
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.

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儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

**(1) CONNECTED TRANSACTION INVOLVING
PROPOSED ISSUE OF NEW SHARES TO
SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE;
(3) NOTICE OF SGM; AND
(4) CLOSURE OF REGISTER OF MEMBERS**

Independent financial adviser to the Company



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 7 to 26 of this circular. A notice convening the special general meeting of the Company (the “SGM”) to be held at 11:00 a.m. on Friday, 15 September 2023 at 15/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use by the Shareholders at the SGM (and at any adjournment thereof) is also enclosed herein.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and returning it to the office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited 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.

30 August 2023

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DEFINITIONS

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

“2022 Water Lily Share Subscription Agreement”	the share subscription agreement dated 13 July 2022 entered into between the Company as the issuer and Water Lily as the subscriber in relation to the subscription of 162,500,000 Shares at HK\$2.40 per Share
“2023 Annual General Meeting”	the annual general meeting of the Company held on 28 June 2023
“Announcement”	the announcement of the Company dated 4 July 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which banks are generally open for business in Hong Kong and the PRC
“Century Spirit”	Century Spirit Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is ultimately beneficially owned by Liu Xueheng as at the Latest Practicable Date
“Century Spirit Closing Date”	has the meaning ascribed thereto under the paragraph headed “Closing” in the Announcement
“Century Spirit Share Subscription Agreement”	the share subscription agreement dated 4 July 2023 entered into between the Company as the issuer and Century Spirit as the subscriber in relation to the subscription of 500,000,000 Subscription Shares at the Subscription Price
“Closing”	the completion of the Share Subscriptions (or a tranche thereof, as applicable) under the Share Subscription Agreements
“Closing Date(s) “	collectively, the Century Spirit Closing Date, the Cubract Ventures Closing Date, the Fame Mountain Closing Date, the Million Succeed Closing Date and the Water Lily Closing Date, each a “Closing Date”

DEFINITIONS

“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)
“Conditions Precedent”	the conditions precedent set out under the paragraphs headed “Conditions Precedent under the Water Lily Share Subscription Agreement” in this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction”	the Share Subscription by Water Lily pursuant to the Water Lily Share Subscription Agreement
“Cubract Ventures”	Cubract Ventures Limited, a company incorporated in the Cayman Islands with limited liability, which is ultimately beneficially owned by Wang Yanlong as at the Latest Practicable Date
“Cubract Ventures Closing Date”	has the meaning ascribed thereto under the paragraph headed “Closing” in the Announcement
“Cubract Ventures Share Subscription Agreement”	the share subscription agreement dated 4 July 2023 entered into between the Company as the issuer and Cubract Ventures as the subscriber in relation to the subscription of 500,000,000 Subscription Shares at the Subscription Price
“Director(s)”	the director(s) of the Company
“Existing General Mandate”	the general mandate duly approved and granted by the Shareholders at the 2023 Annual General Meeting, pursuant to which the Directors were authorised to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares then existing, being a total of 2,000,929,509 Shares
“Fame Mountain”	Fame Mountain Limited (譽山有限公司), a company incorporated in the British Virgins Islands with limited liability, which was ultimately beneficially owned by Mo Keung as at the Latest Practicable Date
“Fame Mountain Closing Date”	has the meaning ascribed thereto under the paragraph headed “Closing” in the Announcement

DEFINITIONS

“Fame Mountain Share Subscription Agreement”	the share subscription agreement dated 4 July 2023 entered into between the Company as the issuer and Fame Mountain as the subscriber in relation to the subscription of 500,000,000 Subscription Shares at the Subscription Price
“Group”	the Company, its subsidiaries and controlled entities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Proposed Refreshment of General Mandate
“Independent Financial Adviser”	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Proposed Refreshment of General Mandate
“Independent Shareholders”	Shareholders other than those required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the SGM
“Independent Subscribers”	collectively, Century Spirit, Cubract Ventures, Fame Mountain and Million Succeed
“Independent Subscriber Share Subscription Agreements”	collectively, the Century Spirit Share Subscription Agreement, the Cubract Ventures Share Subscription Agreement, the Fame Mountain Share Subscription Agreement and the Million Succeed Share Subscription Agreement
“Last Trading Day”	3 July 2023, being the last trading day prior to the signing of the Share Subscription Agreements

DEFINITIONS

“Latest Practicable Date”	22 August 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Material Adverse Effect”	any material adverse effect on the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations, or general affairs of the Company or the Group taken as a whole
“Million Succeed”	Million Succeed Development Limited (成萬發展有限公司), a company incorporated in the British Virgins Islands with limited liability, which was ultimately beneficially owned by Chu Yajun as at the Latest Practicable Date
“Million Succeed Closing Date”	has the meaning ascribed thereto under the paragraph headed “Closing” in the Announcement
“Million Succeed Share Subscription Agreement”	the share subscription agreement dated 4 July 2023 entered into between the Company as the issuer and Million Succeed as the subscriber in relation to the subscription of 500,000,000 Subscription Shares at the Subscription Price
“New General Mandate”	the new mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM
“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
“Previous Share Issuance”	the subscription and issue of the subscription shares pursuant to the 2022 Water Lily Share Subscription Agreement and the Sunshine Life Share Subscription Agreement
“Proposed Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate and the grant of the New General Mandate
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 11:00 a.m. on Friday, 15 September 2023 at 15/F, YL Life Centre, 38 Gloucester Road, Wanchai, Hong Kong or any adjournment thereof
“Share Subscription Agreements”	collectively, the Independent Subscriber Share Subscription Agreements and the Water Lily Share Subscription Agreement, and each a “Share Subscription Agreement”
“Share Subscription(s)”	the subscription and issue of the Subscription Shares pursuant to each of the Share Subscription Agreements
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Directors at the SGM for the allotment and issue of the Subscription Shares to Water Lily
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, the Independent Subscribers and Water Lily, and each a “Subscriber”
“Subscription Price”	HK\$1.60 per Subscription Share
“Subscription Shares”	an aggregate of 2,500,000,000 new Shares to be issued and allotted by the Company to the Subscribers pursuant to the terms and conditions of the Share Subscription Agreements
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Sunshine Life Share Subscription Agreement”	the share subscription agreement dated 14 July 2022 entered into between the Company as the issuer and Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司) as the subscriber in relation to the subscription of 487,500,000 Shares at HK\$2.40 per Share
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tencent Holdings”	Tencent Holdings Limited (stock code: 700), its subsidiaries and controlled entities
“Water Lily”	Water Lily Investment Limited

DEFINITIONS

“Water Lily Longstop Date” 30 November 2023, or such later date as the Company and Water Lily may agree

“%” per cent

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

LETTER FROM THE BOARD



儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

Executive Directors:

Mr. Ke Liming (Chairman)
Ms. Chen Xi
Mr. Zhang Qiang

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Yang Ming

*Head office and principal place of
business in Hong Kong:*

15th Floor
YF Life Centre
38 Gloucester Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Mr. Chau Shing Yim, David
Mr. Nie Zhixin
Mr. Chen Haiquan
Professor Shi Zhuomin

30 August 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING
PROPOSED ISSUE OF NEW SHARES TO
SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE;
(3) NOTICE OF SGM; AND
(4) CLOSURE OF REGISTER OF MEMBERS**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the subscription of new Shares by the Independent Subscribers under the Existing General Mandate and the subscription of new Shares by Water Lily under Specific Mandate.

LETTER FROM THE BOARD

On 4 July 2023, the Company entered into the Share Subscription Agreements separately with each of the Subscribers (among which Water Lily is a connected person of the Company), pursuant to which the Company has agreed to allot and issue, and each of the Subscribers has agreed to subscribe 500,000,000 Subscription Shares at HK\$1.60 per Subscription Share, on the respective terms thereunder.

The first Closings of the Cubract Ventures Share Subscription Agreement, the Century Spirit Share Subscription Agreement and the Fame Mountain Share Subscription Agreement took place in July 2023 in accordance with the terms of the said agreements, whereby an aggregate of 693,750,000 Shares, representing approximately 6.48% of the total issued share capital of the Company as at the Latest Practicable Date, were issued and allotted. As at the Latest Practicable Date, no Closing under the Million Succeed Share Subscription Agreement has taken place.

The purpose of this circular is to provide you with, among other things, (a) further details of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily; and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily); (b) the Proposed Refreshment of General Mandate; (c) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (d) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (e) the giving of notice of the SGM.

CONNECTED TRANSACTION INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE

Principal terms of the Water Lily Share Subscription Agreement

Date:	4 July 2023
Parties:	(i) The Company, as the issuer; and (ii) Water Lily, as Subscriber
Subscription Shares:	500,000,000 Subscription Shares
Subscription Price:	HK\$1.60 per Subscription Share

Water Lily is a substantial shareholder, hence a connected person of the Company. It is an investment holding company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of Tencent Holdings, which is a company principally engaged in value-added services, online advertising, fin-tech and business services.

LETTER FROM THE BOARD

Subscription Shares

The 500,000,000 Subscription Shares represent (a) approximately 5.00% of the issued share capital of the Company as at the date of the Water Lily Subscription Agreement; (b) approximately 4.67% of the issued share capital of the Company as at the Latest Practicable Date; and (c) approximately 4.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares to the Independent Subscribers and Water Lily.

Subscription Price

The Subscription Price of HK\$1.60 per Subscription Share represents:

- (a) a discount of approximately 17.53% to the closing price of HK\$1.94 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 16.67% to the average closing price of approximately HK\$1.92 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (c) a discount of approximately 15.79% to the average closing price of approximately HK\$1.90 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (d) a premium of approximately 84.23% to the audited net asset value of approximately HK\$0.87 per Share as at 31 December 2022 (calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$8,688,650,510 (equivalent to approximately RMB7,971,239,000) as at 31 December 2022 and 10,004,647,545 Shares then in issue); and
- (e) a cumulative theoretical value effect (with the meaning ascribed to it in Rule 7.27B of the Listing Rules) of approximately 1.04%, calculated by dividing the cumulative price discount with the total number of Shares issued immediately before the 2022 Water Lily Share Subscription Agreement and Shares issued pursuant to the 2022 Water Lily Share Subscription Agreement and the Water Lily Share Subscription Agreement, based on the average closing price of approximately HK\$2.67 per Share (as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the 2022 Water Lily Share Subscription Agreement) and HK\$1.94 per Share (as quoted on the Stock Exchange for the Last Trading Day).

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiation between the Company and each of the Subscribers after taking into account the prevailing market price of the Shares and the trading volume of the Shares. In the 12-month period prior to the date of the Water Lily Share Subscription Agreement, the daily trading volume was approximately 32,791,921 Shares on average, representing approximately 0.33% of the number of issued Shares as at the date of the Announcement. In the circumstances, the Company considered that the trading liquidity of the Shares was relatively thin prior to the date of the Water Lily Share Subscription Agreement.

The Directors, having considered the above factors and the letter of advice from the Independent Financial Adviser, are of the view that the terms of the Water Lily Share Subscription Agreement (including the Subscription Price) are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

The Subscription Shares to be issued to Water Lily have an aggregate nominal value of HK\$10,000,000. The net proceeds from the Share Subscription by Water Lily, after deduction of relevant costs and expenses, is estimated to be approximately HK\$800,000,000. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$1.60 per Subscription Share.

The Subscription Price shall be payable by Water Lily in cash within five (5) Business Days from the date of the Water Lily Share Subscription Agreement, or such other date as may be agreed by the Company and Water Lily. As at the Latest Practicable Date, Water Lily has settled the Subscription Price in full.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

Conditions Precedent under the Water Lily Share Subscription Agreement

Completion of the Water Lily Share Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

- (a) the passing of resolution(s) by the Independent Shareholders at the SGM approving the Water Lily Share Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the relevant Subscription Shares and such approval not having been withdrawn or revoked;
- (c) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;

LETTER FROM THE BOARD

- (d) each of the warranties included in the Water Lily Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (e) the Company not having breached the pre-completion undertakings given in the Water Lily Share Subscription Agreement entered into between the Company and Water Lily in any respect, and not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Water Lily Share Subscription Agreement prior to Closing;
- (f) all consents, approvals, permits, authorisations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution, implementation and completion of the Water Lily Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (g) all consents, approvals, permits, authorisations or clearances (as the case may be) that Water Lily reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution, implementation and completion of the Water Lily Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing; and
- (h) from the date of the Water Lily Share Subscription Agreement entered into between the Company and Water Lily up to and as at the Water Lily Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations or general affairs of the Company or the Group taken as a whole (whether or not arising in the ordinary course of business), which, in the reasonable opinion of Water Lily, has or would have a Material Adverse Effect.

At any time on or before 11:59 p.m. on the Water Lily Closing Date, Water Lily may waive any Condition Precedent set out in paragraphs (d) to (h) pursuant to the Water Lily Share Subscription Agreement. The Conditions Precedent set out in paragraphs (a), (b) and (c) cannot be waived by any party. As at the Latest Practicable Date, none of the Conditions Precedent under the Water Lily Share Subscription Agreement has been fulfilled.

LETTER FROM THE BOARD

Termination

If any Condition Precedent set out in paragraphs (a), (b) and (c) as to the Water Lily Share Subscription Agreement has not been satisfied by 11:59 p.m. on the Water Lily Longstop Date, the Water Lily Share Subscription Agreement shall be automatically terminated with immediate effect. If any Condition Precedent set out in paragraphs (d) to (h) has not been waived by Water Lily pursuant to the terms of the Water Lily Share Subscription Agreement or has not been satisfied by 11:59 p.m. on the by Water Lily Closing Date, the Water Lily Share Subscription Agreement shall be automatically terminated with immediate effect. Upon termination of the Water Lily Share Subscription Agreement, the Company shall refund to Water Lily any Subscription Price already paid within five (5) Business Days from the date of termination or the intended Closing Date (as the case may be).

Closing

Subject to the Conditions Precedent set out in paragraphs (d) to (h) being satisfied or waived (as applicable) and the relevant terms under the Water Lily Share Subscription Agreement, Closing under the Water Lily Share Subscription Agreement shall occur on the date that is ten (10) Business Days after the date (not being later than the Water Lily Longstop Date) on which the last of the Conditions Precedent (other than those conditions which are expressed to be satisfied on or as at the Water Lily Closing Date, but subject to the satisfaction or waiver of such conditions) is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties may agree in writing (the “**Water Lily Closing Date**”).

For the avoidance of doubt, completion of each of the Share Subscription Agreements are not inter-conditional to each other.

More Favourable Terms as to Water Lily Share Subscription Agreement

In respect of the Water Lily Share Subscription Agreement, the Company undertook to Water Lily that, in the event the Company at any time proposes to grant or has granted to any Subscribers other than Water Lily, whether under any other Share Subscription Agreements or otherwise, any terms, rights, powers, privileges or preferences relating to or in connection with the Share Subscriptions by any other Subscribers which are in any way more favourable than those granted to Water Lily under the Water Lily Share Subscription Agreement (the “**More Favourable Terms**”), Water Lily shall be entitled to such More Favourable Terms and the Company shall immediately notify Water Lily of such More Favourable Terms and take all necessary actions to procure that such More Favourable Terms are offered and granted to Water Lily as soon as practicable.

Neither of the Independent Subscribers is entitled to any terms which are of equivalent effect to the More Favourable Terms. The Directors consider that the offer of the More Favourable Terms to Water Lily exclusively is fair and reasonable, as the Group strives to maintain and strengthen its collaborative relationship with Tencent Holdings and further tap into Tencent Holdings’s extensive experience and resources in the realms of online streaming and game products operation.

LETTER FROM THE BOARD

Specific Mandate

In respect of the Share Subscription by Water Lily, the relevant Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued and allotted under the Specific Mandate on the Stock Exchange. The Stock Exchange has granted conditional listing approval for the relevant Subscription Shares to each of the Independent Subscribers, subject to the fulfillment of all other conditions of the Independent Subscriber Share Subscription Agreements.

Effect on shareholding structure of the Company following the completion of the Share Subscriptions

As at the Latest Practicable Date, the Company has 10,698,397,545 Shares in issue. To the best of the Directors' knowledge, information and belief after having made reasonable enquiries, a summary of the shareholding structure of the Company (a) as at the date of the Announcement; (b) as at the Latest Practicable Date; and (c) immediately after completion of the Share Subscriptions (assuming there being no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Date, save for the allotment and issue of the Subscription Shares) is set out as below.

The Company is aware of the dilution impact of the Share Subscriptions on the shareholding interests of the existing public Shareholders. Having considered and balanced that (a) the Subscription Price is considered on reasonable basis after consideration of the prevailing market price and trading volume of the Shares before the date of the Subscription Agreements; (b) the Company's genuine funding needs as detailed in this circular for the continued development and expansion of the Group's businesses; and (c) the benefits of improving financial and liquidity positions of the Group without increasing its financing costs, the Directors consider that the dilution impact of the Share Subscriptions on the shareholding interests of the existing public Shareholders is not excessive and accordingly, in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Name of Shareholder	(i) As at the date of the Announcement		(ii) As at the Latest Practicable Date		(iii) Immediately after the Closing (assuming there is no other change in the number of the issued Shares between the Latest Practicable Date and each of the Closing Dates, save for the allotment and issue of the Subscription Shares)	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>per cent. (%)</i>	<i>No. of Shares</i>	<i>per cent. (%)</i>	<i>No. of Shares</i>	<i>per cent. (%)</i>
<i>Directors (Note 1)</i>						
Mr. Ke Liming (Note 2)	1,893,101,943	18.92%	1,893,101,943	17.70%	1,893,101,943	15.14%
Mr. Yang Ming (Note 3)	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%
<i>Substantial Shareholders (Other than Mr. Ke Liming)</i>						
Water Lily (Note 4)	2,045,734,565	20.45%	2,045,734,565	19.12%	2,545,734,565	20.36%
Sub-total of non-public Shareholders	3,939,916,508	39.38%	3,939,916,508	36.83%	4,439,916,508	35.51%
<i>Public Shareholders</i>						
Liu Xueheng (Note 5)	36,688,000	0.37%	442,938,000	4.14%	536,688,000	4.29%
Cubtract Ventures	45,002,000	0.45%	232,502,000	2.17%	545,002,000	4.36%
Fame Mountain	—	—	100,000,000	0.93%	500,000,000	4.00%
Million Succeed	—	—	—	—	500,000,000	4.00%
Other public Shareholders	5,983,041,037	59.80%	5,983,041,037	55.92%	5,983,041,037	47.85%
Sub-total of public Shareholders	6,064,731,037	60.62%	6,758,481,037	63.17%	8,064,731,037	64.49%
Total number of issued Shares	10,004,647,545	100.00%	10,698,397,545	100.00%	12,504,647,545	100.00%

Notes:

- As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang, executive Directors, was interested in 48,000,000 and 10,000,000 Shares (within the meaning of Part XV of the SFO), respectively, being the underlying shares of the share options granted to Ms. Chen Xi and Mr. Zhang Qiang 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.
- As at the Latest Practicable Date, 1,893,101,943 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants issued to Pumpkin Films Limited, a company wholly-owned by him.
- As at the Latest Practicable Date, Mr. Yang Ming, a non-executive Director, was directly interested in 1,080,000 Shares.
- As at the Latest Practicable Date, Water Lily was directly interested in 2,045,734,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings.
- As at the Latest Practicable Date, Century Spirit was interested in 406,250,000 Shares. As at the Latest Practicable Date, Liu Xueheng, the ultimate beneficial owner of Century Spirit, was interested in 36,688,000 Shares. Liu Xueheng is also deemed to be interested in the 500,000,000 Shares held by Century Spirit immediately after the Closing pursuant to Part XV of the SFO.

LETTER FROM THE BOARD

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

Reasons for and benefits of the issue of Subscription Shares

The Group is principally engaged in content production and online streaming business, internet community services and related businesses, and manufacture and sales of accessories. After the end of the COVID-19 outbreak, the film industry has started to recover. The Share Subscriptions are expected to provide the Group with definite amount of capital to further develop and expand its film and gaming businesses whereby the shareholder base of the Company will also be enlarged and diversified, further strengthening the financial position and market reputation of the Group.

Although the Group has raised the net proceeds of approximately HK\$1,560.0 million from the Previous Share Issuance to replenish its working capital, the Group's cash position as at 31 December 2022 only slightly increased by approximately RMB50.3 million to RMB1,189.7 million as compared to 31 December 2021. In particular, based on the management accounts of the Group, the Group's cash position has reduced to approximately RMB880 million as at 30 June 2023. On the other hand, the Group has already formulated plans to apply the unutilised proceeds from the Previous Share Issuance of approximately HK\$244.0 million to existing business project pipelines as detailed in the section headed "Equity fundraising of the Company during the past twelve months" below. As the Group continues to further develop its film and television drama production and gaming businesses, the Board expects that additional funding would be required for development and investment in potential films, television dramas and online games projects. The Board expects that the estimated cash outflow to be incurred for the Group's content production, online streaming business and development of online gaming business would amount to approximately RMB1,036.0 million. Taking into account the Group's latest cash and bank balance and expected cash flow, the Group considers that upon completion of the Share Subscriptions, the remaining working capital of approximately RMB1,246.4 million would further replenish the Group's working capital and support the Group's business development.

Taking into account the recent market conditions, the Directors consider that raising funds by way of allotment and issue of the Subscription Shares shall enable the Company to continue to obtain funds at a lower cost, as compared to a rights issue or an open offer. The Board has considered other alternative fundraising methods such as debt financing, rights issue or open offer. The Board has considered that debt financing may incur financial costs on the Group, while rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and incur additional administrative costs as compared to the equity financing by way of allotment and issue of new Shares under the Existing General Mandate and the Specific Mandate.

Based on the above, the Board considers that the Share Subscriptions (including the Share Subscription by Water Lily) are in the interest of the Company and the Shareholders as a whole as they would satisfy the Group's funding needs for its ongoing and future business operation and expansion, which is expected to be utilised as detailed in the section headed "Use of proceeds"

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below. The Directors will continue to assess its cash and working capital positions taking into account the Group's business development and may, if needed, seek additional financing to satisfy the Group's growth and expansion plan as opportunities arise.

Use of proceeds

The aggregate gross proceeds of the Share Subscriptions will be approximately HK\$4,000 million (as to approximately HK\$3,200 million from the Share Subscriptions under the Existing General Mandate and as to approximately HK\$800 million from the Share Subscription under the Specific Mandate). The aggregate net proceeds of the Share Subscriptions, after the deduction of related fees and expenses, will be approximately HK\$4,000 million.

The Company intends to apply the net proceeds from the Share Subscriptions in the following manner:

- (a) approximately HK\$1,130.8 million (equivalent to approximately RMB1,036.0 million or approximately 28%) for the development and expansion of the Group's film and online gaming businesses, including film and drama series projects which are currently in or expected to commence production or distribution and mobile games which are currently in operation or expected to commence distribution in 2023 and 2024, and is expected to be fully utilised by the second half of 2024;
- (b) approximately HK\$2,469.2 million (equivalent to approximately RMB2,262.0 million or approximately 62%) for the expansion of film and television industry chain, primarily the acquisition of 49% of the shares in Beijing Wanda Investment Co., Ltd. (the "**Wanda Acquisition**"). Subject to the fulfillment of a number of conditions agreed in the agreement in respect of the Wanda Acquisition and the consent of the domestic industry competent authorities, the said amount is expected to be fully utilised by the end of 2023. For details of the Wanda Acquisition, please refer to the announcement of the Company dated 23 July 2023; and
- (c) approximately HK\$400 million (equivalent to approximately RMB366.4 million or approximately 10%) for the Group's general working capital purposes, which is expected to be fully utilised by the first half of 2024, including:
 - (i) approximately HK\$180 million (equivalent to approximately RMB164.9 million or approximately 4.5%) for staff costs (including salary and allowance);
 - (ii) approximately HK\$140 million (equivalent to approximately RMB128.2 million or approximately 3.5%) for capital expenditure requirements; and
 - (iii) approximately HK\$80 million (equivalent to approximately RMB73.3 million or approximately 2%) for other general operating expenses.

The net proceeds of HK\$800 million from the Share Subscription under the Specific Mandate will be applied on a pro-rata basis in accordance with the aforementioned plan.

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As disclosed in the announcement of the Company dated 23 July 2023, the consideration of the Wanda Acquisition would be funded by the Group's internal resources. In light of (a) the current financial position of the Company as set out in the section headed "Reasons for and benefits of the issue of Subscription Shares" above; and (b) it would be reasonable and in the Company's interest to retain certain portion of the Group's internal funding resources for its ongoing and future business development plans, the Board is of the view that the allocation of the net proceeds from the Share Subscriptions for the funding of the Wanda Acquisition will be more appropriate and is for the benefit of the Group.

Equity fundraising of the Company during the past twelve months

The Company entered into (a) the 2022 Water Lily Share Subscription Agreement on 13 July 2022 and (b) the Sunshine Life Share Subscription Agreement on 14 July 2022 in respect of the Previous Share Issuance. The aggregate net proceeds of the Previous Share Issuance, after deduction of related fees and expenses, were approximately HK\$1,560 million, which were intended to be utilised (a) for the Group's general working capital purposes and (b) for the growth and expansion of the business of the Group, as described in the announcements of the Company dated 14 July 2022 and 21 December 2022.

Details of the Company's utilisation of net proceeds raised from the Previous Share Issuance as at the Latest Practicable Date are set out as follows:

Proposed use of proceeds as disclosed in the announcement of the Company dated 21 December 2022	Allocated amount of net proceeds <i>(Approximate HK\$ million)</i>	Utilised amount as at the Latest Practicable Date <i>(Approximate HK\$ million)</i>	Unutilised amount as at the Latest Practicable Date <i>(Approximate HK\$ million)</i>	Expected timeframe for utilising the remaining unused net proceeds
General working capital purposes	57	57	—	Fully utilised as intended
The growth and expansion of the business of the Group, including:	1,503	1,259	244	It is expected that the net proceeds for the growth and expansion of the Group's business will be fully utilised between September 2023 – March 2024.
• content production	1,150	920	230	
• purchase of drama script and copyright	37	37	—	
• purchase of copyright of films and TV programs	252	252	—	
• development of online gaming business	64	50	14	
Total	<u>1,560</u>	<u>1,316</u>	<u>244</u>	N/A

The unutilised proceeds from the Previous Share Issuance in the amount of approximately HK\$244.0 million is expected to be applied for (a) two films and television drama projects of the Group which are in the course of development and scheduled to commence production and distribution in 2023 and 2024; and (b) development of the Group's online gaming business.

Save as disclosed above, the Company had not conducted any other equity fundraising activity in the past twelve months immediately preceding the Latest Practicable Date.

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Information of 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 and online streaming business, internet community services and related businesses, and manufacture and sales of accessories.

Implications under the Listing Rules

As at the Latest Practicable Date, Water Lily held 2,045,734,565 Shares which represented approximately 19.12% of the issued share capital of the Company. Accordingly, Water Lily is a substantial shareholder and a connected person of the Company and the Water Lily Share Subscription Agreement (and the Share Subscription by Water Lily contemplated thereunder) constitute a connected transaction for the Company which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, no associate of Water Lily is a Shareholder or holds any Shares that is required to abstain from voting at the SGM.

As the Subscription Shares to be issued and allotted to Water Lily will be allotted and issued under the Specific Mandate to be obtained at the SGM, the Share Subscription by Water Lily is subject to the Independent Shareholders' approval.

PROPOSED REFRESHMENT OF GENERAL MANDATE

The Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

Existing General Mandate

At the 2023 Annual General Meeting, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot, issue and deal with up to 2,000,929,509 Shares, representing approximately 20% of the issued share capital of the Company as at the date of granting of the Existing General Mandate.

As at the Latest Practicable Date, 693,750,000 Shares were issued under the Existing General Mandate and the Company has not made any refreshment of the Existing General Mandate since the 2023 Annual General Meeting.

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Proposed grant of New General Mandate

An ordinary resolution will be proposed to the Independent Shareholders for approving the Proposed Refreshment of General Mandate that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares up to 20% of the issued share capital of the Company as at the date of the SGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 Annual General Meeting.

The New General Mandate will, if granted, be valid until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable laws or the bye-laws of the Company; or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

As at the Latest Practicable Date, the Company has an aggregate of 10,698,397,545 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Proposed Refreshment of General Mandate at the SGM by the Independent Shareholders and assuming that no further Shares are issued and/or repurchased by the Company from the Latest Practicable Date to the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue 2,139,679,509 Shares, being approximately 20% of the total number of issued share capital of the Company as at the Latest Practicable Date.

Reasons for the Proposed Refreshment of General Mandate

On 4 July 2023, the Company entered into the Independent Subscriber Share Subscription Agreements, pursuant to which the Company has agreed to allot and issue, and the Independent Subscribers have agreed to subscribe an aggregate of 2,000,000,000 Subscription Shares at HK\$1.60 per Share. For further details, please refer to the Announcement.

As at the Latest Practicable Date, 693,750,000 Shares have been issued to the Independent Subscribers. Subject to the terms and conditions of the Independent Subscriber Share Subscription Agreements, each of the Independent Subscribers shall complete the subscription of all the relevant Subscription Shares in one or multiple tranches before 5 September 2023. Upon completion of the allotment and issuance of 2,000,000,000 Subscription Shares to the Independent Subscribers, approximately 99.95% of the Existing General Mandate would have been utilised and 929,509 Shares may be further issued under the Existing General Mandate.

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As the Existing General Mandate is expected to be almost fully utilised before 5 September 2023, the Directors consider that the Proposed Refreshment of General Mandate will provide flexibility for the Company to issue new Shares as and when considered necessary, and enable the Company to capture better timing for fundraising before the next annual general meeting. When suitable business opportunities which are favourable to the Group arise or in the case of further funding needs, the Board will be able to make timely decision and respond promptly.

The Board has considered the following financial position and development plans of the Group in assessing the imminent need to refresh the Existing General Mandate:

- (a) As set out in the section headed “Reasons for and benefits of the issue of Subscription Shares” above, the amount of working capital available to the Group would be approximately RMB1,246.4 million, taking into account the Group’s cash position of approximately RMB880 million as at 30 June 2023 and approximately RMB366.4 million from the net proceeds of the Share Subscriptions. The aforementioned fund available to the Group are reserved for general working capital purpose, including daily operational capital requirements and future business needs. In particular, the Group currently intends to reserve the amount in the range of approximately RMB1.0 to RMB1.2 billion for production and distribution of films and television drama projects in 2024 as set out below. Please also refer to the section headed “Use of proceeds” above for details of the application of the net proceeds from the Share Subscriptions.
- (b) In addition to the funds required for the Group’s future business development as detailed in the sections headed “Reasons for and benefits of the issue of Subscription Shares” and “Use of proceeds” above, the Board expects that additional capital requirement would be required in the next 12 months as the Company may seek for appropriate opportunities to (i) commence production and distribution of other films and television drama projects in Ruyi Films’ pipeline in 2024 depending on the market condition of the film and television industry with estimated costs in the range of approximately RMB1.0 to RMB1.2 billion. The said costs are estimated with reference to the estimated investment amount from the investment agreements of such films and television drama projects which the Group has entered into as of the Latest Practicable Date, and the historical production costs incurred by the Group for similar films and television drama projects; and (ii) conduct acquisition of companies related to film and television industry, if any, to expand the Group’s film business. As at the Latest Practicable Date, the Company has not identified any investment opportunities in companies related to film and television industry. In light of the circumstances, the Board is of the view that it is important to enable the Group to have greater financing flexibility to replenish its cash reserve in a timely and efficient manner. Should suitable fundraising opportunities on favourable terms arise prior to the next annual general meeting of the Company, the Company can utilise the New General Mandate for the proposed equity financing and the proceeds from which may be used for potential business expansion and development and/or general working capital.

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- (c) In contrast, without the flexibility of the New General Mandate (standing ready to be utilised), the Company may be forced to forgo favourable capital raising windows in the stock market and be restrained to raising only from the remaining portion of the Existing General Mandate, being 929,509 Shares.

The Board also considers that the Proposed Refreshment of General Mandate is the most suitable financing option as compared with other financing alternatives such as issue and allotment of new Shares under specific mandate, debt financing, rights issue or open offer, having considered the financial position, capital structure and cost of funding of the Group as detailed below:

- (a) **Debt financing:** Debt financing may be subject to lengthy due diligence and negotiations and less favourable terms as compared with equity financing. Given that the Company's total assets mainly comprise of goodwill and intangible assets, film and television and programmes rights, and trade and other receivables, and does not possess any material tangible assets which are usually required by financial institutions as collaterals for borrowing, the Company may only be able to obtain borrowings at a relatively high costs. Further, equity financing allows the Group to strengthen its balance sheet without facing the risk and uncertainties of fluctuating interest rates of bank borrowings and debt financing.
- (b) **Rights issue or open offer:** Both rights issue or open offer would require the Company to (i) undergo a relatively longer period, which is estimated to take up to approximately four months, for preparing the requisite compliance and legal documentation including but not limited to the underwriting agreement(s), announcement(s) and prospectus(es); and (ii) incur additional costs including but not limited to underwriting fees and other professional fees.
- (c) **Issue and allotment of new Shares under specific mandate:** Issue and allotment of new Shares under specific mandate may not allow the Company to satisfy its funding requirements in a timely manner if required considering the time and lengthy formalities required for preparing relevant circular and notice of special general meeting as well as holding an special general meeting to obtain the Shareholders' approval for each occasion.

Having considered other fundraising alternatives of the Group, the Board is of the view that fundraising exercises conducted under general mandate provides a flexible and readily available method for the Company to raise funds for its future expansion, business development and when opportunities are identified by the Company, and are simpler and more efficient than other types of fund-raising exercises and remove uncertainties in the circumstances when specific mandate may not be obtained in a timely manner.

Taking into account the above, the Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Proposed Refreshment of General Mandate is fair and reasonable and is in the best interests of the Company and the Shareholders as a whole.

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As at the Latest Practicable Date, the Company has no concrete plan and has not entered into any agreement, arrangement, understanding or undertaking in respect of any proposed issue of new Shares under the New General Mandate. In case any plans become crystallised, the Company would fulfill the funding needs after balancing its overall capital structure through utilising its internal resources and/or using suitable financing methods. The Company will exercise due and careful consideration when choosing the financing methods available.

Potential dilution effect

The table below sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) upon full utilisation of the Existing General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company); (c) upon full utilisation of the Existing General Mandate and the New General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company); and (d) upon full utilisation of Existing General Mandate and the the New General Mandate and the issue of Subscription Shares to Water Lily under the Specific Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company), for illustrative and reference purpose:

Name of Shareholder	(i) As at Latest Practicable Date		(ii) Upon full utilisation of the Existing General Mandate (assuming there is no other change in the shareholding structure of the Company)		(iii) Upon full utilisation of the Existing General Mandate and the New General Mandate (assuming there is no other change in the shareholding structure of the Company)		(iv) Upon full utilisation of the Existing General Mandate and the New General Mandate and the issue of Subscription Shares to Water Lily under the Specific Mandate (assuming there is no other change in the shareholding structure of the Company)	
	No. of Shares	Approximate per cent (%)	No. of Shares	Approximate per cent (%)	No. of Shares	Approximate per cent (%)	No. of Shares	Approximate per cent (%)
Director (Note 1)								
Mr. Ke Liming (Note 2)	1,893,101,943	17.70%	1,893,101,943	15.77%	1,893,101,943	13.14%	1,893,101,943	12.70%
Mr. Yang Ming (Note 3)	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%
Substantial Shareholders (Other than Mr. Ke Liming)								
Water Lily (Note 4)	<u>2,045,734,565</u>	<u>19.12%</u>	<u>2,045,734,565</u>	<u>17.04%</u>	<u>2,045,734,565</u>	<u>14.20%</u>	<u>2,545,734,565</u>	<u>17.08%</u>
Sub-total of Non-public Shareholders	<u>3,939,916,508</u>	<u>36.83%</u>	<u>3,939,916,508</u>	<u>32.82%</u>	<u>3,939,916,508</u>	<u>27.35%</u>	<u>4,439,916,508</u>	<u>29.78%</u>
Public Shareholders								
Liu Xueheng (Note 5)	442,938,000	4.14%	536,688,000	4.47%	536,688,000	3.73%	536,688,000	3.60%
Cubtract Ventures	232,502,000	2.17%	545,002,000	4.54%	545,002,000	3.78%	545,002,000	3.66%
Fame Mountain	100,000,000	0.93%	500,000,000	4.16%	500,000,000	3.47%	500,000,000	3.35%
Million Succeed	—	—	500,000,000	4.16%	500,000,000	3.47%	500,000,000	3.35%
Other Public Shareholders	5,983,041,037	55.92%	5,983,041,037	49.84%	5,983,041,037	41.53%	5,983,041,037	40.14%
Maximum number of new Shares that can be issued under the remaining portion of the Existing General Mandate	—	—	929,509	0.01%	929,509	0.01%	929,509	0.01%
Maximum number of new Shares that can be issued under the New General Mandate (Note 6)	—	—	—	—	2,401,115,410	16.67%	2,401,115,410	16.11%
Sub-total of Public Shareholders	<u>6,758,481,037</u>	<u>63.17%</u>	<u>8,065,660,546</u>	<u>67.18%</u>	<u>10,466,775,956</u>	<u>72.65%</u>	<u>10,466,775,956</u>	<u>70.22%</u>
Total number of issued shares	<u>10,698,397,545</u>	<u>100.00%</u>	<u>12,005,577,054</u>	<u>100.00%</u>	<u>14,406,692,464</u>	<u>100.00%</u>	<u>14,906,692,464</u>	<u>100.00%</u>

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Notes:

1. As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang, executive Directors, was interested in 48,000,000 and 10,000,000 Shares (within the meaning of Part XV of the SFO), respectively, being the underlying shares of the share options granted to Ms. Chen Xi and Mr. Zhang Qiang 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, 1,893,101,943 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants issued to 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. As at the Latest Practicable Date, Water Lily was directly interested in 2,045,734,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings.
5. As at the Latest Practicable Date, Century Spirit was interested in 406,250,000 Shares. As at the Latest Practicable Date, Liu Xueheng, the ultimate beneficial owner of Century Spirit, was interested in 36,688,000 Shares. Liu Xueheng is also deemed to be interested in the 500,000,000 Shares held by Century Spirit immediately after the Closing pursuant to Part XV of the SFO.
6. For illustrative purpose, the maximum number of new Shares that can be issued under the New General Mandate in the table above is calculated on the basis of 20% of the aggregate number of issued Shares of the Company upon full utilisation of the Existing General Mandate (i.e. 12,005,577,054 Shares).
7. Certain figures included in the table above have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

The Company has conducted the Previous Share Issuance in the past 12 months, under which the aggregate shareholding of the public Shareholders was diluted from approximately 59.61% to approximately 55.74%. Assuming that the Existing General Mandate is fully utilised and no Share will be issued and/or repurchased and cancelled by the Company, upon full utilisation of the New General Mandate, 2,401,115,411 Shares will be issued. The aggregate shareholding of the public Shareholders will decrease from approximately 55.92% as at the Latest Practicable Date to approximately 41.53% upon full utilisation of both the Existing General Mandate and the New General Mandate, and further decrease to approximately 40.14% upon the completion of issuance of Subscription Shares to Water Lily, representing a potential maximum dilution in public shareholding by approximately 25.73% and 28.22%, respectively. Taking into account (a) the business benefits of the Proposed Refreshment of General Mandate set out in the section headed “Reasons for the Proposed Refreshment of General Mandate” above; (b) the shareholding interests of all the existing Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate; and (c) the New General Mandate will provide an alternative option to the Company to conduct fundraising in a shorter timeframe and is less costly as compared to other financing methods, the Board considers that such benefits outweigh the aggregated dilution impact on existing public Shareholders upon completion of the Company’s fundraising activities in the past 12 months and the potential utilisation of the New General Mandate, and is in the interest of the Company and the Shareholders as a whole.

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Implications under the Listing Rules

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the Proposed Refreshment of General Mandate will be subject to Independent Shareholder's approval at a general meeting of the Company.

SGM

The SGM will be convened for the purpose of considering and, if thought fit, (a) approving the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily); and (b) the Proposed Refreshment of General Mandate. A notice convening the SGM to be held at 15/F, YL Life Centre, 38 Gloucester Road, Wanchai, Hong Kong on Friday, 15 September 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular.

According to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the SGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands and an announcement on the results of the poll will be made after the SGM pursuant to Rule 13.39(5) of the Listing Rules.

Water Lily will abstain from voting on the Water Lily Share Subscription Agreement and the transactions contemplated thereunder at the SGM. Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Water Lily and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the SGM.

To the best of the knowledge and belief of the Directors, none of the Directors has any interest in the resolution(s) of the Board to consider and approve the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Water Lily and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

According to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate. As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder.

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Accordingly, Mr. Ke Liming, an executive Director, and Mr. Yang Ming, a non-executive Director, with interests in the Shares, together with their associates are required to abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate. As at the Latest Practicable Date, Mr. Ke Liming, through Pumpkin Films Limited, held 1,893,101,943 Shares (representing approximately 17.70% of the issued share capital of the Company), and Mr. Yang Ming, held 1,080,000 Shares (representing approximately 0.01% of the issued share capital of the Company). Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other chief executive of the Company or Shareholder is required to abstain from voting on the resolution to approve the Proposed Refreshment of General Mandate.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it at the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 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 (i.e. no later than 11:00 a.m. on Wednesday, 13 September 2023) 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 (a) the letter of advice from the Independent Board Committee to the Independent Shareholders on the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) and the Proposed Refreshment of General Mandate; and (b) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) and the Proposed Refreshment of General Mandate.

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 (a) the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) 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; and

LETTER FROM THE BOARD

(b) the terms of the Proposed Refreshment of General Mandate 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(s) relating thereto at the SGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Friday, 15 September 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 September 2023.

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 realised 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.

Completion of the issue of the Subscription Shares is conditional upon the fulfilment (or, if applicable, waiver) of the conditions precedent set out under each of the paragraphs headed "Conditions Precedent under the Water Lily Share Subscription Agreement" of this circular, which may or may not be fulfilled or, if applicable, waived. Accordingly, the aforementioned completions may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to (a) the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily); and (b) the Proposed Refreshment of General Mandate 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)

30 August 2023

To the Independent Shareholders

**(1) CONNECTED TRANSACTIONS INVOLVING PROPOSED ISSUE OF
NEW SHARES TO SUBSTANTIAL SHAREHOLDER
UNDER SPECIFIC MANDATE;
AND
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE**

Dear Sir or Madam,

We refer to the circular issued by the Company to its Shareholders dated 30 August 2023 (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 (a) the terms of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) are fair and reasonable, and on normal commercial terms, although not 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 (b) the terms of the Proposed Refreshment of General Mandate are in the interests of the Company and the Shareholders as a whole, and to recommend as to whether the Independent Shareholders should approve (a) the entering into of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Subscription Shares to Water Lily); and (b) the Proposed Refreshment of General Mandate. 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 7 to 26 of the Circular and a letter of advice from Maxa Capital Limited, as set out on pages 29 to 62 of the Circular, both of which provide details of (a) the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily); and (b) the Proposed Refreshment of General Mandate.

Having considered the terms of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, the allotment and issue of the Subscription Shares to Water Lily and the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily), the terms of the Proposed Refreshment of General Mandate, 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 (a) Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily) 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; and (b) the terms of the Proposed Refreshment of General Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the (a) Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (i) the allotment and issue of the Subscription Shares to Water Lily and (ii) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily); and (b) the Proposed Refreshment of General Mandate.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Mr. Chau Shing Yim,

David

Independent

non-executive Director

Mr. Nie Zhixin

Independent

non-executive Director

Mr. Chen Haiquan

Independent

non-executive Director

Professor Shi

Zhuomin

Independent

non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Maxa Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, setting out its advice in respect of (i) the terms of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder; and (ii) the Refreshment of General Mandate, which has been prepared for the purpose of inclusion in this circular.



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

30 August 2023

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING
(1) PROPOSED ISSUE OF NEW SHARES TO
SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE;
AND
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the terms of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder; and (ii) the Proposed Refreshment of General Mandate, 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 30 August 2023 (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 4 July 2023, the Company entered into the Share Subscription Agreements separately with each of the Subscribers (among which Water Lily is a connected person of the Company), pursuant to which the Company has agreed to allot and issue, and the Subscribers have agreed to subscribe an aggregate of 2,500,000,000 Subscription Shares at HK\$1.60 per Subscription Share, on the respective terms thereunder. As at the Latest Practicable Date, the Existing General Mandate is sufficient for the allotment and issue of the Subscription Shares to the Independent Subscribers (i.e. 2,000,000,000 Subscription Shares). The allotment and issue of the Subscription Shares to the Independent Shareholders is not subject to any further Shareholders’ approval. In respect of the Share Subscription by Water Lily, the relevant Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, 693,750,000 Shares have been issued to the Independent Subscribers under the Independent Subscriber Share Subscription Agreements. Subject to the terms and conditions of the Independent Subscriber Share Subscription Agreements, each of the Independent Subscribers shall complete the subscription of all the relevant Subscription Shares in one or multiple tranches before 5 September 2023. Upon completion of the allotment of issuance of 2,000,000,000 Subscription Shares to the Independent Subscribers, approximately 99.95% of the Existing General Mandate would have been utilised and 929,509 Shares may be further issued under the Existing General Mandate. As the Existing General Mandate is expected to be almost fully utilised upon completion of the Independent Subscriber Share Subscription Agreements, the Board proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolution at the SGM.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Water Lily held 2,045,734,565 Shares which represented approximately 19.12% of the issued share capital of the Company. Accordingly, Water Lily is a substantial shareholder and a connected person of the Company and the Water Lily Share Subscription Agreement (and the Share Subscription by Water Lily contemplated thereunder) constitutes a connected transaction for the Company which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, no associate of Water Lily is a Shareholder or holds any Shares that is required to abstain from voting at the SGM.

Water Lily is a Shareholder and is indirectly wholly-owned by Tencent Holdings Limited ("**Tencent Holdings**", together with its subsidiaries ("**Tencent Group**")). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Water Lily Share Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares to Water Lily and (b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to Water Lily), and is required to abstain from voting on the resolutions to approve the aforesaid matters at the SGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the approval of the Proposed Refreshment of General Mandate will be subject to Independent Shareholder's approval at a general meeting of the Company.

Further, according to Rule 13.36(4) of the Listing Rules, any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate. As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company has no controlling Shareholder. Accordingly, Mr. Ke Liming, an executive Director, and Mr. Yang Ming, a non-executive Director,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with interests in the Shares, together with their associates are required to abstain from voting in favour of the resolution to approve the Proposed Refreshment of General Mandate. As at the Latest Practicable Date, Mr. Ke Liming, through Pumpkin Films Limited, held 1,893,101,943 Shares (representing approximately 17.70% of the issued share capital of the Company), and Mr. Yang Ming, held 1,080,000 Shares (representing approximately 0.01% of the issued share capital of the Company). Save as disclosed and to the best of the knowledge, information and belief of the Directors, no other chief executives of the Company or Shareholder is required to abstain from voting on the resolution to approve the Proposed Refreshment of General Mandate.

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 (i) the Share Subscription by Water Lily; and (ii) the Proposed Refreshment of General Mandate. 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 (i) the Water Lily Share Subscription Agreement and the transactions contemplated thereunder; and (ii) the Proposed Refreshment of General Mandate. In the past two years, we were appointed by the Company as the independent financial adviser in respect of certain continuing connected transactions and share subscription transactions, details of which were set out in the circulars of the Company dated 12 June 2023, 7 September 2022, 12 April 2022 and 14 March 2022. Saved as disclosed above and apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Water Lily Share Subscription Agreement; (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 AR**”); (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 AR**”); and (iv) the annual report of the Company for the year ended 31 December 2022 (the “**2022 AR**”). 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC MANDATE

1. Background information of the Group

The Company is an investment holding company. The Group is principally engaged in content production and online streaming business, internet community services and related business and manufacture and sales of accessories.

Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2020 (“FY2020”), 31 December 2021 (“FY2021”) and 31 December 2022 (“FY2022”) as extracted from the 2020 AR, 2021 AR and 2022 AR:

	For the year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	230,114	2,318,132	1,319,928
— Content production business	—	1,296,216	105,641
— Online streaming and online gaming businesses	—	918,856	1,163,522
— Other businesses	230,114	103,060	50,765
Gross profit	110,222	1,032,268	261,615
Profit for the year	12,022	1,173,652	787,552

As illustrated in the table above, the total revenue of the Group was approximately RMB2,318.1 million for FY2021, representing an increase of approximately 907.4% as compared to approximately RMB230.1 million for FY2020. Such significant increase in the revenue was primarily attributable to the revenue derived from the content production business and online streaming and online gaming businesses segments from nil for FY2020 to approximately RMB1,296.2 million and RMB918.9 million for FY2021, respectively. On 26 October 2020, the Company announced the acquisition of Virtual Cinema Entertainment Limited for a total consideration of HK\$7.2 billion (the “VCEL Acquisition”). The acquisition was subsequently completed on 20 January 2021. Upon completion of the VCEL Acquisition, the Company, through the variable interest entity arrangement, currently controls and holds 100% interest in several variable interest entities, namely Beijing Ruyi Streaming Media Information Technology Co., Ltd. (“Beijing Ruyi”), Beijing Ruyi Jingxiu Network

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Technology Limited Company (“**Beijing Jingxiu**”), Beijing Xiaoming Zhumeng Data Services Co., Ltd. (“**Beijing Xiaoming**”) and Shanghai Ruyi Movie Television Production Co., Ltd. (“**Ruyi Films**”) and each of the wholly-owned subsidiaries of Ruyi Films. Ruyi Films is a professional film and television production arm of the Group with industry-leading capabilities in research and development, production, as well as promotion and distribution. During FY2021, Ruyi Films released multiple films and television programmes, namely “A Little Red Flower” (《送你一朵小紅花》), “Hi, Mom” (《你好，李煥英》), “The Reunions” (《吉祥如意》), “Shock Wave 2” (《拆彈專家2》), “Xiaguang” (《霞光》) and “Poetry of the Song Dynasty” (《大宋宮詞》). In particular, “A Little Red Flower”, which was released on 31 December 2020, recorded a cumulative box office of over RMB1.4 billion, and became the top-grossing film on New Year’s Day in 2021 in China. “Hi, Mom”, which was released on 12 February 2021, recorded a box office of over RMB5.4 billion, and ranked second in the box office of Chinese movies in 2021. The film also broke the record of exceeding the box office of RMB5.0 billion at the fastest pace in Chinese film history. Beijing Ruyi, Beijing Jingxiu and Beijing Xiaoming collectively operate (i) a membership based online streaming platform named “Pumpkin Films” which is principally engaged in the business of operating online video platforms; and (ii) the online gaming business of the Group.

The Group recorded net profit of approximately RMB1,173.7 million for FY2021 as compared to that of approximately RMB12.0 million for FY2020. Such significant increase for FY2021 was mainly due to the combined effects of (i) the profit derived from the content production business and online streaming and online gaming businesses segments of approximately RMB375.8 million and RMB321.1 million, respectively, after fully tapping into content production business and online streaming business during FY2021; and (ii) the net loss derived from the other businesses of approximately RMB71.6 million.

The Group’s revenue amounted to approximately RMB1,319.9 million for FY2022, representing a decrease of approximately 43.1% as compared to approximately RMB2,318.1 million for FY2021. The decrease in the Group’s revenue was mainly due to the combined effects of (i) decrease in revenue derived from the content production business by approximately RMB1,190.6 million to approximately RMB105.6 million for FY2022 as the recurring pandemic frequently affected the film arrangement in cinemas and Ruyi Films released fewer films in FY2022 as compared to FY2021. During FY2022, Ruyi Films participated in the production of the film “Moon Man” (《獨行月球》), which achieved a cumulative box office of RMB3.1 billion. In addition, Ruyi Films produced and completed the post-production for the films “Five Hundred Miles” (《交換人生》) and “Post-Truth” (《保你平安》) during FY2022, and they have been subsequently released in cinemas in January and March 2023, respectively; and (ii) increase in revenue derived from the online streaming and online gaming businesses segment by approximately RMB244.7 million to approximately RMB1,163.5 million for FY2022, which was mainly attributable to the increase in revenue derived from the online streaming business by approximately RMB189.1 million and an additional revenue of approximately RMB55.6 million generated from the online gaming business. On May 2022, the Group launched its first mobile game, “The War of Three Kingdoms” (《亂世逐鹿》), which is a Three Kingdoms-based strategy card game presented in

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a novel format. Endorsed by Tony Leung Chiu-wai, an award-winning actor, the game was recommended by the “App Store Today” and ranked top in the free game rankings on the day of its launch. After that, on 26 July 2022, the Group launched “Chuanqi Tianxia” (《傳奇天下》), a large-scale multiplayer online role-playing mobile game with official license from the Chuanqi Series. Inheriting the oriental fantasy background from its original IP, Chuanqi Tianxia brings players a more realistic and fierce battling experience with a powerful physically-based rendering system.

The Group recorded net profit of approximately RMB787.6 million for FY2022, which decreased by approximately 32.9% as compared to the net profit of approximately RMB1,173.7 million for FY2021. The decrease in the Group’s net profit for FY2022 was mainly due to the combined effects of (i) decrease of approximately RMB658.9 million in profit from the content production business segment as a result of decrease in number of films released and impairment loss on films and television programmes rights of approximately RMB295.8 million recognised during FY2022. It contributed to a segment loss of approximately RMB283.1 million for FY2022 as compared to a segment profit of approximately RMB375.8 million for FY2021; (ii) increase in other gains — net by approximately RMB668.8 million as the Group recognised fair value gain in contingent consideration payable in relation to the VCEL Acquisition of approximately RMB988.6 million; and (iii) change from net finance income of approximately RMB348.1 million for FY2021 to net finance cost of approximately RMB32.4 million for FY2022.

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Non-current assets	38,890	6,626,991	8,018,020
Current assets	<u>1,234,351</u>	<u>3,992,901</u>	<u>5,200,949</u>
Total assets	<u>1,273,241</u>	<u>10,619,892</u>	<u>13,218,969</u>
Non-current liabilities	11,811	3,275,492	3,201,956
Current liabilities	<u>78,262</u>	<u>1,724,984</u>	<u>2,041,582</u>
Total liabilities	<u>90,073</u>	<u>5,000,476</u>	<u>5,243,538</u>
Net current assets	1,156,089	2,267,917	3,159,367
Net assets	1,183,168	5,619,416	7,975,431

The Group had total assets of approximately RMB10,619.9 million as at 31 December 2021, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB2,581.9 million; (iii) intangible assets

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of approximately RMB684.8 million; and (iv) cash and cash equivalents of approximately RMB1,139.5 million. The increase in the total assets by approximately RMB9,346.7 million to approximately RMB10,619.9 million as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to the increase in (i) goodwill by approximately RMB4,214.6 million; (ii) intangible assets by approximately RMB682.6 million; (iii) film and television programmes rights by approximately RMB2,581.9 million; and (iv) trade and other receivables by approximately RMB1,145.5 million. The goodwill and the intangible assets as at 31 December 2021 were mainly resulted from the combination of the content production and online streaming business upon completion of the VCEL Acquisition. The Group had total liabilities of approximately RMB5,000.5 million as at 31 December 2021, which mainly comprised of (i) contingent consideration payable of approximately RMB2,060.6 million; (ii) deferred tax liabilities of approximately RMB502.0 million; (iii) borrowings of approximately RMB1,523.0 million; and (iv) film and television programmes investment funds from investors of approximately RMB559.1 million. The contingent consideration payable represents the share consideration and warrants consideration to be issued in relation to the VCEL Acquisition. The increase in the total liabilities by approximately RMB4,910.4 million to approximately RMB5,000.5 million as at 31 December 2021 as compared to 31 December 2020 was mainly due to the increase in (i) contingent consideration payable of approximately RMB2,060.6 million in relation to the VCEL Acquisition; and (ii) borrowings of approximately RMB1,523.0 million.

The Group had total assets of approximately RMB13,219.0 million as at 31 December 2022, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB4,061.0 million; (iii) trade and other receivables of approximately RMB2,048.7 million; and (iv) cash and cash equivalents of approximately RMB1,189.7 million. The increase in the total assets by approximately RMB2,599.1 million to approximately RMB13,219.0 million as at 31 December 2022 as compared to 31 December 2021 was mainly attributable to the increase in (i) film and television programmes rights by approximately RMB1,479.1 million; (ii) trade and other receivables by approximately RMB748.2 million; and (iii) financial assets at fair value through profit or loss of approximately RMB406.2 million. The Group had total liabilities of approximately RMB5,243.5 million as at 31 December 2022, which mainly comprised of (i) borrowings of approximately RMB1,769.9 million; (ii) contingent consideration payable of approximately RMB1,180.6 million; (iii) film and television programmes investment funds from investors of approximately RMB725.0 million; and (iv) trade payables of approximately RMB560.5 million. The increase in the total liabilities by approximately RMB243.1 million to approximately RMB5,243.5 million as at 31 December 2022 as compared to 31 December 2021 was mainly due to (i) increase in trade payables by approximately RMB510.0 million; (ii) increase in total borrowings by approximately RMB246.9 million; (iii) increase in total film and television programmes investment funds from investors by approximately RMB166.0 million; (iv) increase in other payables and accruals of approximately RMB234.0 million; and (v) was partially offset by the decrease in contingent consideration payable by approximately RMB880.0 million.

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The Group's current ratios were approximately 15.8 times, 2.3 times and 2.5 times as at each of 31 December 2020, 2021 and 2022, respectively. The significant decrease in the Group's current ratio as at 31 December 2021 as compared to 31 December 2020 was mainly attributable to the significant increase in current liabilities as a result of (i) the current portion of the contingent consideration payable of approximately RMB686.9 million recognised in relation to the VCEL Acquisition; and (ii) film and television programmes investment funds from investors of approximately RMB559.1 million recognised as current liabilities. The Group's gearing ratios, which are calculated on the basis of the Group's total debts (interest-bearing borrowings and lease liabilities) over shareholders' funds, as at each of 31 December 2020, 2021 and 2022 remained fairly stable at approximately 1.4%, 3.4% and 3.3%, respectively.

2. Background information of Tencent Holdings and Water Lily

Water Lily is a substantial shareholder, hence a connected person of the Company. It is an investment holding company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of Tencent Holdings, which is a company principally engaged in value-added services, online advertising, fin-tech and business services. As at the Latest Practicable Date, Water Lily held 2,045,734,565 Shares which represented approximately 19.12% of the issued share capital of the Company.

3. Reasons for and benefits of the Share Subscription by Water Lily

3.1 Background and reasons for the Share Subscription by Water Lily

As disclosed in the Letter from the Board, the aggregate net proceeds of the Share Subscriptions, after deduction of related fees and expenses, will be approximately HK\$4,000.0 million (as to approximately HK\$3,200.0 million from the Share Subscriptions under the General Mandate and as to approximately HK\$800.0 million from the Share Subscription by Water Lily under the Specific Mandate). The Company intends to apply the net proceeds from the Share Subscriptions in the following manner: (a) approximately HK\$1,130.8 million (equivalent to approximately RMB1,036.0 million), or approximately 28%, for the development and expansion of the Group's film and gaming business, including film and drama series projects which are currently in or expected to commence production or distribution and mobile games which are currently in operation or expected to commence distribution in 2023 and 2024, and is expected to be fully utilised by the second half of 2024; (b) approximately HK\$2,469.2 million (equivalent to approximately RMB2,262.0 million), or approximately 62%, for the expansion of film and television industry chain, primarily the acquisition of 49% of the shares in Beijing Wanda Investment Co., Ltd. (the "**Wanda Acquisition**"). Subject to the fulfillment of a number of conditions agreed in the agreement in respect of the Wanda Acquisition and the consent of the domestic industry competent authorities, the said amount is expected to be fully utilised by the end of 2023. For details of the Wanda Acquisition, please refer to the announcement of the Company dated 23 July 2023; and (c) approximately HK\$400.0 million (equivalent to approximately RMB366.4 million), or

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approximately 10% for the Group's general working capital purposes which is expected to be fully utilised by the first half of 2024, including: (i) approximately HK\$180.0 million (equivalent to approximately RMB164.9 million or approximately 4.5%) for staff costs (including salary and allowance; (ii) approximately HK\$140.0 million (equivalent to approximately RMB128.2 million or approximately 3.5%) for capital expenditure requirements; and (iii) approximately HK\$80.0 million (equivalent to approximately RMB73.3 million or approximately 2%) for other general operating expenses. The net proceeds of HK\$800 million from the Share Subscription under the Specific Mandate will be applied on a pro-rata basis in accordance with the aforementioned plan.

As discussed in the section headed "I — 1. Background information of the Group" above, the Group's revenue and gross profit decreased by approximately 43.1% and 74.7% to approximately RMB1,319.9 million and RMB261.6 million, respectively, for FY2022 as the recurring pandemic frequently affected the film arrangement in cinemas and Ruyi Films released fewer films in FY2022 as compared to FY2021. Although the Group recorded net profit and adjusted EBITDA of approximately RMB787.6 million and RMB830.4 million, respectively, for FY2022, we note from the 2022 AR that the Group had net cash used in operating activities of approximately RMB322.6 million for FY2022. In particular, we note from the Group's consolidated statement of cash flows that the cash used in film and television programmes rights for FY2022 amounted to approximately RMB2,106.4 million. As advised by the Management, such amount represent the cost incurred for the procurement of film and television scripts, salary of directors and actors, and other direct costs or expenses incurred during the production of films and television programmes rights.

Since the completion of the VCEL Acquisition in January 2021, the Group has been actively participating in the production and distribution of films and television programmes. Although the recurring pandemic frequently affected the film arrangement in cinemas, the Group managed to maintain a high production rate in FY2022 and commenced its cooperations in film production with overseas companies. For instance, Ruyi Films participated in the production of the film "Moon Man" (《獨行月球》), which achieved a cumulative box office of RMB3.1 billion. In addition, the film "One and Only" (《熱烈》) and television dramas such as "Rechter Tie" (《大唐狄公案》), "Fireworks of My Heart" (《我的人間煙火》) and "Gone with the Wind" (《微暗之火》) are also scheduled to be successively released in 2023. In respect of the online streaming business, the Group operates a membership based online streaming platform named Pumpkin Films which has seen a stable and sustainable growth in the past two years as the Group's revenue derived from the online streaming business increased from approximately RMB918.9 million in FY2021 to approximately RMB1,108.0 million in FY2022. During FY2022, Pumpkin Films continued to purchase high-quality domestic content and import film and television drama content, and use high-quality content and innovative services to meet the diverse needs of its subscribers. As the awareness of users on paying for quality dramas and films has been increasing and becoming a habit,

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streaming media platform has become an important platform for public to enjoy dramas and films. Thus, the Group will continue the vigorous development of its content production and online streaming business.

On 10 January 2022, Beijing Jingxiu (formerly known as Shenzhen Jingxiu Network Technology Co., Ltd.) entered into a cooperation agreement with Shenzhen Tencent Computer Systems Company Limited (“**Tencent Computer**”), a company established in the PRC and a controlled structured entity of Tencent Holdings, pursuant to which Tencent Computer shall provide, among other things, technical services and channel promotion services for the Group’s game products in Mainland China (the “**2022 Game Cooperation Agreement**”). As advised by the Management, the 2022 Game Cooperation Agreement enables the Group to broaden the scope of its entertainment business and concurrently enhance the monetization of the proprietary intellectual properties of the Group through the linkage between films and games. As discussed in the section headed “I — 1. Background information of the Group” above, the Group has launched two mobile games, namely The War of Three Kingdoms and Chuanqi Tianxi, after entering into the 2022 Game Cooperation Agreement with Tencent Computer. To further broadening the scope of game cooperation and enriching the cooperation model in the game field between the Group and Tencent Holdings, on 22 February 2023, Beijing Jingxiu and Tencent Computer entered into another game cooperation framework agreement (the “**2023 Game Cooperation Agreement**”) pursuant to which (i) Tencent Computer agreed to license Beijing Jingxiu to distribute and operate the games developed by Tencent Group (the “**Cooperation Products**”) as exclusive distributor or distributor on certain platforms; (ii) Tencent Computer and Beijing Jingxiu agreed to jointly distribute and operate the Cooperation Products; and (iii) Beijing Jingxiu agreed to provide marketing and advertising services to Tencent Computer.

As advised by the Management, the Group will continue to strive to secure more quality game projects in the future, and such projects are expected to launch in the next few years. The Management will continue to adhere to its quality-focused development strategy, launch more quality game projects, and provide premier services to fully satisfy users with higher-quality and more diversified entertainment experiences, such that the Group can further enhance users’ stickiness and attract more new users, in hopes of further elevating in the Group’s revenue. In light of the above, we consider that it is reasonable for the Group to deploy more financial resources in order to accommodate the potential growth of the content production business and online streaming and online gaming business segments.

As advised by the Management, the Group had cash and cash equivalents of approximately RMB880 million as at 30 June 2023. In addition, as disclosed in the Letter from the Board, the Company raised net proceeds of approximately HK\$1,560.0 million from the Previous Share Issuance which were intended to be utilised for the Group’s general working capital purposes and the growth and expansion of the business of the Group, including content production, purchase of drama script and copyright,

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purchase of copyright of films and TV programs and development of online gaming business. As at the Latest Practicable Date, the unutilised amount of the net proceeds of the Previous Share Issuance amounted to approximately HK\$244.0 million.

Reference is made to the announcement of the Company dated 23 July 2023, on 20 July 2023, Ruyi Films entered into an equity transfer agreement with Beijing Wanda Cultural Industry Group Co., Ltd (“**Beijing Culture**”), stipulating that Ruyi Films shall acquire 49% of the shares in Beijing Wanda Investment Co., Ltd. held by Beijing Culture at a consideration of approximately RMB2,262.0 million. As advised by the Management, the net proceeds of approximately HK\$2,469.2 million (equivalent to approximately RMB2,262.0 million) as mentioned above will be primarily applied to fund the Wanda Acquisition.

As part of our due diligence work, we have reviewed (i) the breakdown of the film and drama series projects; (ii) the estimated production costs of the film and drama series currently in production or in the planning stage; and (iii) the estimated costs for operation, marketing and promotion of the existing mobile games and the estimated business development costs for new mobile games. Taking into account (i) the Group’s cash and cash equivalent of approximately RMB880 million as at 30 June 2023; (ii) the net proceeds from the Shares Subscription of approximately RMB3,664.4 million; (iii) the estimated cash outflow to be incurred for the Group’s content production, online streaming business and development of online gaming business of approximately RMB1,036.0 million; and (iv) the funding required to finance the Wanda Acquisition of approximately RMB2,262.0 million, the Company will apply remaining working capital of approximately RMB1,246.4 million for its daily operations and further business developments after the completion of Share Subscriptions. As advised by the Management, apart from the net proceeds from the Previous Share Issuance and the Share Subscriptions which will be applied for the films and television drama projects scheduled to commence production and distribution in 2023 and 2024, there are several films and television drama projects that are currently in the pipeline and at their early stages without concrete production or distribution plan, and the estimated costs for such potential films and television drama projects will be in the range of approximately RMB1.0 to RMB1.2 billion. The Management will evaluate (i) commercial viability of the film and television drama projects, (ii) internal financial resources then available; and (iii) market conditions from time to time to decide whether to commence production of these remaining films and television drama projects. Therefore, without taking into account the potential film and television drama projects that are yet to schedule for production, the working capital available to the Company, assuming the Share Subscriptions would be fully completed, should be sufficient to support the Group’s business development within the next twelve months. Furthermore, as advised by the Management, in the circumstances that additional fundings are required to seize new business opportunities or commence production of the potential film and television drama projects in the pipeline, the Company will first seek for business cooperation or joint investment from other film or television drama production companies and then,

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depending on the prevailing capital market condition, resort to equity financing. In view on the above, we concur with the Management's view that the Share Subscriptions would further replenish the Group's working capital and would be sufficient to support the Group's business development.

We note that the Company has established a long-standing business relationship with Tencent Holdings, a Chinese multinational technology and entertainment conglomerate, which ranks 1st in the gaming industry in China and is one of the leaders in the video distribution industry in China. On 20 April 2021, Beijing Xiaoming entered into a cooperation agreement with Tencent Technology (Beijing) Company Limited, a wholly-owned subsidiary of Tencent Holdings, on in-depth cooperation between Pumpkin Films and Tencent Group, allowing subscribers of Pumpkin Films to gain access to an extensive number of dramas and movies under the exclusive copyright of Tencent Group. We believe the above business cooperation, the 2022 Game Cooperation Agreement and the 2023 Game Cooperation Agreement demonstrate Tencent Holdings' support to facilitate the rapid development of the Group. We consider that the Share Subscription by Water Lily reflects Tencent Group's recognition on the business development of the Group as well as its confidence in the future development of the Group.

3.2 *Alternative financing*

We understand from the Management that the Company has considered other fund-raising alternatives available to the Group before resolving to the Share Subscriptions, such as debt financing and other means of equity financing such as rights issue or open offer. Regarding debt financing, the Management considers that it usually requires security of properties and other assets, which is not feasible to the Company, given that the Company does not possess any material tangible assets as collaterals for borrowing. We have reviewed the 2022 AR and noted that the Group's total assets mainly comprised of (i) goodwill and intangible assets resulting from the VCEL Acquisition; (ii) film and television programmes rights; (iii) trade and other receivables, which are usually not accepted by financial institutions as collaterals for borrowing. Regarding rights issue or open offer, the Management considers that both rights issue or open offer will (i) on one hand, incur additional costs, including but not limited to, underwriting commission and other professional fees for the issue of listing documents and the drafting of documents including but not limited to (where applicable) underwriting agreement(s), sub-underwriting agreement(s), announcement(s), prospectus; and (ii) on the other hand, consume a relatively longer period to complete (which is estimated to take up to approximately four months), as more time is required for preparing a rights issue prospectus than a circular to the Shareholders and to comply with the regulatory requirements for the trading period/offer period under a rights issue after the rights issue prospectus is despatched. In addition, the Company estimates that conducting a rights issue or an open offer would incur additional costs.

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Having considered the reasons and factors above, including (i) the proposed use of proceeds of the Share Subscriptions by the Group; (ii) the Share Subscriptions would strengthen the capital base and improve the liquidity position of the Group; (iii) both rights issue and open offer would involve listing documentary, possible underwriting, other application and administrative procedures, which, together with the time required to arrange for a shareholders' meeting if shareholders' approval is required, would be relatively more time-consuming and cost-inefficient; and (iv) the Share Subscription by Water Lily reflects the confidence of Tencent Holdings towards the long-term and sustainable growth of the Group, we concur with the Directors' view that the Share Subscription by Water Lily is in the interests of the Company and the Shareholders as a whole.

4. Share Subscription by Water Lily

4.1 *Principal terms of the Water Lily Share Subscription Agreement*

The principal terms of the Water Lily Share Subscription Agreement are summarized as below:

Date:	4 July 2023
Parties:	(i) the Company, as issuer; and (ii) Water Lily, as Subscriber
Subscription Shares:	500,000,000 Subscription Shares
Subscription Price:	HK\$1.60 per Subscription Share

Subscription Shares

The 500,000,000 Subscription Shares represent (a) approximately 5.00% of the issued share capital of the Company as at the date of the Water Lily Subscription Agreement; (b) approximately 4.67% of the issued share capital of the Company as at the Latest Practicable Date; and (c) approximately 4.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares to the Independent Subscribers and Water Lily.

Ranking

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Subscription Shares.

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Conditions Precedent

Completion of the Water Lily Share Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions precedent:

- (a) the passing of resolution(s) by the Independent Shareholders at the SGM approving the Water Lily Share Subscription Agreement and the transactions contemplated thereunder;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the relevant Subscription Shares and such approval not having been withdrawn or revoked;
- (c) the current listing of the Shares on the Stock Exchange not having been cancelled or withdrawn;
- (d) each of the warranties included in the Water Lily Share Subscription Agreement given by the Company remaining true and accurate in all respects and not misleading in any respect as at Closing;
- (e) the Company not having breached the pre-completion undertakings given in the Water Lily Share Subscription Agreement entered into between the Company and Water Lily in any respect, and not having materially breached or failed to perform in any material respect its other obligations or undertakings under the Water Lily Share Subscription Agreement prior to Closing;
- (f) all consents, approvals, permits, authorizations or clearances (as the case may be) that the Company reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution, implementation and completion of the Water Lily Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing;
- (g) all consents, approvals, permits, authorizations or clearances (as the case may be) that Water Lily reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution, implementation and completion of the Water Lily Share Subscription Agreement having been obtained, and all such consents, approvals, permits, authorisations and clearances not having been revoked or withdrawn at any time before Closing; and

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- (h) from the date of the Water Lily Share Subscription Agreement entered into between the Company and Water Lily up to and as at the Water Lily Closing Date, there not having occurred any change (nor any development or event involving a prospective change), in the business, assets and liabilities, condition (financial or otherwise), business operations, results of operations or general affairs of the Company or the Group taken as a whole (whether or not arising in the ordinary course of business), which, in the reasonable opinion of Water Lily, has or would have a Material Adverse Effect.

At any time on or before 11:59 p.m. on the Water Lily Closing Date, Water Lily may waive any Condition Precedent set out in paragraphs (d) to (h) pursuant to the Water Lily Share Subscription Agreement. The Condition Precedent set out in paragraphs (a), (b) and (c) cannot be waived by any party. As at the Latest Practicable Date, none of the Conditions Precedent under the Water Lily Share Subscription Agreement has been fulfilled.

Termination

If any Condition Precedent set out in paragraphs (a), (b) and (c) as to Water Lily Share Subscription Agreement has not been satisfied by 11:59 p.m. on the Water Lily Longstop Date, the Water Lily Share Subscription Agreement shall be automatically terminated with immediate effect. If any Condition Precedent set out in paragraphs (d) to (h) has not been waived by Water Lily pursuant to the terms of the Water Lily Share Subscription Agreement or has not been satisfied by 11:59 pm on the Water Lily Closing Date, the Water Lily Share Subscription Agreement shall be automatically terminated with immediate effect. Upon termination of the Water Lily Share Subscription Agreement, the Company shall refund to Water Lily any Subscription Price already paid within five (5) Business Days from the date of termination or the intended Closing Date (as the case may be).

Closing

Subject to the Conditions Precedent set out in paragraphs (a) to (h) being satisfied or waived (as applicable) and the relevant terms under the Water Lily Share Subscription Agreement, Closing under the Water Lily Share Subscription Agreement shall occur on the date that is ten (10) Business Days after the date (not being later than the Water Lily Longstop Date) on which the last of the Conditions Precedent (other than those conditions which are expressed to be satisfied on or as at the Water Lily Closing Date, but subject to the satisfaction or waiver of such conditions) is satisfied or waived (if applicable) via exchange of documents and signatures, or at such other date, time and venue as the parties may agree in writing (the “**Water Lily Closing Date**”).

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More Favourable Terms

In respect of the Water Lily Share Subscription Agreement, the Company undertook to Water Lily that, in the event the Company at any time proposes to grant or has granted to any Subscribers other than Water Lily, whether under any other Share Subscription Agreements or otherwise, any terms, rights, powers, privileges or preferences relating to or in connection with the Share Subscriptions by any other Subscribers which are in any way more favourable than those granted to Water Lily under the Water Lily Share Subscription Agreement (the “**More Favourable Terms**”), Water Lily shall be entitled to such More Favourable Terms and the Company shall immediately notify Water Lily of such More Favourable Terms and take all necessary actions to procure that such More Favourable Terms are offered and granted to Water Lily as soon as practicable.

As advised by the Management, none of the Independent Subscribers is entitled to any terms which are of equivalent effect to the More Favourable Terms. The Directors consider that the offer of the More Favourable Terms to Water Lily exclusively is fair and reasonable, as the Group strives to maintain and strengthen its collaborative relationship with Tencent Group and further tap into Tencent Group’s extensive experience and resources in the realms of online streaming and game products operation.

As advised by the Management, the More Favourable Terms are intended to ensure that Water Lily shall be entitled to the same terms, rights, power, privileges or preferences that are granted to other Subscribers. Therefore, we consider that the More Favourable Terms only serve as a protection to Water Lily such that it will receive equal treatment as other Independent Subscribers and ensure that the terms of the Water Lily Share Subscription Agreement shall be no less favourable than the terms of other Share Subscription Agreements. Also, the Management advises that the grant of the More Favourable Terms is in recognition of the collaborative relationship between the Group and Tencent Group, as Tencent Group has provided continued support to the Group’s online streaming and game products operation (as discussed in the section headed “I — 3.1 Background and reasons for the Share Subscription by Water Lily”). Although the Independent Subscribers are not entitled to the More Favourable Terms, we consider that it is an outcome of arm’s length negotiation between the other Subscribers and the Company and the absence of the More Favourable Terms in the other Share Subscription Agreements would not, in the context of the Share Subscriptions, have any material adverse effect to the interest of the Company and Shareholders as a whole. In view of the above, we consider the grant of the More Favourable Terms to Water Lily is justifiable.

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Specific Mandate

In respect of the Share Subscription by Water Lily, the relevant Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

4.2 Evaluation of the Subscription Price

As set out in the Letter from the Board, the Subscription Price of HK\$1.60 per Subscription Share was determined after arm's length negotiation between the Company and each of the Subscribers after taking into account the prevailing market price of the Shares and the trading volume of the Shares.

We note that the Subscription Price of HK\$1.60 per Subscription Share represents:

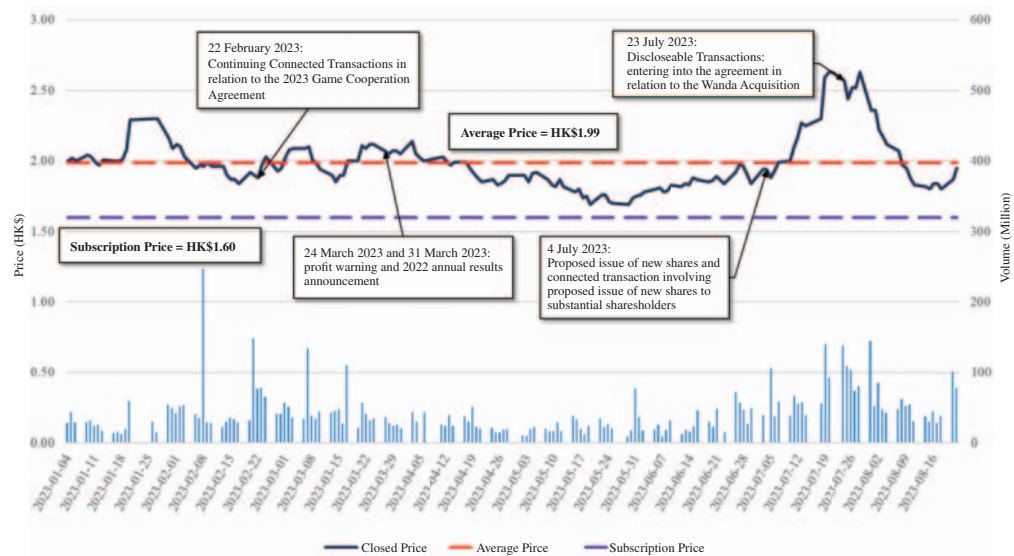
- (i) a discount of approximately 17.53% to the closing price of HK\$1.94 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.67% to the average closing price of approximately HK\$1.92 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 15.79% to the average closing price of approximately HK\$1.90 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 84.23% to the audited net asset value of approximately HK\$0.87 per Share as at 31 December 2022 (calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$8,688,650,510 (equivalent to approximately RMB7,971,239,000) as at 31 December 2022 and 10,004,647,545 Shares then in issue); and
- (v) a cumulative theoretical value effect (with the meaning ascribed to it in Rule 7.27B of the Listing Rules) of approximately 1.04%, calculated by dividing the cumulative price discount with the total number of shares issued immediately before the 2022 Water Lily Share Subscription Agreement and shares issued pursuant to the 2022 Water Lily Share Subscription Agreement and the Water Lily Share Subscription Agreement, based on the average closing price of approximately HK\$2.67 per Share (as quoted on the Stock Exchange for the last five (5) trading days up to and including the date of the 2022 Water Lily Share Subscription Agreement) and HK\$1.94 per Share (as quoted on the Stock Exchange for the Last Trading Day).

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4.2.1 Review of the historical Share price performance

We have reviewed the daily closing prices of the Shares for the period from 4 January 2023 (being the 6-months period prior to the date of the Water Lily Share Subscription 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 Subscription Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Share Price Performance during the Review Period



Source: Wind

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As illustrated in the chart above, during the Review Period, the closing Share price was traded at an average of approximately HK\$1.99. On 22 February 2023, the Company issued an announcement in relation to the 2023 Game Cooperation Agreement. Subsequent to the abovementioned announcement, we note that the Share prices demonstrated a general upward trend and increased from approximately HK\$1.88 on 22 February 2023 to approximately HK\$2.10 on 7 March 2023. On 24 March 2023, the Company issued a profit warning announcement for FY2022 as the Group expected to record a significant decrease in the unaudited net profit, which was primarily due to the films produced by the Group were delayed to make debut on cinema screens due to the impact of the COVID-19 pandemic, and the box office revenue was also affected by the pandemic prevention and control measures, causing a decrease in the Group's film and television production revenue. On 31 March 2023, the Company announced its annual results for the year ended 31 December 2022 of which the Group recorded net profit of approximately RMB787.6 million for FY2022 as compared to the net profit of approximately RMB1,173.7 million for FY2021. Subsequent to the negative profit warning and 2022 annual results announcements, the Share prices demonstrated a general declining trend and reached its lowest point of approximately HK\$1.69 on 19 May 2023. The Share prices demonstrated a general upward trend since then and up to the date of the Water Lily Share Subscription Agreement. Shortly after the announcement of the Share Subscription Agreements, the Share prices surged to the highest point of approximately HK\$2.63 on 20 July 2023. On 23 July 2023, the Company issued an announcement in relation to the Wanda Acquisition at a consideration of RMB2,262.0 million. Subsequent to this announcement, the Company's Share prices have shown a decreasing trend in general, and decreased to approximately HK\$2.07 on 7 August 2023. The Subscription Price represents discounts of approximately 5.33%, 19.45% and 39.16% to the lowest, average and highest Share prices, respectively, during the Review Period.

4.2.2 Comparable issues analysis

In assessing the fairness and reasonableness of the Subscription Price, we have identified a list of transactions in relation to the subscription of new shares (excluding new shares to be issued under any convertible or derivative instrument) (the "**Comparable Issues**") conducted by companies listed on the Stock Exchange that announced during the Review Period. The selection of the Comparable Issues is based on the following criteria: (i) subscription of new shares carried out by the companies listed on the Main Board of the Stock Exchange with market capitalisation of at least HK\$5.0 billion as at the date of announcing the Comparable Issues. When determining the initial minimum market capitalisation of

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the comparable companies, we note that the Shares of the Company are one of the eligible securities under the Shenzhen-Hong Kong Stock Connect. Given that it is one of the eligibility requirements under the Shenzhen-Hong Kong Stock Connect for the companies listed on the Stock Exchange to be the constituent stocks of the Hang Seng Composite SmallCap Index that have a market capitalisation of not less than HK\$5.0 billion, therefore we consider that it is fair and reasonable to adopt HK\$5.0 billion as the minimum market capitalisation threshold for comparable analysis purpose; (ii) excluding issues under share award plan or for emolument or restructuring scheme or acquisition purposes; and (iii) excluding issues of A shares or domestic shares. On a best effort basis, we have only identified an exhaustive list of one transaction which meet the aforesaid criteria by searching the website of the Stock Exchange. Given that there is only one transaction in relation to subscription of new shares conducted by companies with market capitalisation of over HK\$5.0 billion during the Review Period, we have therefore decided to (i) adjust the market capitalisation of the selecting comparables from HK\$5.0 billion to HK\$1.0 billion; and (ii) extend the review period of the Comparable Transactions from six months to 12 months immediately prior to the date of the Water Lily Share Subscription Agreement and up to the Latest Practicable Date (the “**Extended Review Period**”) in order to generate a meaningful sample size for comparison purpose. To the best of our knowledge and as far as we are aware of, we identify an exhaustive list of ten transactions which meet the aforesaid revised criteria by searching on 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 Extended Review Period) in relation to subscription of new shares conducted by companies listed on the Stock Exchange.

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 subscription price of such Comparable Issues with the corresponding Premium/Discount and Five Days Premium/Discount represented by the Subscription 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.

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

Date of announcement	Company name	Stock code	Connected transactions or not	Market Capitalisation as at the last trading day prior to/on the date of the respective subscription announcement (HK\$ million)	Premium/ (Discount) over/of the subscription price to closing price per share on the last trading day prior to/on the date of the respective subscription announcement	Premium/ (Discount) over/of the subscription price to closing price per share on the last five trading days prior to/on the date of the respective subscription announcement
13-Jul-22	China Anchu Energy Storage Group Limited (formerly known as China Fordoo Holdings Limited)	2399	No	1,297.05	(11.29)%	(5.17)%
14-Jul-22	China Ruyi Holdings Limited (<i>Note 1</i>)	136	Yes	22,918.88	(2.04)%	(10.11)%
22-July-22	Ximei Resources Holdings Limited	9936	No	1,365.00	(12.10)%	(11.50)%
4-Aug-22	HG Semiconductor Limited	6908	No	2,074.01	(10.86)%	(10.61)%
29-Sep-22	HG Semiconductor Limited	6908	No	2,211.85	(22.28)%	(23.47)%
2-Dec-22	C-Mer Eye Care Holdings Limited	3309	No	5,032.57	(4.91)%	1.04%
17-Jan-23	Digital Domain Holdings Limited	547	No	1,406.93	(1.54)%	(2.74)%
20-Apr-23	Digital Domain Holdings Limited	547	No	1,114.36	(9.39)%	(12.32)%
12-Jun-23	Digital Domain Holdings Limited	547	No	1,288.32	(9.68)%	(19.13)%
26-Jul-23	XPeng Inc.	9868	No	104,756.34	(3.2)%	(2.0)%
				Mean	(8.73)%	(9.60)%
				Median	(9.54)%	(10.36)%
				Maximum	(1.54)%	1.04%
				Minimum	(22.28)%	(23.47)%
				Subscription Price	(17.53)%	(16.67)%

Note:

- Although this comparable transaction is related to the Previous Share Issuance, we consider that it is a fair sample for the purpose our comparable analysis given that: (a) a portion of the new shares issued under the Previous Share Issuance were subscribed by third parties that are independent of the Company and its connected persons; (b) the salient terms of the share subscription by Water Lily under the Previous Share Issuance are in line with the terms of the shares subscriptions by the independent subscribers; (c) the Previous Share Issuance fulfill all of the selection criteria of the Comparable Issues as mentioned above.

Source: The Stock Exchange website

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As illustrated by the table above, we note that the Premium/Discount of the Comparable Issues ranged from discounts of approximately 22.28% to 1.54%, with the mean and median discounts of approximately 8.73% and 9.54%, respectively. In addition, the Five Days Premium/Discount of the Comparable Issues ranged from discounts of approximately 23.47% to premium of approximately 1.04%, with the mean and median discounts of approximately 9.60% and 10.36%, respectively.

As shown by the market comparison above, the (a) discount to the Subscription Price of approximately 17.53% to the closing price per Share on the Last Trading Day is within the range of the Premium/Discount of the Comparable Issues, and higher than the mean and median discounts of the Comparable Issues; and (b) discount to the Subscription Price of approximately 16.67% to the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day is within the range of the Five Days Premium/Discount of the Comparable Issues, and higher than the mean and median discounts of the Comparable Issues.

Although the discount of the Subscription Price to the closing price per Share on the Lasts Trading Day is higher than the mean and median discounts of the Premium/Discount and the discount of the Subscription Price to the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day is higher than the mean and median discounts of the Five Days Premium/Discount of the Comparable Issues, we consider that the discounts of the Subscription Price are justifiable given that (i) the Group's less than satisfactory financial result for FY2022 as both its revenue and net profit decreased by approximately 43.06% and 32.90%, respectively, as compared to FY2021; (ii) the Subscription Price is at a premium of approximately 83.91% to the audited net asset value of the Group attributable to the Shareholders of approximately HK\$0.87 per Share; and (iii) the Subscription Price is determined at a relatively higher discount to prevailing market price in order to attract the Subscribers in light of the substantial amount of fund raised (i.e. HK\$4,000.0 million) from the Share Subscriptions.

In view of the above and further taking into account that (i) the general market sentiment has been stagnant with the Hang Seng Index falling from around 22,000 points in mid-January 2023 to around 19,000 points in early July 2023; and (ii) the Subscription Price of the Share Subscription by Water Lily is the same as the Share Subscriptions by the Independent Subscribers, we consider that the Subscription Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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5. Potential dilution effect on the existing public Shareholders

The Share Subscription by Water Lily would dilute shareholding of the existing Shareholders. The shareholding structure of the Company (i) as at the Last Practicable Date; and (ii) immediately after the Closing (assuming that there being no other changes to the issued share capital of the Company between the Latest Practicable Date and the Closing Dates, save for the allotment and issue of the Subscription Shares), are set out as follows:

Name of Shareholder	(i) As at the date of the Announcement		(ii) As at Latest Practicable Date		(iii) Immediately after the Closing (assuming that there is no change in the number of the issued Shares between the Latest Practicable Date and each of the Closing Dates, save for the allotment and issue of the Subscription Shares)	
	Number of Shares	Approximate percent. (%)	Number of Shares	Approximate percent. (%)	Number of Shares	Approximate percent. (%)
<i>Director (Note 1)</i>						
Mr. Ke Liming (Note 2)	1,893,101,943	18.92%	1,893,101,943	17.70%	1,893,101,943	15.14%
Mr. Yang Ming (Note 3)	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%
<i>Substantial Shareholders (Other than Mr. Ke Liming)</i>						
Water Lily (Note 4)	<u>2,045,734,565</u>	<u>20.45%</u>	<u>2,045,734,565</u>	<u>19.12%</u>	<u>2,545,734,565</u>	<u>20.36%</u>
Sub-total of non-public Shareholders	<u>3,939,916,508</u>	<u>39.38%</u>	<u>3,939,916,508</u>	<u>36.83%</u>	<u>4,439,916,508</u>	<u>35.51%</u>
<i>Public Shareholders</i>						
Liu Xueheng (Note 5)	36,688,000	0.37%	442,938,000	4.14%	536,688,000	4.29%
Cubtract Ventures	45,002,000	0.45%	232,502,000	2.17%	545,002,000	4.36%
Fame Mountain	—	—	100,000,000	0.93%	500,000,000	4.00%
Million Succeed	—	—	—	—	500,000,000	4.00%
Other Public Shareholders	<u>5,983,041,037</u>	<u>59.80%</u>	<u>5,983,041,037</u>	<u>55.92%</u>	<u>5,983,041,037</u>	<u>47.85%</u>
Sub-total of Public Shareholders	<u>6,064,731,037</u>	<u>60.62%</u>	<u>6,758,481,037</u>	<u>63.17%</u>	<u>8,064,731,037</u>	<u>64.49%</u>
Total number of issued shares	<u>10,004,647,545</u>	<u>100.00%</u>	<u>10,698,397,545</u>	<u>100.00%</u>	<u>12,504,647,545</u>	<u>100.00%</u>

Notes:

- As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang, executive Directors, was interested in 48,000,000 and 10,000,000 Shares (within the meaning of Part XV of the SFO), respectively, being the underlying shares of the share options granted to Ms. Chen Xi and Mr. Zhang Qiang 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.

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2. As at the Latest Practicable Date, 1,893,101,943 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly-owned by him.
3. As at the Latest Practicable Date, Mr. Yang Ming, a non-executive Director, was directly interested in 1,080,000 Shares.
4. As at the Latest Practicable Date, Water Lily was directly interested in 2,045,734,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings Limited.
5. As at the Latest Practicable Date, Century Spirit was interested in 406,250,000 Shares. As at the Latest Practicable Date, Liu Xueheng, the ultimate beneficial owner of Century Spirit, was interested in 36,688,000 Shares. Liu Xueheng is also deemed to be interested in the 500,000,000 Shares by Century Spirit immediately after the Closing pursuant to Part XV of the SFO.
6. Certain figures included in the table above have been rounded to the nearest integer or to 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, Water Lily's shareholding in the Company will increase from approximately 19.12% to 20.36% immediately after the Closing. The shareholding of the existing public Shareholders (excluding the Independent Subscribers) as at the Latest Practicable Date was approximately 55.92% and will be diluted to approximately 47.85% immediately after the Closing. In this regard, in view of (i) the reasons for and benefits of the Share Subscription by Water Lily as mentioned in the section headed "I — 3.1 Background and reasons for the Share Subscription by Water Lily" above; (ii) the analysis of financing alternative methods as mentioned in the section headed "I — 3.2 Alternative Financing" above; and (iii) the terms of the Share Subscription by Water Lily being fair and reasonable, we consider that the dilution to the shareholding of the other public Shareholders resulting from the Share Subscription by Water Lily is acceptable.

6. Possible financial effects of the Share Subscription by Water Lily

Pursuant to the 2022 AR, the net assets of the Group amounted to approximately RMB7,975.4 million as at 31 December 2022. Immediately after the Closing, it is expected that (i) the aggregate gross proceeds from the Share Subscription by Water Lily will be recorded and the net assets of the Group will increase by approximately HK\$4,000.0 million; and (ii) the current ratio of the Group will increase from approximately 2.55 times to approximately 4.34 times.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Closing. Based on the analyses above, the net asset position and the financial ratios in relation to the liquidity of the Company would be improved as a result of the Share Subscription by Water Lily. As such, we are of the view that the Share Subscription by Water Lily is in the interest of the Company and Shareholders as a whole.

II. PROPOSED REFRESHMENT OF GENERAL MANDATE

1. Background information of the Proposed Refreshment of General Mandate

1.1 Utilisation of the Existing General Mandate

At the 2023 Annual General Meeting, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot, issue and deal with up to 2,000,929,509 Shares, representing approximately 20% of the issued share capital of the Company as at the date of granting of the Existing General Mandate.

As at the Latest Practicable Date, 693,750,000 Shares have been issued to the Independent Subscribers under the Independent Subscriber Share Subscription Agreements. Subject to the terms and conditions of the Independent Subscriber Share Subscription Agreements, each of the Independent Subscribers shall complete the subscription of all the relevant Subscription Shares in one or multiple tranches before 5 September 2023. Upon completion of the allotment and issuance of 2,000,000,000 Subscription Shares to the Independent Subscribers, approximately 99.95% of the Existing General Mandate would have been utilised and 929,509 Shares may be further issued under the Existing General Mandate.

1.2 Proposed Refreshment of General Mandate

An ordinary resolution will be proposed to the Independent Shareholders for approving the Proposed Refreshment of General Mandate that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares up to 20% of the issued share capital of the Company as at the date of the SGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the 2023 AGM.

The New General Mandate will, if granted, be valid until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable laws or the bye-laws of the Company; or
- (iii) the revocation or variation of the authority given to the Directors by passing an ordinary resolution by the Shareholders at a general meeting.

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As at the Latest Practicable Date, the Company has an aggregate of 10,698,397,545 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Proposed Refreshment of General Mandate at the SGM by the Independent Shareholders and assuming that no further Shares are issued and/or repurchased by the Company from the Latest Practicable Date to the date of the SGM, the Company would be allowed under the New General Mandate to allot and issue 2,139,679,509 Shares, being approximately 20% of the total number of issued share capital of the Company as at the Latest Practicable Date.

2. Reasons for and benefits of the Proposed Refreshment of General Mandate

As disclosed in the section headed “II — 1. Background information of the Proposed Refreshment of General Mandate” above, upon completion of the allotment and issuance of 2,000,000,000 Subscription Shares to the Independent Subscribers, approximately 99.95% of the Existing General Mandate would have been utilised and 929,509 Shares may be further issued under the Existing General Mandate. Subject to the terms and conditions of the Independent Subscriber Share Subscription Agreements, each of the Independent Subscribers shall complete the subscription of all the relevant Subscription Shares in one or multiple tranches before 5 September 2023. Assuming the Share Subscriptions by the Independent Subscribers will be fully completed in early September 2023 and the next annual general meeting of the Company will be held no later than June 2024, it is possible that the Company may not have sufficient general mandate to promptly fulfill its fund-raising needs and/or investment opportunities for the next ten months.

Since the completion of the VCEL Acquisition in January 2021, the Group has been actively participating in the production and distribution of films and television programmes. Although the recurring pandemic frequently affected the film arrangement in cinemas, the Group managed to maintain a high production rate in FY2022 and commenced its cooperations in film production with overseas companies. In addition, the Group entered into the 2022 Game Cooperation Agreement and the 2023 Game Cooperation Agreement with Tencent Computer in January 2022 and February 2023, respectively, to broaden its scope of entertainment business and enhance its cooperation in the game business with Tencent Holdings. The Management will continue to adhere to its quality-focused development strategy, launch more quality game projects, and provide premier services to fully satisfy users with higher-quality and more diversified entertainment experiences, such that the Group can further enhance users’ stickiness and attract more new users, in hopes of further elevating in the Group’s revenue. Therefore, we consider that the Proposed Refreshment of General Mandate would provide the Group with flexibility to grasp potential business opportunities of its online streaming and online gaming businesses and cater for future funding requirement of the Group.

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2.1 Review of the Group's cash resources

As discussed in the section headed “I — 1. Background information of the Group” above, the Group's revenue and gross profit decreased by approximately 43.1% and 74.7% to approximately RMB1,319.9 million and RMB261.6 million, respectively, for FY2022 as the recurring pandemic frequently affected the film arrangement in cinemas and Ruyi Films released fewer films in FY2022 as compared to FY2021. Although the Group recorded net profit and adjusted EBITDA of approximately RMB787.6 million and RMB830.4 million, respectively, for FY2022, we note from the 2022 AR that the Group had net cash used in operating activities of approximately RMB322.6 million for FY2022. In particular, we note from the Group's consolidated statement of cash flows that the cash used in film and television programmes rights for FY2022 amounted to approximately RMB2,106.4 million. As advised by the Management, such amount represent the cost incurred for the procurement of film and television scripts, salary of directors and actors, and other direct costs or expenses incurred during the production of films and television programmes rights.

As advised by the Management, in light of the increase in the number of films and television drama projects in the Ruyi Films' pipeline, the Group's cost incurred for production of films and television drama projects will increase correspondingly. Although the Group has conducted the Previous Share Issuance in FY2022 to raise net proceeds of approximately HK\$1,560.0 million to replenish its working capital, the Group's cash position as at 31 December 2022 only slightly increased by approximately RMB50.3 million to RMB1,189.7 million as compared to 31 December 2021. On the other hand, the Group's total borrowings increased from approximately RMB1,523.0 million as at 31 December 2021 to approximately RMB1,769.9 million as at 31 December 2022. As discussed in the section headed “I — 1. Background information of the Group” above, the Group's cash position has reduced to approximately RMB880 million as at 30 June 2023. In light of the above, we consider that the Refreshment of General Mandate will provide the Group with financial flexibility for future allotment and issue of Shares and preserve its cash resource for the Group's business operation.

2.2 Review of the Group's needs for additional funding

As discussed in the section headed “I — 3.1 Background and reasons for the Share Subscription by Water Lily”, the Company intends to apply part of net proceeds from the Share Subscriptions for production or distribution of certain film and drama series projects which are currently in or expected to commence in 2023 and 2024. Also, the amount of working capital available to the Group would be approximately RMB1,246.4 million, taking into account the Group's cash position of approximately RMB880 million as at 30 June 2023 and RMB366.4 million from the net proceeds of the Share Subscriptions which will be applied for general working capital purpose. Nevertheless, as advised by the Management, the Company may also seek for appropriate opportunities to (i) commence production and distribution of other films and television drama projects in

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Ruyi Films' pipeline in 2024 depending on the market condition of the film and television industry with estimated costs in the range of approximately RMB1.0 to RMB1.2 billion; and (ii) conduct acquisition of companies related to film and television industry, if any, to expand the Group's film business. As at the Latest Practicable Date, the Company has not identified any investment opportunities. As part of our due diligence work, we have reviewed (i) a list of such film and television drama projects in Ruyi Film's pipeline; (ii) relevant investment agreements of such film and television drama containing the estimated investment amount which entered into by Ruyi Film and independent third parties; and (iii) where such relevant investment agreements are not available, the estimated cost breakdown for production of the relevant films and television dramas with reference to the historical production cost of similar projects. We have also noted from the 2022 AR that the administrative expenses amounted to approximately RMB251.9 million in FY2022, representing an increase of 67.4% as compared to that of FY2021. According to the 2022 AR, the Group's administrative expenses mainly comprised of employees benefit expenses of approximately RMB202.2 million and the Management advised that, taking account into the business scale of the Group, the employees benefit are expected to maintain at similar level for the financial year ending 31 December 2023 and 2024. In view of (i) the capital demand in the daily operation of the Company; (ii) the Group's strategy of developing and expanding of the Group's film business; (iii) the funding required to finance the potential production and distribution of the films and television drama projects in Ruyi Film's pipeline in 2024; and (iv) the potential production and distribution of the films and television drama projects is in the ordinary and usual course of business and could generate further revenue to the Company, we consider that the Group may have additional funding needs for sustaining and expanding its business and the Refreshment of General Mandate will provide the Group with financial flexibility to capture appropriate business opportunities and support the Group's business development and is in the interest of the Shareholders.

2.3 Review of other financing alternatives

As advised by the Management, the Proposed Refreshment of General Mandate is the most suitable financing option as compared with other financing alternatives such as issue and allotment of new Shares under specific mandate, debt financing, rights issue or open offer. Having considered the financial position, capital structure and cost of funding of the Group as well as the prevailing market conditions.

In respect of issue and allotment of new Shares under specific mandate, the Directors are of the view that given the volatility of the capital market, time is of the essence in terms of securing suitable investors in the Company. Therefore, issue and allotment of new Shares under specific mandate may not be suitable for the purpose of capturing equity fundraising opportunities in a timely manner due to the lengthy formalities associated with holding a special general meeting to obtain the Shareholders'

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approval after the terms of the proposed new Shares issuance is finalised. On the other hand, the New General Mandate will be a more expeditious solution for the Company to respond quickly to market conditions and fundraising opportunities.

In respect of debt financing and rights issue or open offer, as discussed in the section headed “I — 3. Reasons for and benefits of the Share Subscription by Water Lily” above, the Management considers that other means of financing will typically incur additional costs or consume a relatively longer period to complete as compared to equity financing by way of utilising the New General Mandate. We note from the 2022 AR that, as at 31 December 2022, the Company had current secured bank borrowings of approximately RMB50.0 million with fixed interest rate of 3.65% per annum. We have discussed with the Management and understand that such RMB50.0 million secured borrowing mentioned was obtained from the commercial bank by pledging the trade receivables of the Group. However, given that the Group’s assets mainly comprised of intangible assets such as film and television programmes rights and goodwill, the Management advised that it would be difficult to secure meaningful or substantial debt financing at a relatively cost in order to cater for the Group’s business development. We also note that the Group had an unsecured borrowing of approximately RMB174.4 million with fixed interest rate of 7.5% per annum and was guaranteed by a director of the Company. We have enquired with the Management regarding the nature of such borrowing and understand that the borrowing was obtained at relatively high cost for the purpose of financing film and television programmes production given that the Group does not possess any material tangible assets as collaterals for borrowing as discussed above.

Having considered (i) issue and allotment of new Shares under specific mandate may not be suitable in a timely manner due to the volatility of the current capital market; (ii) there is practicable difficulty in securing debt financing at relatively low cost in light of the Group’s asset composition; and (iii) rights issue or open offer may involve substantial time, administrative work and cost to complete, as such we are of the view that the Proposed Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods for its operation and business development.

3. Potential dilution effect on the existing public Shareholders

Reference is made to the circular of the Company dated 7 September 2022 in relation to the Previous Share Issuance and the announcement dated 21 December 2022 in relation to the closing of the Previous Share Issuance. A total of 650,000,000 new Shares were issued upon completion of the Previous Share Issuance and the interest of the public Shareholders (excluding the subscribers of the Previous Share Issuance) in the Company was diluted from approximately 59.61% to approximately 55.74%. Save for the Previous Share Issuance, the Company has not conducted other fundraising activity in the past 12 months prior to the date of the Share Subscriptions.

As at the Latest Practicable Date, the Company had an aggregate of 10,698,397,545 Shares in issue. Assuming no Share will be issued and/or repurchased and cancelled by the Company during the period from the Latest Practicable Date up to and including the date of the SGM, 2,139,679,509 Shares can be issued following the passing of the ordinary resolutions in relations to the approval of the grant of the New General Mandate, representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company has no concrete plan or has not entered into any agreement, arrangement, understanding or undertaking in respect of any proposed issue of new Shares under the New General Mandate. In case any plans being crystallised, the Company would fulfil the funding needs after balancing its overall capital structure through utilising its internal resource and/or using suitable financing method. The Company will exercise due and careful consideration when choosing the financing method available.

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Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon full utilisation of the Existing General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company); (iii) upon full utilisation of the Existing General Mandate and the New General Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company); and (iv) upon full utilisation of the Existing General Mandate and the New General Mandate and the issue of Subscription Shares to Water Lily under the Specific Mandate (assuming no other Shares are issued and/or repurchased and cancelled by the Company), for illustrative and reference purpose:

Name of Shareholder	(i) As at Latest Practicable Date		(ii) Upon full utilisation of the Existing General Mandate (assuming there is no other change in the shareholding in the shareholding structure of the Company)		(iii) Upon full utilisation of the Existing General Mandate and the New General Mandate (assuming there is no other change in the shareholding structure of the Company)		(iv) Upon full utilisation of the Existing General Mandate and the New General Mandate and the issue of Subscription Shares to Water Lily under the Specific Mandate (assuming there is no other change in the shareholding structure of the Company)	
	Number of Shares	Approximate percent. (%)	Number of Shares	Approximate percent. (%)	Number of Shares	Approximate percent. (%)	Number of Shares	Approximate percent. (%)
<i>Director (Note 1)</i>								
Mr. Ke Liming (Note 2)	1,893,101,943	17.70%	1,893,101,943	15.77%	1,893,101,943	13.14%	1,893,101,943	12.70%
Mr. Yang Ming (Note 3)	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%	1,080,000	0.01%
<i>Substantial Shareholders (Other than Mr. Ke Liming)</i>								
Water Lily (Note 4)	<u>2,045,734,565</u>	<u>19.12%</u>	<u>2,045,734,565</u>	<u>17.04%</u>	<u>2,045,734,565</u>	<u>14.20%</u>	<u>2,545,734,565</u>	<u>17.08%</u>
Sub-total of non-public Shareholders	<u>3,939,916,508</u>	<u>36.83%</u>	<u>3,939,916,508</u>	<u>32.82%</u>	<u>3,939,916,508</u>	<u>27.35%</u>	<u>4,439,916,508</u>	<u>29.78%</u>
<i>Public Shareholders</i>								
Liu Xueheng (Note 5)	442,938,000	4.14%	536,688,000	4.47%	536,688,000	3.73%	536,688,000	3.60%
Cubtract Ventures	232,502,000	2.17%	545,002,000	4.54%	545,002,000	3.78%	545,002,000	3.66%
Fame Mountain	100,000,000	0.93%	500,000,000	4.16%	500,000,000	3.47%	500,000,000	3.35%
Million Succeed	—	—	500,000,000	4.16%	500,000,000	3.47%	500,000,000	3.35%
Other Public Shareholders	5,983,041,037	55.92%	5,983,041,037	49.84%	5,983,041,037	41.53%	5,983,041,037	40.14%
Maximum number of new Shares that can be issued under the Existing General Mandate	—	—	929,509	0.01%	929,509	0.01%	929,509	0.01%
Maximum number of new Shares that can be issued under the New General Mandate	—	—	—	—	2,401,115,410	16.67%	2,401,115,410	16.11%
Sub-total of Public Shareholders	<u>6,758,481,037</u>	<u>63.17%</u>	<u>8,065,660,546</u>	<u>67.18%</u>	<u>10,466,775,957</u>	<u>72.65%</u>	<u>10,466,775,957</u>	<u>70.22%</u>
Total number of issued shares	<u>10,698,397,545</u>	<u>100.00%</u>	<u>12,005,577,054</u>	<u>100.00%</u>	<u>14,406,692,465</u>	<u>100.00%</u>	<u>14,906,692,465</u>	<u>100.00%</u>

Notes:

- As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang, executive Directors, was interested in 48,000,000 and 10,000,000 Shares (within the meaning of Part XV of the SFO), respectively, being the underlying shares of the share options granted to Ms. Chen Xi and Mr. Zhang Qiang 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.

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2. As at the Latest Practicable Date, 1,893,101,943 Shares were indirectly held by Mr. Ke Liming, an executive Director and the Chairman of the Board. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly-owned by him.
3. As at the Latest Practicable Date, Mr. Yang Ming, a non-executive Director, was directly interested in 1,080,000 Shares.
4. As at the Latest Practicable Date, Water Lily was directly interested in 2,045,734,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings Limited.
5. As at the Latest Practicable Date, Century Spirit was interested in 406,250,000 Shares. As at the Latest Practicable Date, Liu Xueheng, the ultimate beneficial owner of Century Spirit, was interested in 36,688,000 Shares. Liu Xueheng is also deemed to be interested in the 500,000,000 Shares held by Century Spirit immediately after the Closing pursuant to Part XV of the SFO.
6. For illustrative purpose, the maximum number of new Shares that can be issued under the New General Mandate in the table above is calculated on the basis of 20% of the aggregate number of issued Shares of the Company upon full utilisation of the Existing General Mandate (i.e. 12,005,577,054 Shares).
7. Certain figures included in the table above have been rounded to the nearest integer or to two decimal places. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

As discussed above, the utilisation of the Existing General Mandate and the New General Mandate in full would dilute the shareholding of the existing public Shareholders (excluding the Independent Subscribers) from approximately 55.92% as at the Latest Practicable Date to approximately 41.53% and the issuance of Subscription Shares to Water Lily under the Specific Mandate would further dilute the shareholding of the existing public Shareholders (excluding the Independent Subscribers) to approximately 40.14%. Nevertheless, having considered (i) the reasons and benefits for the Proposed Refreshment of General Mandate as discussed above; (ii) the shareholding interests of all the existing Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate; (iii) the New General Mandate will provide an alternative option to the Company to conduct fund raising in a shorter timeframe and is less costly as compared to other financing methods, such as open offer or rights issue which are time consuming and may require a substantial discount in the offer price to attract subscription; and (iv) the potential fund raising under the New General Mandate is expected to support the business development and expansion of the Group's film and television business as discussed in details under the section headed "II — 2.2 Review of the Group's needs for additional funding" above, we are of the view that such potential dilution in shareholding interest of the public Shareholders is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the principal factors and reasons discussed above, we are of the view that (i) the terms of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Share Subscription by Water Lily, although is 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; and (iii) the Proposed Refreshment of General Mandate is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions to be proposed for approving the Water Lily Share Subscription Agreement and the transactions contemplated thereunder and the Proposed Refreshment of General Mandate at the SGM.

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 11 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

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

Interest of the Company

Name of Director	Capacity in which interests are held	Interest in the Shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Mr. Ke Liming	Interest of a controlled corporation	3,727,381,250 (Note 1)	34.84%
Ms. Chen Xi	Beneficial owner	48,000,000 (Note 2)	0.45%
Mr. Zhang Qiang	Beneficial owner	10,000,000 (Note 3)	0.09%
Mr. Yang Ming	Beneficial owner	1,080,000 (Note 4)	0.01%

Notes:

- (1) 1,893,101,943 Shares were indirectly held by Mr. Ke Liming through Pumpkin Film Limited, a company indirectly wholly-owned by Mr. Ke Liming. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares within the meaning of Part XV of the SFO, being the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly-owned by him.
- (2) Ms. Chen Xi was interested in 48,000,000 Shares, all of which were represented by share options of the Company.
- (3) Mr. Zhang Qiang was interested in 10,000,000 Shares, all of which were represented by share options of the Company.
- (4) Mr. Yang Ming was directly interested in 1,080,000 Shares.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

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

(b) Interests of substantial Shareholders

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

Name of Shareholder	Capacity in which interests are held	Interest in the Shares	Approximate percentage of total issued Shares as at the Latest Practicable Date
Mr. Ke Liming	Interest of a controlled corporation	3,727,381,250	34.84%
Virtual Cinema Holding Limited (Note 1)	Interest of a controlled corporation	3,727,381,250	34.84%
Pumpkin Films Limited (Note 1)	Beneficial owner	3,727,381,250	34.84%
Tencent Holdings	Interest of a controlled corporation	2,545,734,565	23.80%
Water Lily (Note 2)	Beneficial owner	2,545,734,565	23.80%

Notes:

- (1) Virtual Cinema Holding Limited is deemed to be interested in 3,727,381,250 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. 1,893,101,943 Shares were indirectly held by Mr. Ke Liming through Pumpkin Films Limited. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 Shares (as defined in Part XV of the SFO), i.e. the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly-owned by him.
- (2) Tencent Holdings was deemed to be interested in 2,545,734,565 Shares through its wholly-owned subsidiary Water Lily, the number of which included 500,000,000 Subscription Shares to be allotted and issued pursuant to the terms and conditions of the Water Lily Share Subscription Agreement.

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

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

3. COMPETING BUSINESS

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or proposed Director had any direct or indirect interest in any asset which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACT

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

7. LITIGATION

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

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

9. QUALIFICATION AND CONSENT OF EXPERT

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

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

- (b) As at the Latest Practicable Date, Maxa Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Maxa Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, Maxa Capital Limited did not have any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is at 15/F, YF Life Centre, 38 Gloucester Road, Wanchai, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, the Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, 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 written consent of Maxa Capital Limited as referred to in the section headed “9. QUALIFICATION AND CONSENT OF EXPERT” in this appendix; and
- (b) the Water Lily Share Subscription Agreement.



儒意控股
RUYI HOLDINGS

CHINA RUYI HOLDINGS LIMITED

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Ruyi Holdings Limited (the “**Company**”) shall be held at 11:00 a.m. on Friday, 15 September 2023 at 15/F, YL Life Centre, 38 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following ordinary resolutions. 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 30 August 2023.

ORDINARY RESOLUTIONS

1. PROPOSED ISSUE OF NEW SHARES UNDER THE SPECIFIC MANDATE TO WATER LILY

“THAT

- (a) the Water Lily Share Subscription Agreement dated 4 July 2023 (a copy of which is tabled at the SGM and marked “A” and signed by the chairman of the SGM for identification purpose) entered into between the Company and Water Lily and the transactions contemplated thereunder, including but not limited to, the allotment and issue of 500,000,000 Subscription Shares to Water Lily, be and is hereby approved, confirmed and ratified;
- (b) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things, to sign and execute such documents or agreements or deeds and take all such actions as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Water Lily Share Subscription Agreement entered into between the Company and Water Lily and the transactions contemplated thereunder, and agree to such variation, amendment or waiver as are, in the opinion of such Director, in the interest of the Company and the Shareholders as a whole; and
- (c) subject to and conditional upon the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in the 500,000,000 Subscription Shares, the Directors be and are hereby granted the Specific Mandate which shall entitle the Directors to exercise all the powers of the Company to issue and allot, among others, 500,000,000 Subscription Shares to Water Lily, on and subject to the terms and conditions of the Water Lily Share Subscription Agreement entered into between the

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Company and Water Lily, 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 prior to the passing of this resolution.”

2. PROPOSED REFRESHMENT OF GENERAL MANDATE

“THAT

- (a) the Existing General Mandate granted to the Directors to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the 2023 Annual General Meeting be and is hereby revoked (without prejudice to any valid exercise of the Existing General Mandate prior to the passing of this resolution including but not limited to the Shares to be issued pursuant to the Independent Subscriber Share Subscription Agreements);
- (b) subject to paragraph (d) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (c) the approval given in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (d) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (b) of this resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
 - (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the bye-laws (the **“Bye-laws”**) of the Company from time to time,

shall not in total exceed 20% of the total number of Shares in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and

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(e) for the purpose of this resolution,

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders in general meeting.

“**Rights Issue**” means the allotment, issue or grant of Shares or options, warrants, other securities or similar rights to subscribe for Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

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

Hong Kong, 30 August 2023

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member.
2. A form of proxy for use at the SGM is enclosed herewith. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at 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.

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4. In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she/it was solely entitled thereto. If more than one of such joint holders are present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 12 September 2023 to Friday, 15 September 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order for a Shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 September 2023.
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, Ms. CHEN Xi and Mr. ZHANG Qiang; the non-executive director of the Company is Mr. YANG Ming; and the independent non-executive directors of the Company are Mr. CHAU Shing Yim, David, Mr. NIE Zhixin, Mr. CHEN Haiquan and Professor SHI Zhuomin.