile" (《QQ炫舞手遊》) collectively accounted for approximately 70.5% of the market share in the mobile music game category in the PRC for the year ended 31 December 2024.

As at the Latest Practicable Date, the Target Company is held as to approximately 80.3026% by Tencent Digital, approximately 12.8280% by Tencent Hong Kong, approximately 6.0000% by Guangxi Tencent and approximately 0.8694% by Tibet Yonghang, respectively.

The financial information of the Target Company for the three financial years ended 31 December 2023, which is extracted from the 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			For the nine months ended 30 September
	2021	**2022**	**2023**	**2024**
	RMB	*RMB*	*RMB*	*RMB*
	(audited)	(audited)	(audited)	(unaudited)
Revenue	1,189,503,687.40	1,088,303,208.84	1,170,896,390.55	824,946,680.02
Profit before tax	731,273,021.15	59,639,327.507 *(note 1)*	549,525,800.35	479,207,790.17
Profit after tax	650,731,669.36	65,756,778.58 *(note 1)*	519,390,080.55	418,567,481.55

Note 1: The profit margin of the Target Company decreased from approximately 54.71% in 2021 to approximately 6.04% in 2022, primarily due to a one-off loss of approximately RMB320 million incurred from the disposal of a wholly-owned subsidiary, as well as increased staff remuneration costs resulting from the expansion of the R&D team for a new game project. The profit margin rebounded to approximately 44.36% in 2023, mainly attributable to the disbanding of the R&D team for a game project. For the nine months ended 30 September 2024, the profit margin of the Target Company further increased to approximately 50.74% through its improved operations.

As at 31 December 2023, the total assets and net assets of the Target Company amounted to RMB1,844,012,653.54 and RMB1,563,648,154.57, respectively, based on the audited financial statements of the Target Company. As at 30 September 2024, the total assets and net assets of the Target Company amounted to RMB2,144,264,003.85 and RMB1,982,215,636.12, respectively, based on the unaudited financial statements of the Target Company.

3. Background information of the Vendors

3.1 *Tencent Digital*

Tencent Digital is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in software development.

3.2 *Tencent Hong Kong*

Tencent Hong Kong is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Tencent Holdings. Its primary businesses are development and operation of online entertainment services, provision of advertising services and investment holding.

3.3 *Guangxi Tencent*

Guangxi Tencent is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in investment holding.

3.4 *Tibet Yonghang*

Tibet Yonghang is a limited partnership established in the PRC and is a wholly-owned subsidiary of Tencent Holdings. It is principally engaged in software development.

4. Reasons for and benefits of the Equity Transfer

As disclosed in the Letter from the Board, the Group has vigorously developed its game business in recent years and achieved exciting results. It has successively and successfully launched six games, namely "Troubled Times: Chase for Hegemony" (《亂世逐鹿》), "Chuanqi Tianxia" (《傳奇天下》), "Ragnarok Origin" (《仙境傳説：愛如初見》), "Civilization Mobile" (《世界啟元》), "To the Top" (《排球少年》) and "Red Alert Online" (《紅警OL》), fully demonstrating its strong IP resource reserve and strategic operation capabilities. At the same time, more than ten games are planned to be launched into the market successively this year and next year, underscoring a rich project reserve. Looking ahead, the Group hopes to obtain more attractive IPs and games through investment and business expansion, with the ultimate goal of constructing a diversified product matrix. The Target Company has demonstrated excellent performance in the past. It successfully created the national classic game IP, "QQ Dance" (《QQ炫舞》), which has accumulated hundreds of millions of registered users, boasting a vast player base and strong influence. Following the completion of the Equity Transfer, the Target Company will continue to develop its existing games and, based on "QQ Dance" (《QQ炫舞》) IP, promote the research and development, as well as iterative computing of new games. Except for the existing launched games, as at the Latest Practicable Date, the Target Company had one additional game in the development stage. Particularly, the Target Company plans to focus on: (i) innovating and upgrading music and dance gameplay mechanics and social gameplay mechanics to enhance the appeal and trendiness of existing products, thereby achieving sustainable user growth and revenue; (ii) developing the next generation of products by actively exploring the realms of live performances and user-generated content (UGC), with the aim of establishing a top-tier content creation capability that further expands its reach among younger audiences; and (iii) expanding the overseas market for music and dance games to increase its international market share. As discussed with the Management, we understand that (i) the Target Company has already set up a team comprised of more than a dozen product development experts to focus on upgrading the QQ Dance series; and (ii) the aforementioned development plans are currently in progress and are expected to be released or executed by year of 2026.

As further disclosed in the Letter from the Board, the completion of the transactions contemplated under the Equity Transfer Agreement will supplement the Group's strategic operation experience in the gaming sector, thereby assisting the Group in continuously deepening its gaming business, and further enhancing the overall competitiveness and market influence of the Group's gaming business. After the completion of the Equity Transfer, both the majority and minority shareholders will become more actively involved in the corporate governance and business operation of the Target Company, utilizing their respective resources to support its development and expansion. As the majority shareholder, Tencent Digital is expected to play a more dominant role in shaping the future product strategy of the Target Company, contributing technological and market resources. The Group will fully leverage its resource advantages in the film and television field, by utilizing its rich star resources and theater-chain resources to facilitate game promotion. The game distribution of the Target Company will continue to be carried out by the distributor it has previously partnered with. At the same time, as a leading domestic film and television production company with a full-industrial-chain layout, the Group will jointly explore the film-game model with the Target Company, striving to build "QQ Dance" (《QQ炫舞》) into a globally renowned comprehensive entertainment IP, in a bid to maximize the IP value, and drive innovative breakthroughs and growth of the business. As discussed with the Management, we understand that the Group (i) intends to invite celebrities to collaborate with the QQ Dance series and promote the "QQ Dance" IP in hundreds of cinemas; and (ii) will partner with the Target Company in exploring the integration of film and game, with the goal of promoting the "QQ Dance" IP to the overseas market and enhancing its overall market competitiveness. Acquiring a minority stake in the Target Company represents a flexible and strategically significant investment approach for the Group. After the Equity Transfer, the Group and Tencent Digital can leverage their respective resource advantages to support the Target Company. This not only strengthens the cooperative relationship among the Group, Tencent Digital and the Target

Company, but also lays a solid foundation for future collaboration. Moreover, despite holding a minority position, the Group can still achieve financial returns through long-term equity ownership in the Target Company. In view of the above and having considered that (i) the acquisition of a controlling interest in the Target Company (i.e., 51% equity interest of the Target Company) based on the Implied Valuation (as defined below) may impose a financial burden on the Group's operation, since such acquisition would account for more than 50% of the cash and cash equivalents of the Group as at 30 June 2024, which amounted to approximately RMB2.8 billion; and (ii) the historical financial performance and dividend distribution records of the Target Company as mentioned below, we concur with the Company that acquiring a minority stake of the Target Company provides the Group with financial flexibility while still enabling it to achieve considerable financial returns.

As disclosed in the 2024 IR, the gaming business has emerged as one of the fastest-growing segments of the Group, and it is noted that, as one of its corporate strategies, the Group is continually pursuing joint distribution and the development of high-quality IPs. As advised by the Management, QQ Dance series (i) are classic national-level game IPs in the PRC with high recognition among gamers in the dance and music game segment as evidenced by its leading market share in the mobile music game category in the PRC; and (ii) have reached the maturity stage of the game lifecycle, generated stable revenue and cashflow in the past years, and are expected to have an extended maturity stage by constantly updating its music content and innovating its gameplay mechanics. In view of the current IPs possessed by the Group and the gaming genres of the QQ Dance series, the Equity Transfer will allow the Group to tap into a brand-new gaming genre, and enhance the diversity of its existing game IP portfolio. As part of our due diligence, we have obtained from the Management the audit reports and the revenue breakdowns of the Target Company for the two years ended 31 December 2023, and note that (i) the revenue of the Target Company remained relatively stable during the two years ended 31 December 2023, with QQ Dance series being the major revenue contributors and aggregately accounted for more than 90% of the revenue for each of the two years ended 31 December 2023; and (ii) the Target Company has distributed dividend payments to its shareholders for two consecutive financial years. In light of the relatively stable revenue generated from the QQ Dance series and consistent dividend distribution made by the Target Company, we consider the Equity Transfer will enable the Group to enhance its profitability through sharing of the Target Company's profit and derive additional cash inflow through the dividend distribution to be made by the Target Company in the long run.

Based on our research, we note from the report titled "2024 China Game Industry Report" (《2024年中國遊戲產業報告》) released by The Game Working Committee of the China Audio-Video and Digital Publishing Association (中國音像與數字出版協會遊戲出版工作委員會)[1], the actual sales revenue of the PRC game market was approximately RMB325.7 billion in 2024, representing a year-on-year increase of approximately 7.53%. In addition, the scale of game users in China was approximately 674 million in 2024, representing a year-on-year growth of 0.94%. Given that both the aforementioned actual sales revenue and scale of game users recorded historical highs, it is considered that the PRC game market is on a trajectory of steady growth, accompanied by robust demand for gaming products. Besides, as evidenced by an article titled "IResearch viewpoint — China's online game market size and development trend" (《艾瑞觀點—中國網絡遊戲市場規模及發展趨勢》) released by IResearch[2] in 2024, we note that the PRC game market size is expected to grow at a compound annual growth rate of approximately 3.6% from 2024 to 2026 due to breakthroughs in technologies such as cloud gaming, augmented reality and virtual reality.

Having taken into accounts that (i) the Equity Transfer is in-line with the corporate strategy of the Group to pursue high-quality IPs and will facilitate the overall development of the Group, in particular the gaming business of the Group; (ii) the growing potential of the Target Company resulting from its development plans and the business enhancement subsequent to the completion of Equity Transfer; (iii) the acquisition of minority stake in Target Company provides the Group with flexibility while still enabling it to achieve considerable financial returns; (iv) the historical financial performance and historical dividend records of the Target Company; and (v) the industry landscape of the PRC gaming industry and leading market position of the QQ Dance series in the mobile music game category in the PRC, we are of the view that the Equity Transfer, though not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole.

1 As disclosed on the official website of China Audio-Video and Digital Publishing Association ("**CADPA**"), CADPA (i) is a non-profit social organization with independent legal personality approved and registered by the General Administration of Press and Publication and the Ministry of Civil Affairs of the PRC; and (ii) has more than 1400 members, who engaged in a broad variety of industries including audiovisual, music and digital publishing content creation, product production and content dissemination. As advised by the Management, CADPA is independent to the Company and its connected person.

2 IResearch is an independent market intelligence provider that provides market research, information and advice to companies in various industries. As advised by the Management, IResearch is independent to the Company and its connected person.

5. The Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are summarised as below:

Date : 13 January 2025 (after trading hours)

Parties :

(1) the Target Company;

(2) Tencent Digital (as one of the Vendors and owner of approximately 80.3026% equity interest of the Target Company);

(3) Tencent Hong Kong (as one of the Vendors and owner of approximately 12.8280% equity interest of the Target Company);

(4) Guangxi Tencent (as one of the Vendors and owner of approximately 6.0000% equity interest of the Target Company);

(5) Tibet Yonghang (as one of the Vendors and owner of approximately 0.8694% equity interest of the Target Company);

(6) Beijing Jingxiu (as one of the Purchasers);

(7) Virtual Cinema Entertainment (as one of the Purchasers); and

(8) the Company (as the guarantor of the Purchasers).

Equity Transfer and Consideration : The total registered capital of the Target Company as at the Latest Practicable Date was RMB18,668,743. Subject to the Conditions Precedent and relevant terms of the Equity Transfer Agreement, the Purchasers have agreed to acquire, and the Vendors have agreed to transfer the Target Equity. The following table summarized the registered capital of the Target Company and the Target Equity to be transferred by each Vendor and acquired by each Purchaser, as well as the breakdown of consideration (including the Consideration Shares to be issued by the Company):

Vendors	**Purchasers**	**Registered capital of the Target Company to be transferred** *(RMB)*	**Target Equity to be transferred** *(approximate)*	**Consideration to be received** *(RMB)*
Tencent Digital	Beijing Jingxiu	1,923,366	10.3026%	283,321,497
Tencent Hong Kong	Virtual Cinema Entertainment	2,394,833	12.8280%	352,770,980 (among which RMB82,500,000 are settled by the Consideration Shares)
Guangxi Tencent	Beijing Jingxiu	1,120,123	6.0000%	164,999,768
Tibet Yonghang	Beijing Jingxiu	162,301	0.8694%	23,907,755
Total		**5,600,623**	**30.0000%**	**825,000,000**

Basis for determination of the Consideration and payment arrangement	:	Pursuant to the Equity Transfer Agreement, the Consideration is RMB825 million in total, including (i) RMB742.5 million in cash, and (ii) the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share. In particular:

(1) within ten (10) business days or other times agreed by parties subject to the Conditions Precedent being fully satisfied or waived in writing, Virtual Cinema Entertainment shall pay 20% of the Consideration, i.e. an aggregate amount of RMB165,000,000 to the Vendors, of which RMB82,500,000 to Tencent Hong Kong, and RMB82,500,000 settled by the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share;

(2) unless otherwise agreed in Equity Transfer Agreement, each Purchaser shall, before the first (1st) anniversary of the Completion Date or other date agreed by the parties, pay a lump sum of 40% of the Consideration, i.e. an aggregate amount of RMB330,000,000, to the respective Vendors In particular, Beijing Jingxiu shall pay RMB141,660,749, RMB82,499,884 and RMB11,953,877 to Tencent Digital, Guangxi Tencent and Tibet Yonghang, respectively, and Virtual Cinema Entertainment shall pay RMB93,885,490 to Tencent Hong Kong; and

(3) unless otherwise agreed in Equity Transfer Agreement, each Purchaser shall, before the second (2nd) anniversary of the Completion Date or other date agreed by parties, pay a lump sum of 40% of the Consideration, i.e. an aggregate amount of RMB330,000,000, to the respective Vendors. In particular, Beijing Jingxiu shall pay RMB141,660,748, RMB82,499,884 and RMB11,953,878 to Tencent Digital, Guangxi Tencent and Tibet Yonghang, respectively, and Virtual Cinema Entertainment shall pay RMB93,885,490 to Tencent Hong Kong.

The Consideration was arrived at after arm's length negotiations between the Purchasers and the Vendors and was determined with reference to (i) the historical financial performance of the Target Company, particularly its stable revenue exceeding RMB 1 billion in each year from 2021 to 2023; (ii) the reasons for and benefits of the Equity Transfer, as discussed in the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" in the Letter from the Board; and (iii) the implied P/E multiple of 5.3 times, calculated based on the implied 100% equity value of the Target Company as deduced from the Consideration for the Equity Transfer and the profit after tax of the Target Company for the year ended 31 December 2023 of approximately RMB519 million, which falls within the range of the P/E multiples and is similar to the median or average P/E multiples of the Comparables as at 10 January 2025 as set out in the Letter from the Board. The Consideration (other than the Consideration Shares) will be financed by the internal resources of the Group.

Consideration Shares : The Company has a total of 15,483,441,619 issued Shares as at the Latest Practicable Date. 36,666,667 Consideration Shares represent approximately 0.2368% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.2363% of the issued share capital of the Company as enlarged by the Consideration Shares (assuming there is no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares). The price of HK$2.432 per Consideration Share (the "**Issue Price**") was determined on an arm's length basis between the Company and the Vendors and was arrived with reference to the average closing price per Share of HK$2.432 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Equity Transfer Agreement. Taking into account the medium prices of the exchange rate between RMB and Hong Kong dollars as announced by the People's Bank of China as at the date of the Equity Transfer Agreement (i.e., HK$1=RMB0.92308), the Company and the Vendors agreed to adopt the approximately equivalent RMB amount of RMB2.25 per Consideration Share to determine the number of the Consideration Shares.

The aggregate nominal value of the Consideration Shares is approximately HK$733,333.34. If, during any period between the execution date of the Equity Transfer Agreement and the allotment and issue of the Consideration Shares, the Company consolidates, subdivides or otherwise adjusts its ordinary share capital, the number and/or the issue price of the Consideration Shares will be adjusted in accordance with the amount (if any) determined by the Company on its absolute discretion. The Consideration Shares, upon the completion of the allotment and issue, will rank *pari passu* in all respects with the existing Shares in issue of the Company.

The Directors (excluding the independent non-executive Directors, who shall provide their views after taking into account of the advice of the independent financial adviser) consider that the Issue Price is fair and reasonable.

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Guarantee : The Company has irrevocably agreed to provide irrevocable guarantee with joint liability to each Vendor for the performance of all payment obligations of each Purchaser under the Equity Transfer Agreement.

Completion : Upon completion of the Equity Transfer, Tencent Digital, Beijing Jingxiu and Virtual Cinema Entertainment will hold 70%, approximately 17.1720% and approximately 12.8280% equity interest of the Target Company respectively. Therefore, the Target Company will become an associate of the Company, and its results and net assets will be accounted for using the equity method in the consolidated financial statements of the Company after the completion of the Equity Transfer.

In respect of the adoption of both cash payment and issue of Consideration Shares for the settlement of the Consideration, we have discussed with the Management and understand that such arrangement is primarily to help facilitate the completion of the Equity Transfer as Virtual Cinema Entertainment has limited budget. As part of our due diligence, we have reviewed the unaudited management accounts of Virtual Cinema Entertainment for the year ended 31 December 2024, and note that Virtual Cinema Entertainment does not possess sufficient funds to fulfill its payment obligation under the Equity Transfer Agreement. In view of the above and taking into account (i) the potential financial return of the Target Company and other benefits of the Equity Transfer as detailed under the section headed "4. Reasons for and benefits of the Equity Transfer" above; and (ii) the minimal dilution effect of the existing public Shareholders as detailed under the section headed "8. Possible dilution effect of the existing public shareholders" below, we consider the payment settlement method (a mix of cash and consideration issue) as adopted by the Group for the Equity Transfer to be fair and reasonable.

For further details of the terms of the Equity Transfer Agreement, such as further explanation regarding the price-to-earnings (P/E) multiples of the Comparables, conditions precedent, termination, please refer to the section headed "Equity Transfer Agreement" in the Letter from the Board.

6. Assessment of the Consideration

In order to assess the fairness and reasonableness of the Consideration, we have adopted the price-to-earnings multiple ("**P/E Multiple**") analysis, which is the most widely used and accepted method for valuing a business which is profitable and with light assets. Taking into account (i) the business nature of the Target Company, being game development and related businesses; (ii) the asset composition of the Target Company, majority of which comprise of cash and bank balances and trade and other receivables, collectively accounted for approximately 93.4% of the total asset as at 30 June 2024; (iii) the price-to-book multiple may not fully capture the intangible competencies, human capital and growth potential of the QQ Dance series; and (iv) the price-to-sales multiple ("**P/S Multiple**") do not account for the profitability of the Target Company's business, we consider that the P/E Multiple is the most appropriate method for valuing the Target Company. We have conducted a comparable analysis through identifying comparable companies based on the following selection criteria: (i) listed on the Main Board of the Stock Exchange; (ii) recorded revenue for the latest financial year of no more than RMB3.0 billion, which is comparable to the revenue scale of the Target Company of approximately RMB1.2 billion in FY2023; and (iii) with over 70% of the total revenue for the latest financial year derived from the provision of game development and operation, which ensure the principal business of the comparable companies is comparable to that of the Target Company (i.e., approximately 99.5% of the total revenue generated from the provision of game development and related business for FY2023). We have identified, on a best effort basis, an exhaustive list of thirteen comparable companies (the "**Comparable Companies**") from Wind database, being an independent reputable source of reference, which forms a representative sample to provide us with the recent market sentiment on valuation of the companies with similar business and revenue scale as the Target Company. In addition, in order to further assess the fairness and reasonableness of the Consideration and for crosscheck purpose, we have also adopted P/S Multiple analysis to examine the market sentiment on valuation of the Comparable Companies with reference to their revenue. We consider the inclusion of P/S Multiple is appropriate as (i) more than half of the Comparable Companies recorded net losses for the latest financial year, with only four Profitable Comparable

Companies (as defined below); and (ii) the Target Company has been generating stable revenue during the two years ended 31 December 2023. Set out below is the summary of the revenue, P/E Multiple and P/S Multiple of the Comparable Companies:

Stock code	Company name	Market Capitalisation as at the Latest Practicable Date (HK$ million)	Revenue (Note 1) (million)	Proportion of revenue derived from provision of game development and operation	Net profit attributable to the shareholders (Note 1) (million)	Currency adopted in the financial statement	P/E Multiple (Note 2) (times)	P/S Multiple (Note 3) (times)
2660.HK	Zengame Technology Holding Limited ("**Zengame Tech**")	2,364.1	2,059.4	95.3%	725.9	RMB	3.0	1.0
3798.HK	Homeland Interactive Technology Ltd. ("**Homeland Tech**")	1,424.6	1,779.7	96.2%	436.9	RMB	3.0	0.7
6820.HK	Friend Times Inc.	1,264.9	1,056.0	100.0%	(138.1)	RMB	NA(Note 4)	1.1
9990.HK	Archosaur Games Inc.	1,305.9	908.5	100.0%	(315.6)	RMB	NA(Note 4)	1.3
6633.HK	Qingci Games Inc. ("**Qingci Games**")	2,205.3	905.7	98.5%	(37.4)	RMB	NA(Note 4)	2.2
2100.HK	Baioo Family Interactive Limited	1,318.9	782.8	100.0%	(31.5)	RMB	NA(Note 4)	1.5
2458.HK	Gala Technology Holding Limited ("**Gala Tech**")	569.9	633.6	100.0%	74.2	RMB	7.0	0.8
0797.HK	7Road Holdings Limited	1,294.0	627.7	76.3%	(146.5)	RMB	NA(Note 4)	1.9
0434.HK	Boyaa Interactive International Limited (the "**Boyaa Interactive**")	2,563.8	394.6	100.0%	117.2	RMB	19.8(Note 5)	5.9(Note 5)
1961.HK	Infinities Technology International (Cayman) Holding Limited	352.5	263.9	74.9%	(53.3)	RMB	NA(Note 4)	1.2
1022.HK	Feiyu Technology International Company Ltd. ("**Feiyu Tech**")	393.6	226.2	90.3%	52.0	RMB	6.9	1.6
2022.HK	Digital Hollywood Interactive Limited	104.0	9.9	100.0%	(5.8)	USD	NA(Note 4)	1.3
1909.HK	Fire Rock Holdings Limited (the "**Fire Rock**")	414.7	134.9	100.0%	559.9	HK$	0.7(Note 6)	3.1
						Mean	**4.9**	**1.5**
						Median	**4.9**	**1.3**
						Maximum	**7.0**	**3.1**
						Minimum	**3.0**	**0.7**
	Target Company(Note 7)	**2,750.0**	**1,170.9**	**99.5%**	**519.4**		**5.3**	**2.4**

Source: Wind

Notes:

1. Revenue and net profit attributable to the shareholders are extracted from the latest financial year of the audited financial statements published by the Comparable Companies on the Latest Practicable Date.

2. P/E Multiple is calculated based on the market capitalisation as at the Latest Practicable Date and the net profit attributable to the shareholders for the latest financial year of the Comparable Companies with exchange rates of RMB1 to HK$1.1035 and USD1 to HK$7.8157 as extracted from Wind database.

3. P/S Multiple is calculated based on the market capitalisation as at the Latest Practicable Date and the revenue for the latest financial year of the Comparable Companies with exchange rates of RMB 1 to HKD 1.1035 and USD 1 to HKD 7.8157 as extracted from Wind database.

4. Such company has recorded net losses for the latest financial year.

5. The market capitalisation of Boyaa Interactive has increased substantially since November 2024 due to the appreciation in the market value of its held cryptocurrency. As such, it is considered that the P/E Multiple and P/S Multiple of Boyaa Interactive may not reflect the market valuation based on its ordinary business and therefore excluded from the calculation.

6. The net profit attributable to the shareholders for the latest financial year of Fire Rock of approximately RMB559.9 million was higher than its revenue for the same financial year of approximately RMB122.4 million, which is primarily due to the occurrence of a non-operating income item (i.e. the one-off surrender of promissory notes of Fire Rock by its promissory notes' holders). As such, it is considered that the P/E Multiple of Fire Rock does not represent the market valuation based on its ordinary business and therefore excluded from the calculation.

7. The implied P/E Multiple and P/S Multiple of the Target Company is calculated based on the (i) implied 100% equity value of the Target Company of RMB2.75 billion (the "**Implied Valuation**") as deduced from the Consideration for 30% equity interest of the Target Company of RMB825 million; (ii) the profit after tax for the year ended 31 December 2023; and (iii) the revenue of the Target Company for the year ended 31 December 2023.

As illustrated from the table above, the P/E Multiple of the Comparable Companies ranged from approximately 3.0 times to approximately 7.0 times, with an average of approximately 4.9 times and a median of 4.9 times; the P/S Multiple of the Comparable Companies ranged from approximately 0.7 times to approximately 3.1 times, with an average of approximately 1.5 times and a median of 1.3 times. Based on the Implied Valuation of RMB2.75 billion, the implied P/E Multiple and P/S Multiple of the Target Company would be approximately 5.3 times and approximately 2.4 times, which falls within the range of P/E Multiple and P/S Multiple of the Comparable Companies, and above the average and median of P/E Multiple and P/S Multiple of the Comparable Companies, respectively. We have reviewed the interim reports for the six months ended 30 June 2024 published by Zengame Tech, Homeland Tech, Gala Tech and Feiyu Tech (the "**Profitable Comparable Companies**"), being the Comparable Companies that recorded net profit for the latest financial years and have not been excluded from the calculation of the P/E Multiple, and noted that all the Profitable Comparable Companies recorded decline in both revenue and profits after taxation for the six months ended 30 June 2024 as compared to the same period in 2023. In additions, we have reviewed the interim reports for the six months ended 30 June 2024 published by the remaining Comparable Companies (the "**Non-profitable Comparable Companies**"), being the Comparable Companies that were loss-making during the financial year ended 31 December 2023 and included for the purpose of calculating the P/S Multiple, and note that most of the Non-profitable Comparable Companies (except for Qingci Games) recorded loss after taxation for the six months ended 30 June 2024. On contrary, we note that the Target Company continued to deliver solid financial performance for the nine months ended 30 September 2024 as its revenue and profit after tax reached approximately RMB824.9 million and RMB418.6 million respectively. Taking into account (i) the deterioration in the

Profitable Comparable Companies' financial performance for the six months ended 30 June 2024; (ii) majority of the Non-profitable Comparable Companies were loss-making for the six months ended 30 June 2024; and (iii) the relatively stable revenue stream and profit-making track record of the Target Company, with revenue maintained in the range of RMB1 billion to RMB1.2 billion during the three years ended 31 December 2023, and profit maintained at a positive level for the corresponding years, we consider that it is justifiable for the implied P/E Multiple and the implied P/S Multiple of the Target Company to be above the average and median of P/E Multiple and P/S Multiple of the Comparable Companies.

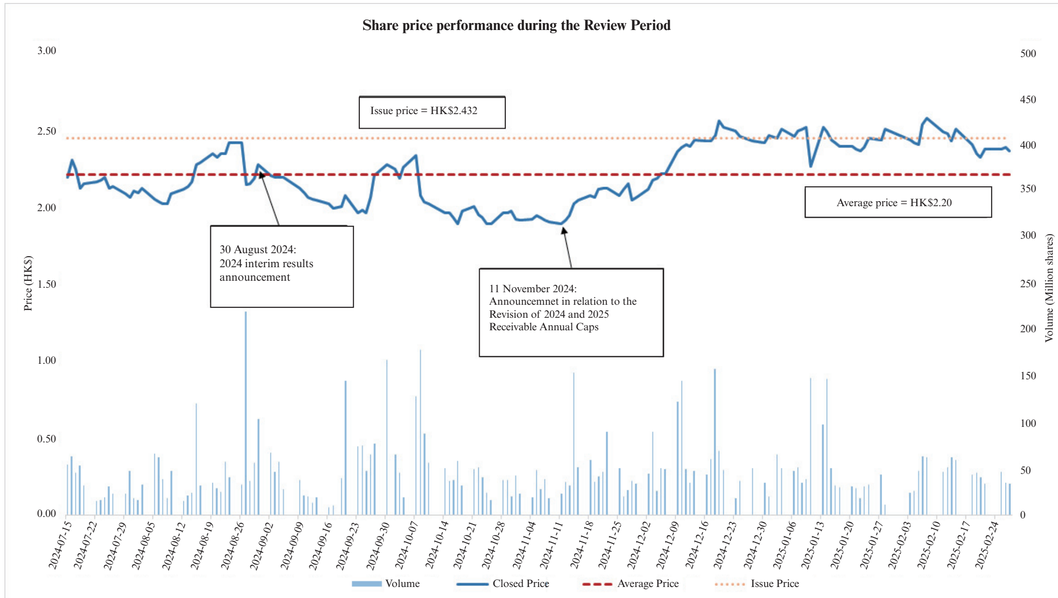
Taking into account (i) the list of Comparable Companies is an exhaustive list and forms a representative sample of the recent market sentiment on valuation of the relevant companies; (ii) the implied P/E Multiple and the implied P/S Multiple of the Target Company are in line with the recent market sentiment on valuation of the Comparable Companies and the Consideration is on normal commercial term; and (iii) the reasons and benefits as mentioned under the section headed "4. Reasons for and benefits of the Equity Transfer" above, we consider that the Consideration is fair and reasonable as far as the Independent Shareholders are concerned.

7. Assessment of the Issue Price

As set out in the Letter from the Board, the price of HK$2.432 per Consideration Share was determined on an arm's length basis between the Company and the Vendors and was arrived with reference to the average closing price per Share of HK$2.432 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Equity Transfer Agreement as well as the medium prices of the exchange rate between RMB and Hong Kong dollars as announced by the People's Bank of China as at the date of the Equity Transfer Agreement.

7.1 Review of the historical Share price performance

We have reviewed the daily closing prices of the Shares for the period from 13 July 2024 (being the six months prior to the date of the Equity Transfer Agreement) and up to the Latest Practicable Date (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing Share prices prior to the Latest Practicable Date and such comparison is relevant for the assessment of the fairness and reasonableness of the Issue Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: Wind and the Stock Exchange website

As illustrated in the chart above, during the Review Period, the closing Share price was traded at an average of approximately HK$2.20. On 30 August 2024, the Company issued an interim results announcement for 1H2024, which the Group recorded improvement for both the turnover and net losses due to reasons as stated in the section headed "1. Background information of the Group and the Purchasers" above. Subsequent to the abovementioned announcement, we note that the Share prices fluctuated within the region of HK$1.88 to HK$2.32. As advised by the Management, they are not aware of any particular reasons which might have led to such fluctuation of the Share price. On 11 November 2024, the Company issued an announcement in relation to the revision of annual caps in respect of the total amount receivable by Beijing Jingxiu from Tencent Holdings and its subsidiaries (excluding (i) China Literature Limited, its subsidiaries and its controllable companies through contractual arrangements; and (ii) Tencent Music Entertainment Group, its subsidiaries, and its controllable companies through contractual arrangements) (the "**Tencent Representative Companies**") for the year ended 31 December 2024 and the year ending 31 December 2025 (the "**Revision of 2024 and 2025 Receivable Annual Caps**"), which indicated the increase of demand from the Tencent Representative Companies for the provision of marketing and advertising services by Beijing Jingxiu. Subsequently, the Share prices demonstrated a general upward trend and reached its highest point of HK$2.56 on 7 February 2025. The Issue Price represents premium of approximately 29.4% and 10.8% to the lowest and average closing Share prices, respectively, and a discount of approximately 5.0% to the highest closing Share price during the Review Period.

Although the Issue Price represents a slight discount of approximately 5.0% to the highest closing Share price during the Review Period, after considering that the Issue Price is (i) within the range of the closing Share prices during the Review Period; (ii) higher than the closing Share prices of the majority trading days within the Review Period; and (iii) higher than the average closing Share prices during the Review Period, we are of the view that the Issue Price is favourable to the Company and the Shareholders.

7.2 *Comparable issues analysis*

In assessing the fairness and reasonableness of the Issue Price, we have carried out a comparable analysis on the issue of new shares by companies listed on the Stock Exchange for the purpose of acquisition (the "**Comparable Issues**"), based on the following criteria: (i) the issues of new shares were announced during the Review Period; (ii) the shares were issued to the connected person(s) of the respective listed issuers; and (iii) excluding issues of A shares or domestic shares. To the best of our knowledge and as far as we are aware of, we identify an exhaustive list of seven transactions which meet the aforesaid criteria by searching the website of the Stock Exchange. Although the business, operation and prospects of the Group are not the same as the listed issuers of the Comparable Issues, we consider that the Comparable Issues can provide a fair and representative reference of the recent market practices (i.e., the Review Period) in relation to acquisition carried out by companies listed on the Stock Exchange involving the issue of new shares.

We compare the respective premium to/discount of the closing price of the shares of the Comparable Issues prior to/on the relevant last trading day (the "**Premium/Discount**") and the last five consecutive trading days immediately prior to/on the relevant last trading day (the "**Five Days Premium/Discount**") as represented by the issue price of such Comparable Issues with the corresponding Premium/Discount and Five Days Premium/Discount represented by the Issue Price. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the issuers of the Comparable Issues.

The following table sets out the details of the Comparable Issues:

Date of announcement	Stock code	Company name	Nature of transaction	Premium/(Discount) over/of the issue price to closing price per share on the last trading day prior to/on the date of the respective announcement	Premium/(Discount) over/of the issue price to average closing price per share on the last five trading days prior to/on the date of the respective announcement
9-Jan-25	451.HK	GCL New Energy Holdings Limited	The acquisition of the entire issued share capital of the target company	(2.17)%	(4.86)%
8-Dec-24	8115.HK	Shanghai Qingpu FireFighting Equipment Co., Ltd.	The acquisitions of the entire equity interests in the target company and 10% of the total equity interests in the target subsidiaries	(19.80)%	(22.00)%
23-Aug-24	290.HK	GoFintech Innovation Limited	The acquisition of 26.15% equity interests of the target company	6.36%	(0.72)%
16-Aug-24	1611.HK	Sinohope Technology Holdings Limited	The acquisitions of 7.67% of the entire issued share capital of target company A and the entire issued share capital of target company B	14.14%	14.14%
9-Aug-24	3939.HK	Wanguo Gold Group Limited	The acquisition of 20.22% share capital of the target company	8.00%	12.60%
26-Jul-24	1280.HK	China Qidian Guofeng Holdings Limited	The acquisition of the entire issued share capital of the target company	(19.19)%	(19.84)%
22-Jul-24	2399.HK	China Anchu Energy Storage Group Limited ("**China Anchu**")	The acquisition of 29% equity interests of the target company	66.70%*(Note 1)*	64.50%*(Note 1)*
			Mean	(2.11)%	(3.45)%
			Median	2.10%	(2.79)%
			Maximum	14.14%	14.14%
			Minimum	(19.80)%	(22.00)%
			Issue Price	(2.72)%	0.00%

Source: The Stock Exchange website

Notes:

1. As the issue price of consideration shares issued by China Anchu represents an abnormal premium over (i) the closing price per share on the date of the respective announcement; and (ii) the average closing price per share on the last five trading days prior to the date of the announcement, we therefore excluded from the calculation having considered that the share price of China Anchu experienced tremendous volatility during the one year period prior to the entering of the sale and purchase agreement, with highest closing price reached HK$1.01 on 2 January 2024 and lowest closing price reached HK$0.18 on 7 March 2024.

As illustrated by the table above, we note that the Premium/Discount of the Comparable Issues ranged from a premium of approximately 14.14% to a discount of approximately 19.80%, with the mean discount of approximately 2.11% and median premium of approximately 2.10%. In addition, the Five Days Premium/Discount of the Comparable Issues ranged from a premium of approximately 14.14% to a discount of approximately 22.00%, with the mean and median discount of approximately 3.45% and 2.79%, respectively.

As shown by the market comparison above, (a) the discount to the Issue Price of approximately 2.72% to the closing price per Share on the date of the Equity Transfer Agreement is within the range of the Premium/Discount of the Comparable Issue and represents a more significant discount to those of the Comparable Issues; and (b) the Issue Price is identical to the average closing price per Share for the last five consecutive trading days prior to the date of the Equity Transfer Agreement, which is within the range of the Five Days Premium/Discount of the Comparable Issues and represents a less significant discount to those of the Comparable Issues. Although the discount of the Issue Price represents a more significant discounts to the mean discount and median premium of the Premium/Discount of the Comparable Issues, we consider that the such discount of the Issue Price is justifiable given that (i) the Issue Price is determined at a level that are above the average closing Share price during the Review Period; and (ii) the Issue Price represents a less significant discount as compared with the mean and median of the Five Days Premium/Discount.

In view of the above and further taking into account that the Issue Price is determined at a level that is close to the prevailing market price of the Share, we consider that the Issue Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

8. Possible dilution effect of the existing public shareholders

The issue of Consideration Shares to Tencent Hong Kong or its designated parties would dilute shareholding of the existing Shareholders. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares under the Equity Transfer Agreement (assuming there is no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Consideration Shares):

Name of Shareholder	(i) As at Latest Practicable Date		(ii) Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	*Approximate percent. (%)*	*Number of Shares*	*Approximate percent. (%)*
Director (Note 1)				
Mr. Ke Liming (Note 2)	2,627,381,250	16.97	2,627,381,250	16.93
Mr. Yang Ming (Note 3)	1,080,000	0.01	1,080,000	0.01
Substantial Shareholders (other than Mr. Ke Liming)				
Water Lily (Note 4)	2,545,734,565	16.44	2,545,734,565	16.40
Tencent Hong Kong or its designated parties (Note 5)	—	—	36,666,667	0.24
Sub-total of non-public Shareholders	5,174,195,815	33.42	5,210,862,482	33.57
Public Shareholders	10,309,245,804	66.58	10,309,245,804	66.43
Total number of issued Shares	15,483,441,619	100.00	15,520,108,286	100.00

Notes:

1. As at the Latest Practicable Date, Mr. Zhang Qiang, an executive Director, was interested in 10,000,000 Shares (within the meaning of Part XV of the SFO), being the underlying shares of the share options granted pursuant to the share option scheme of the Company. For the purpose of the Circular, the above table does not include any underlying shares to be issued under any share options granted to the Directors.

2. As at the Latest Practicable Date, 2,627,381,250 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board, through Pumpkin Films Limited, a company wholly-owned by him.

3. As at the Latest Practicable Date, Mr. Yang Ming, a non-executive Director, was directly interested in 1,080,000 Shares.

4. Water Lily is a wholly-owned subsidiary of Tencent Holdings.

5. In accordance with the Equity Transfer Agreement, RMB82,500,000 of the Consideration will be settled by the allotment and issue of 36,666,667 Consideration Shares by the Company to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share.

6. Certain figures included in the table above have been rounded to the nearest integer or two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

As illustrated in the table above, the shareholding of Tencent Hong Kong or its designated parties will increase from nil to approximately 0.24% immediately after the allotment and issue of the Consideration Shares. The shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 66.58% and will be slightly diluted to approximately 66.43% immediately after the allotment and issue of the Consideration Shares. In this regard, in view of (i) the reasons for and benefits of the Equity Transfer as mentioned in the section headed "4. Reasons for and benefits of the Equity Transfer" above; (ii) the terms of the Equity Transfer Agreement being fair and reasonable; (iii) the Equity Transfer would enhance the overall financial profitability of the Group having regard to the historical financial performance of the Target Company; and (iv) the shareholding of the existing public Shareholders is only slightly diluted by approximately 0.16%, we consider that the dilution to the shareholding of the public Shareholders resulting from the Equity Transfer is acceptable.

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, in particular,

(i) the Equity Transfer is in-line with the corporate strategy of the Group to pursue high-quality IPs and will facilitate the overall development of the Group, in particular the gaming business of the Group. Moreover, through leveraging the market resources and expertise of the Group, it is anticipated that the business performance of Target Company will be enhanced following the completion of Equity Transfer;

(ii) despite the Group will only hold a minority stake in the Target Company following the completion of Equity Transfer, the Equity Transfer offers the Group with flexibility and enables the Group to achieve considerable financial returns through sharing of the Target Company's profit and derive additional cash inflow through the dividend distribution to be made by the Target Company in the long run;

(iii) the adoption of both cash payment and issue of Consideration Shares for the settlement of the Consideration is fair and reasonable given that such arrangement helps facilitate the completion of the Equity Transfer and the benefits of the Equity Transfer outweigh the minimal dilution effect of the existing public Shareholders;

(iv) the Consideration is fair and reasonable having considered that (a) the implied P/E Multiple and the implied P/S Multiple of the Target Company fall within the range of P/E Multiple and P/S Multiple of the Comparable Companies, and above the average and median of P/E Multiple and P/S Multiple of the Comparable Companies; (b) the Target Company exhibits stronger financial performance compared to the Profitable Comparable Companies, which have shown recent deterioration, and the majority of the Non-profitable Comparable Companies, which reported losses in their latest financial period; and (c) the reasons and benefits as mentioned under the section headed "4. Reasons for and benefits of the Equity Transfer" above; and

(v) the Issue Price is favourable to the Company and the Shareholders given that the Issue Price is (a) within the range of the closing Share prices during the Review Period; (b) higher than the closing Share prices of the majority trading days within the Review Period; (c) higher than the average closing Share prices during the Review Period; and (d) generally in line with the recent market practices of the Comparable Issues,

we are of the view that (i) the terms of the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares), 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 Equity Transfer Agreement, though not in the ordinary and usual course of business of the Group, is 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 for approving the Equity Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to issue the Consideration Shares).

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 13 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. 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 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	2,627,381,250 *(Note 1)*	16.97%
Mr. Zhang Qiang	Beneficial owner	10,000,000 *(Note 2)*	0.06%
Mr. Yang Ming	Beneficial owner	1,080,000 *(Note 3)*	0.01%

Notes:

(1) 2,627,381,250 Shares were indirectly held by Mr. Ke Liming through Pumpkin Films Limited, a company indirectly wholly-owned by Mr. Ke Liming.

(2) Mr. Zhang Qiang was interested in 10,000,000 Shares, all of which were represented by share options of the Company.

(3) Mr. Yang Ming was directly interested in 1,080,000 shares 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.

(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	2,627,381,250	16.97%
Virtual Cinema Holding Limited *(Note 1)*	Interest of a controlled corporation	2,627,381,250	16.97%
Pumpkin Films Limited *(Note 1)*	Beneficial owner	2,627,381,250	16.97%
Tencent Holdings	Interest of a controlled corporation	2,545,734,565	16.44%
Water Lily *(Note 2)*	Beneficial owner	2,545,734,565	16.44%

Notes:

(1) Virtual Cinema Holding Limited is deemed to be interested in 2,627,381,250 Shares through its wholly-owned subsidiary Pumpkin Films Limited. Virtual Cinema Holding Limited is directly wholly-owned by Mr. Ke Liming, a Director. Pumpkin Films Limited is wholly-owned by Mr. Ke Liming. Mr. Ke Liming is the director of Virtual Cinema Holding Limited and Pumpkin Films Limited. 2,627,381,250 Shares were indirectly held by Mr. Ke Liming through Pumpkin Films Limited.

(2) Tencent Holdings was deemed to be interested in 2,545,734,565 Shares through its wholly-owned subsidiary Water Lily. Mr. Yang Ming, a Director of the Company, is an employee of Tencent Holdings.

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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Director 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 Divisions 2 and 3 of Part XV of the SFO.

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 determinable 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 2023 (being the date to which the latest published audited consolidated financial statements of the Group 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 2023 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. QUALIFICATIONS AND CONSENTS OF EXPERTS

(a) The followings are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Maxa Capital Limited	A licensed corporation to carry out Type 1 (dealing insecurities) and Type 6 (advising on corporate finance) regulated activities under the SFO
FenXun Partners	PRC legal advisers

(b) As at the Latest Practicable Date, the above experts 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) Each of the above experts 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 and/or its opinion in the form and context in which they appear respectively.

(d) As at the Latest Practicable Date, the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 December 2023, being the date to which the latest published audited consolidated financial statements 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 Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

(c) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, 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) for a period of 14 days from the date of this circular (both days inclusive):

(a) the Equity Transfer Agreement;

(b) the Shareholders' Agreement; and

(c) the written consents as referred to in the section headed "9. Qualifications and Consents of Experts" in this appendix.

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 11:00 a.m. on Wednesday, 26 March 2025 at Room 3701, 37/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong 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 7 March 2025 (the "**Circular**").

ORDINARY RESOLUTION

"**THAT**

(a) the Equity Transfer Agreement dated 13 January 2025 entered into among (i) Beijing Jingxiu and Virtual Cinema Entertainment (as the Purchasers); (ii) Tencent Digital, Tencent Hong Kong, Guangxi Tencent and Tibet Yonghang (as the Vendors); (iii) the Target Company; and (iv) the Company (as the guarantor of the Purchasers) (a copy of which is tabled at the SGM and marked "A" and signed by the chairman of the SGM for identification purpose), the transactions contemplated thereunder and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any Director may consider necessary, desirable or appropriate;

(b) subject to and conditional upon the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in the Consideration Shares, the grant of the Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to allot and issue the 36,666,667 Consideration Shares to Tencent Hong Kong or its designated parties at the price of HK$2.432 per Consideration Share pursuant to the terms and conditions of the Equity Transfer Agreement be and is hereby approved, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

(c) any one Director be and is hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Equity Transfer Agreement and any ancillary documentation and the transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Equity Transfer Agreement and which shall be subject to approval of the Shareholders) as are, in the opinion of the Board or a committee thereof, in the interest of the Company and the Shareholders as a whole."

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

Hong Kong, 7 March 2025

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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and, in any event, not less than 48 hours 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).

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 Monday, 24 March 2025 to Wednesday, 26 March 2025 (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 Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 21 March 2025.

6. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive directors of the Company are Mr. KE Liming and Mr. ZHANG Qiang; 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.