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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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**儒意控股**  
RUYI HOLDINGS

**China Ruyi Holdings Limited**

**中國儒意控股有限公司**

*(formerly known as HengTen Networks Group Limited 恒騰網絡集團有限公司)*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

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

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Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 18 of this circular. A notice convening the special general meeting of the Company (the “SGM”) to be held at 5:00 p.m. on Wednesday, 30 March 2022 at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People’s Republic of China is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the Shareholders at the SGM (and at any adjournment thereof) is also enclosed herein.

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

14 March 2022

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## PRECAUTIONARY MEASURES FOR THE SGM

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

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

To enable Shareholders of the Company to participate in the SGM and to speak and observe in relation to the resolution(s) to be resolved at the SGM, Shareholders not attending the SGM in person may join a live streaming webcast of the SGM where they can both speak and see during the discussion session at the SGM via Zoom at zoom link address. Shareholders that intend to participate in the SGM via Zoom shall contact Tricor Secretaries Limited the Company's branch share registrar in Hong Kong before 4:30 p.m. on Monday, 28 March 2022 to obtain a passcode to join the SGM via the following means:

By email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

By telephone: (852) 2980 1333

Shareholders should note that viewing the live streaming webcast of the SGM via Zoom will not be counted towards a quorum nor will they be able to cast their votes online. Shareholders who wish to vote are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM by completing and returning the Proxy Form in accordance with the instructions therein by a time not less than 48 hours before the time appointed for the SGM (i.e. 4:30 p.m. on Monday, 28 March 2022), if they have not already done so.

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

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

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## CONTENTS

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	<i>Page</i>
<b>PRECAUTIONARY MEASURES FOR THE SGM</b> .....	i
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	19
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	21
<b>APPENDIX — GENERAL INFORMATION</b> .....	42
<b>NOTICE OF SGM</b> .....	SGM-1

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## DEFINITIONS

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

“2021 Annual General Meeting”	the annual general meeting of the Company held on 28 June 2021
“Announcement”	the announcement of the Company dated 25 January 2022 in relation to, among others, the Share Subscription Agreements
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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 in the PRC
“COVID-19”	the Coronavirus Disease 2019
“Closing”	the completion of the Share Subscriptions
“Closing Date”	has the meaning ascribed thereto under the paragraph headed “Closing”
“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 each of the Share Subscription Agreements”
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Connected Transaction”	the Share Subscription by Water Lily pursuant to the Water Lily Share Subscription Agreement
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“General Mandate”	the general mandate granted by the Shareholders at the 2021 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, that is a total of 1,846,929,509 Shares
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent Board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Connected Transaction
“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)
“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
“Last Trading Day”	24 January 2022, being the last trading day prior to the signing of both of the Share Subscription Agreements, which took place after trading hours
“Latest Practicable Date”	10 March 2022, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longstop Date”	30 April 2022, or such later date as the Company and the relevant Subscribers may agree

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## DEFINITIONS

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“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
“More Favourable Terms”	has the meaning ascribed thereto under the paragraph headed “More Favourable Terms” in this circular
“Mr. Liu”	Mr. Liu Xueheng (劉學恒)
“Mr. Liu Share Subscription Agreement”	the share subscription agreement dated 25 January 2022 entered into between the Company as the issuer and Mr. Liu as the subscriber in relation to the subscription of 56,000,000 Subscription Shares at the Subscription Price
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purposes of approving, among others, the Water Lily Share Subscription Agreement (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)
“Share Subscription Agreements”	collectively, the Water Lily Share Subscription Agreement and the Mr. Liu Share Subscription Agreement, and each a “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)”	holder(s) of share(s)
“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

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## DEFINITIONS

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“Subscribers”	collectively, Water Lily and Mr. Liu, each a “Subscriber”
“Subscription Price”	HK\$2.50 per Subscription Share
“Subscription Shares”	an aggregate of 120,000,000 new Shares to be issued and allotted by the Company to the Subscribers pursuant to the terms and conditions of the Share Subscription Agreements
“Water Lily”	Water Lily Investment Limited
“Water Lily Share Subscription Agreement”	the share subscription agreement dated 25 January 2022 entered into between the Company as the issuer and Water Lily as the subscriber in relation to the subscription of 64,000,000 Subscription Shares at the Subscription Price
“%”	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.*

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LETTER FROM THE BOARD

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儒意控股  
RUYI HOLDINGS

China Ruyi Holdings Limited

中國儒意控股有限公司

(formerly known as HengTen Networks Group Limited 恒騰網絡集團有限公司)

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

*Executive Directors:*

Mr. Ke Liming (*Chairman*)

Ms. Chen Xi

Mr. Wan Chao

Mr. Zhang Qiang

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Independent Non-executive Directors:*

Mr. Chau Shing Yim, David

Mr. Nie Zhixin

Mr. Chen Haiquan

Professor Shi Zhuomin

*Head office and principal place*

*of business in Hong Kong:*

23rd Floor

China Evergrande Centre

38 Gloucester Road

Wanchai

Hong Kong

14 March 2022

*To the Shareholders*

Dear Sir or Madam,

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

**INTRODUCTION**

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the 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



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## LETTER FROM THE BOARD

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Subscription Shares to Water Lily); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the SGM; and (v) other information required under the Listing Rules.

On 25 January 2022, the Company entered into the Water Lily Share Subscription Agreement with Water Lily, pursuant to which the Company has conditionally agreed to allot and issue, and Water Lily has conditionally agreed to subscribe for, 64,000,000 Subscription Shares on the terms of the Water Lily Share Subscription Agreement.

On the same day, the Company also entered into the Mr. Liu Share Subscription Agreement with Mr. Liu, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Liu has conditionally agreed to subscribe for, 56,000,000 Subscription Shares on the terms of the Mr. Liu Share Subscription Agreement.

### PRINCIPAL TERMS OF THE SHARE SUBSCRIPTION AGREEMENTS

#### Water Lily Share Subscription Agreement

<b>Date:</b>	25 January 2022 (after trading hours)
<b>Parties:</b>	(i) the Company, as issuer; and (ii) Water Lily, as Subscriber
<b>Subscription Shares:</b>	64,000,000 Subscription Shares
<b>Subscription Price:</b>	HK\$2.50 per Subscription Share

Water Lily is 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 Limited (stock code: 700), which is a company principally engaged in value-added services, online advertising, fin-tech and business services.

#### Mr. Liu Share Subscription Agreement

<b>Date:</b>	25 January 2022 (after trading hours)
<b>Parties:</b>	(i) the Company, as the issuer; and (ii) Mr. Liu, as Subscriber
<b>Subscription Shares:</b>	56,000,000 Subscription Shares
<b>Subscription Price:</b>	HK\$2.50 per Subscription Share

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## LETTER FROM THE BOARD

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Mr. Liu is an experienced investor. Since September 2021, the management of the Company began to approach potential investors, including Mr. Liu who is an investment banker and an independent third party of the Company, and sought for different opportunities in fundraising to meet possible financial needs of the Group for business development. Mr. Liu was introduced to the Company through the acquaintances and/or investors of the management of the Company in September 2021.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) Mr. Liu is not a connected person of the Company and is independent of and not connected with the Company, the directors, chief executives or substantial shareholders of the Company or its subsidiaries, or any of their respective associates as at the Latest Practicable Date and (ii) there are no relationships (business or otherwise) between Mr. Liu and his associates with Water Lily and its ultimate beneficial owner.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscribers and, if applicable, its ultimate beneficial owner(s) are independent of each other.

### **Subscription Shares**

Assuming there will be no change in the issued share capital of the Company from the date of the Share Subscription Agreements to the Closing Date save for the allotment and issue of the Subscription Shares:

- (a) the Subscription Shares represent approximately 1.30% of the existing issued share capital of the Company as at the date of the Share Subscription Agreements, of which:
  - (i) the Subscription Shares to be allotted and issued to Water Lily represent approximately 0.69% of the issued share capital of the Company as at the date of the Share Subscription Agreements;
  - (ii) the Subscription Shares to be allotted and issued to Mr. Liu represent approximately 0.61% of the issued share capital of the Company as at the date of the Share Subscription Agreements; and
- (b) the Subscription Shares represent approximately 1.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, of which:
  - (i) the Subscription Shares to be allotted and issued to Water Lily represent approximately 0.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and
  - (ii) the Subscription Shares to be allotted and issued to Mr. Liu represent approximately 0.60% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price of HK\$2.50 per Subscription Share represents:

- (a) a premium of approximately 9.17% to the closing price of HK\$2.29 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreements;
- (b) a premium of approximately 8.70% to the average closing price of approximately HK\$2.30 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 premium of approximately 9.17% to the average closing price of approximately HK\$2.29 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 1288.89% to the audited net asset value of approximately HK\$0.18 per Share as at 31 December 2020 (calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,455,296,640 (equivalent to RMB1,183,168,000) as at 31 December 2020 and adjusted with 8,080,316,602 Shares (being the number of the issued Shares following share consolidation of every 10 issued and unissued existing shares of the Company into 1 consolidated share of the Company which took effect on 20 January 2021) then in issue; and
- (e) a premium of approximately 841.64% to the unaudited net asset value of approximately HK\$0.27 per Share as at 30 June 2021 (calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$2,451,754,080 (equivalent to RMB\$1,993,296,000) as at 30 June 2021 and adjusted with the Shares then in issue.

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 respect of the Share Subscription by Mr. Liu, the Directors are of the view that the Subscription Price is fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. In respect of the Share Subscription by Water Lily, the Directors (other than the independent non-executive Directors who will give their opinion after considering the 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 have an aggregate nominal value of HK\$2,400,000. The net proceeds from the Share Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK\$300,000,000. The net Subscription Price per Subscription Share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$2.50 per Subscription Share.

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## LETTER FROM THE BOARD

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The Subscription Price shall be payable by the Subscribers in cash upon Closing.

### **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 each of the Share Subscription Agreements**

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

#### ***As to the Water Lily Share Subscription Agreement:***

- (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 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 relevant 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 relevant Share Subscription Agreement entered into between the Company and the relevant Subscriber in any respect, and not having materially breached or failed to perform in any material respect its other obligations or undertakings under the relevant 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 relevant 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 the relevant Subscriber reasonably considers necessary pursuant to applicable laws, regulations or rules (including but not limited to the Listing Rules) for its execution,

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## LETTER FROM THE BOARD

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implementation and completion of the relevant 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;

- (h) from the date of the Share Subscription Agreement entered into between the Company and the relevant Subscriber up to and at the 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 the relevant Subscriber, has or would have a Material Adverse Effect.

*As to the Mr. Liu Share Subscription Agreement:*

- (x) each of the Conditions Precedent set out in paragraphs (b) to (h) above.

At any time on or before 11:59 pm on the Closing Date, the relevant Subscriber may waive any Condition Precedent set out in paragraphs (d) to (h) pursuant to the relevant 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 Share Subscription Agreements has been fulfilled and the Company is given to understand that none of the Subscribers have any intention to waive any of the Conditions Precedent.

### **Termination**

If any Condition Precedent set out in paragraphs (a), (b) and (c) has not been satisfied by 11:59 pm on the Longstop Date, the relevant 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 the relevant Subscriber pursuant to the terms of the relevant Share Subscription Agreement or has not been satisfied by 11:59 pm on the Closing Date, the relevant Share Subscription Agreement shall be automatically terminated with immediate effect.

### **Closing**

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Share Subscription Agreements, Closing shall occur on the date that is ten (10) Business Days after the date (not being later than the Longstop Date) on which the last of the Conditions Precedent 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 “**Closing Date**”). The Closing Date is expected to be no later than 30 April 2022, being the Longstop Date.

Completion of each of the Share Subscription Agreements are not inter-conditional upon each other but it is intended that Closing of the Share Subscription under each of the Share Subscription Agreements will take place simultaneously.

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## LETTER FROM THE BOARD

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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 Mr. Liu, whether under the Mr. Liu Share Subscription Agreement or otherwise, any terms, rights, powers, privileges or preferences relating to or in connection with the Share Subscription by Mr. Liu 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.

### **Specific Mandate**

In respect of the Share Subscription by Water Lily, the Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM. The Specific Mandate, if approved, will be valid from the date of passing of the relevant resolution at the SGM until 30 June 2022. If the Share Subscription by Water Lily is not completed on or before 30 June 2022, further approval from the Independent Shareholders will be sought, and the Company will further comply with the requirements of the Listing Rules as appropriate.

### **General Mandate**

In respect of the Share Subscription by Mr. Liu, the Subscription Shares will be issued under the General Mandate. As at the Latest Practicable Date, no Share has been issued by the Company under the General Mandate. As such, the maximum number of the new Shares which may be issued by the Company under the General Mandate is 1,846,929,509 Shares, being 20% of the total number of 9,234,647,545 issued Shares as at the date of the 2021 Annual General Meeting. Therefore, the General Mandate is sufficient for the allotment and issue of Subscription Shares to Mr. Liu.

### **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 on the Stock Exchange.

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**LETTER FROM THE BOARD**

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**EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SHARE SUBSCRIPTIONS**

The table below sets out a summary of the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Closing (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):

Name of Shareholder	(i) As at the Latest Practicable Date		(ii) Immediately after the Closing (assuming there is no change in the number of the issued Shares between the Latest Practicable Date and the Closing Date save for the allotment and issue of the Subscription Shares)	
	No. of Shares	Approximate per cent. (%)	No. of Shares	Approximate per cent. (%)
<i>Directors (Other than Mr. Ke Liming)</i>				
<i>(Note 1)</i>				
Mr. Wan Chao <i>(Note 2)</i>	2,032,000	0.02%	2,032,000	0.02%
<i>Substantial Shareholders</i>				
Mr. Ke Liming <i>(Note 3)</i>	1,893,101,943	20.50%	1,893,101,943	20.24%
Water Lily <i>(Note 4)</i>	<u>1,819,234,565</u>	<u>19.70%</u>	<u>1,883,234,565</u>	<u>20.13%</u>
<b>Sub-total of non-public Shareholders</b>	<u>3,714,368,508</u>	<u>40.22%</u>	<u>3,778,368,508</u>	<u>40.39%</u>
<i>Other Public Shareholders</i>				
Mr. Liu	—	—	56,000,000	0.60%
Other Public Shareholders	<u>5,520,279,037</u>	<u>59.78%</u>	<u>5,520,279,037</u>	<u>59.01%</u>
<b>Sub-total of public Shareholders</b>	<u>5,520,279,037</u>	<u>59.78%</u>	<u>5,576,279,037</u>	<u>59.61%</u>
<b>Total number of issued shares</b>	<u><u>9,234,647,545</u></u>	<u><u>100.00%</u></u>	<u><u>9,354,647,545</u></u>	<u><u>100.00%</u></u>

*Notes:*

- As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang was interested in 48,000,000 and 10,000,000 Shares (within the mean 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 granted under any share options granted to the Directors.

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## LETTER FROM THE BOARD

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2. As at the Latest Practicable Date, Mr. Wan Chao was interested in 2,032,000 Shares, of which 1,592,000 Shares were directly held by Mr. Wan Chao himself and 4,400,000 Shares were deemed interests held through his spouse.
3. 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.
4. As at the Latest Practicable Date, Water Lily was directly interested in 1,819,234,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings Limited.
5. 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

Under the proposed fundraising, the issuance of the Subscription Shares is expected to provide the Group with definite amount of capital whereby the shareholders base of the Company will also be enlarged, further strengthening the financial position of the Group.

#### Long-term business development

To support the long-term business development of the Company, Tencent Holdings Limited, through its indirect wholly-owned subsidiary, namely Water Lily, entered into the Water Lily Share Subscription Agreement with the Company. The entering into of the Water Lily Share Subscription Agreement will allow the Company to further improve its capital structure while providing financial support for the Company's future business development and industrial investments.

#### Other means of financing

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 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 (i) on the 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) when compared to that of an allotment and issue of new Shares under the General Mandate and the Specific Mandate, 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 of around HK\$200,000 to HK\$300,000 (excluding any underwriting commission to be received by underwriter(s) which typically falls within the range of 2–4% of the fundraising proceeds).



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## LETTER FROM THE BOARD

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As disclosed in the section headed “*EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING THE COMPLETION OF THE SHARE SUBSCRIPTIONS*” of this circular, the aggregate shareholding of the other public Shareholders will be diluted from approximately 59.78% as at the Latest Practicable Date to approximately 59.61% immediately after the Closing (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), representing a potential maximum dilution of the existing public shareholding by approximately 0.17%.

Given that (i) the degree of potential dilution effect is relatively limited, (ii) the significant premium of the Subscription Price as compared to the recent closing price of the Shares and (iii) after considering other financing alternative methods as mentioned in the section headed “*REASONS FOR AND BENEFITS OF THE ISSUE OF SUBSCRIPTION SHARES*”, the Board is of the view that the Share Subscriptions are fair and reasonable and in the interest of the Company and its shareholders’ interest as a whole.

### USE OF PROCEEDS

The aggregate gross proceeds of the Share Subscriptions will be approximately HK\$300,000,000 (as to approximately HK\$140,000,000 from the Share Subscriptions under the General Mandate and as to approximately HK\$160,000,000 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\$300,000,000 (as to approximately HK\$140,000,000 from the Share Subscription under the General Mandate and as to approximately HK\$160,000,000 from the Share Subscription under the Specific Mandate).

The aggregate net proceeds from the Share Subscriptions, after deduction of related fees and expenses, will be approximately HK\$300,000,000 (as to approximately HK\$140,000,000 from the Share Subscription by Mr. Liu and as to approximately HK\$160,000,000 from the Share Subscription by Water Lily). The Company intends to use the net proceeds in the following manner:

- (a) approximately HK\$50 million, being approximately 16.7% of the net proceeds, for the Group’s general working capital for payment of items such as administrative expenses and settlement of payables which fall due for the financial year ending 31 December 2022;
- (b) approximately HK\$250 million, being approximately 83.3% of the net proceeds, for the growth and expansion of the business of the Group in the foreseeable future in the financial year ending 31 December 2022, which will be used for investment in films and television series production as well as acquisition of copyrights, including broadcasting right of licensed dramas and movies.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has no intention or plan, or has entered into any agreement, arrangement, negotiation or undertaking (whether formal or informal; implied or expressed) in relation to acquisition of new businesses.

The Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) is also 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 are in the interests of the Company and the Shareholders as a whole.

### **EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS**

The Company had not conducted any equity fundraising activity in the past twelve months immediately preceding the Latest Practicable Date.

### **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 film and television programmes production, distribution and online streaming platform business, internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products and investment and trading of securities.

### **IMPLICATIONS UNDER THE LISTING RULES**

#### **Water Lily Share Subscription Agreement**

As at the Latest Practicable Date, Water Lily held 1,819,234,565 Shares which represented approximately 19.70% 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.

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.

#### **Mr. Liu Share Subscription Agreement**

The Subscription Shares to be issued and allotted to Mr. Liu will be allotted and issued under the General Mandate, no additional Shareholders' approval is required.

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## LETTER FROM THE BOARD

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### FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Subscription by Water Lily. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, 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). A notice convening the SGM to be held at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People's Republic of China on Wednesday, 30 March 2022 at 5:00 p.m. is set out on pages SGM-1 to SGM-3 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 and its associate(s) will abstain from voting on the relevant ordinary resolution(s) 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 resolution(s) 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.

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

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## LETTER FROM THE BOARD

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Limited at Level 54, Hopewell Centre, 183 Queen's Road East, 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 4:30 p.m. on Monday, 28 March 2022) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter of advice from the Independent Board Committee to the Independent Shareholders on the 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 (ii) 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, (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).

The Board (including the members of the Independent Board Committee whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular after considering the advice of the Independent Financial Adviser), is of the view that the 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) (i) are fair and reasonable and on normal commercial terms; (ii) although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole. The Board recommends that the Independent Shareholders to vote in favour of the ordinary resolution(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 Friday, 25 March 2022 to Wednesday, 30 March 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order for a shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 24 March 2022.

### ADDITIONAL INFORMATION

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

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## LETTER FROM THE BOARD

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### 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 are conditional upon the fulfilment of the conditions precedent set out under the paragraphs headed “Conditions Precedent under each of the Share Subscription Agreements” in this circular, which may or may not be fulfilled. 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 securities of the Company.**

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the 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) 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**

*(formerly known as HengTen Networks Group Limited 恒騰網絡集團有限公司)*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

14 March 2022

*To the Independent Shareholders*

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

Dear Sir or Madam,

We refer to the circular issued by the Company to its Shareholders dated 14 March 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to form an independent board committee to consider and advise you as to whether the terms of the 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) are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to recommend as to whether the Independent Shareholders should approve the entering into of the 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). 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.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board, as set out on pages 5 to 18 of the Circular and a letter of advice from Maxa Capital Limited, as set out on pages 21 to 41 of the Circular, both of which provide details of 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).

Having considered the terms of 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), 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 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) (i) are fair and reasonable and on normal commercial terms; (ii) 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. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to 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).

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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

14 March 2022

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION

### INVOLVING PROPOSED ISSUE OF NEW SHARES TO SUBSTANTIAL SHAREHOLDER UNDER SPECIFIC 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 the Water Lily Share Subscription Agreement, 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 14 March 2022 (the “**Circular**”), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 January 2022, the Company entered into the Share Subscription Agreements with the Subscribers. Pursuant to the Share Subscription Agreements, the Company has agreed to allot and issue, and Water Lily and Mr. Liu has each agreed to subscribe at HK\$2.50 per Subscription Share for 64,000,000 and 56,000,000 Subscription Shares, respectively, for a total consideration of HK\$300,000,000, on the terms of the Share Subscription Agreements. In respect of the Share Subscription by Water Lily, the Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM.

The Subscription Shares to be allotted and issued to Water Lily represent approximately 0.69% of the issued share capital of the Company as at the Latest Practicable Date and approximately 0.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Water Lily held 1,819,234,565 Shares which represented approximately 19.70% 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.

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.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Share Subscription by Water Lily. We, Maxa Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Water Lily Share Subscription Agreement and the transactions contemplated thereunder. In the past two years, we were appointed by the Company as the independent financial adviser in (i) January 2022 and April 2021, respectively, in respect of certain continuing connected transactions; and (ii) December 2020 in respect of a major transaction. In addition, we have been appointed by China Evergrande Group, which was the then controlling shareholder of the Company, as independent financial adviser in January 2021 and April 2021, respectively, to opine on the dilution of effective interest of certain subsidiaries of China Evergrande Group. Saved as disclosed above and apart from the normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things: (i) the Share Subscription Agreements; (ii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 IR**”); (iii) the annual report of the Company for the year ended 31 December 2020; and (iv) the annual report of the Company for the year ended 31 December 2019. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “**Management**”). We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the SGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group.

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

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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:

#### 1. Background information of the Group

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

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2019 (“FY2019”) and 31 December 2020 (“FY2020”) as extracted from the Company’s annual reports for FY2019 and FY2020 and the six months ended 30 June 2020 (“1H2020”) and 30 June 2021 (“1H2021”) as extracted from the Company’s interim reports for 1H2020 and 1H2021:

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue</b>	337,300	230,114	113,280	1,395,040
— Internet community and related business	278,269	185,470	90,532	27,600
— Manufacture and sales of accessories	59,031	44,644	22,748	22,516
— Content production and online streaming	—	—	—	1,344,924
<b>Gross profit</b>	202,390	110,222	63,890	485,880
<b>Profit/(loss) for the year/period</b>	92,073	12,022	7,180	(2,448,786)

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately RMB1.9 million. The Group's revenue from the manufacture and sales of accessories segment also decreased from approximately RMB59.0 million for FY2019 to approximately RMB44.6 million for FY2020.

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

As disclosed in the 2021 IR, the total revenue of the Group was approximately RMB1,395.0 million for 1H2021, representing an increase of approximately 1,131.2% as compared to approximately RMB113.3 million for 1H2020. Such significant increase in the revenue was primarily attributable to the revenue derived from the content production and online streaming segment from nil for 1H2020 to approximately RMB1,344.9 million for 1H2021. On 26 October 2020, the Company announced the acquisition of Virtual Cinema Entertainment Limited (“**VCEL**”) for a total consideration of HK\$7.2 billion (the “**VCEL Acquisition**”). The acquisition was subsequently completed on 20 January 2021. VCEL, through the variable interest entity arrangement, controls and holds 100% interest in three variable interest entities, namely Shanghai Ruyi Movie Television Production Co., Ltd. (“**Ruyi Films**”), Shenzhen Jingxiu Network Technology Co., Ltd. (“**Jingxiu**”) and Beijing Xiaoming Zhumeng Data Services Co., Ltd. (“**Beijing Xiaoming**”). Ruyi Films is a professional film and television production arm of the Group with industry-leading capabilities in research and development, production, as well as promotion and distribution. In 1H2021, Ruyi Films mainly released two films, namely “A Little Red Flower” (《送你一朵小紅花》) and “Hi, Mom” (《你好，李煥英》). In particular, “A Little Red Flower” (《送你一朵小紅花》), which was released on 31 December 2020, recorded a cumulative box office of over RMB1.43 billion, and became the top-grossing film on New Year's Day in 2021 in China. “Hi, Mom” (《你好，李煥英》), which was released on 12 February 2021, recorded a box office of over RMB5.41 billion, and has ranked second in the box office of Chinese movies so far. The film also broke the record of exceeding the box office of RMB5 billion at the fastest pace in Chinese film history. Jingxiu and Beijing Xiaoming collectively operate a membership based online streaming platform named “Pumpkin Films” which is principally engaged in the business of operating online video platforms, including but not limited to uploading, converting, storing and playing back video content on the Internet, over-the-top channels, film and television series production and related intellectual properties franchising. As at 30 June 2021, the cumulative number of registered members of Pumpkin Films reached 61.94 million, and the cumulative number of paying subscribers reached 24.62 million, with the number of active paying subscriptions exceeded 10.52 million.

The Group recorded net loss of approximately RMB2,400.4 million for 1H2021 as compared to net profit of approximately RMB7.2 million for 1H2020. The significant loss recorded for 1H2021 was mainly due to the combined effects of (i) profit from the content production and online

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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streaming business segment of approximately RMB206.3 million; and (ii) loss of approximately RMB2,559.8 million arising from the fair value change in respect of the warrants issued by the Company in early 2021 in connection with the VCEL Acquisition.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	44,780	38,890	6,820,433
Current assets	<u>1,493,025</u>	<u>1,234,351</u>	<u>1,486,575</u>
<b>Total assets</b>	<u><u>1,537,805</u></u>	<u><u>1,273,241</u></u>	<u><u>8,307,008</u></u>
Non-current liabilities	6,654	11,811	3,984,925
Current liabilities	<u>389,600</u>	<u>78,262</u>	<u>2,328,787</u>
<b>Total liabilities</b>	<u><u>396,254</u></u>	<u><u>90,073</u></u>	<u><u>6,313,712</u></u>
<b>Net current assets/(liabilities)</b>	1,103,425	1,156,089	(842,212)
<b>Net assets</b>	1,141,551	1,183,168	1,993,296

The Group had total assets of approximately RMB1,273.2 million as at 31 December 2020, which mainly comprised of (i) cash and cash equivalent of approximately RMB1,031.1 million; and (ii) trade and other receivable of approximately RMB155.0 million. The Group had total assets of approximately RMB8,307.0 million as at 30 June 2021, which mainly comprised of (i) goodwill of approximately RMB4,214.6 million; (ii) film and television programmes rights of approximately RMB2,108.5 million; (iii) intangible assets of approximately RMB688.3 million; and (iv) cash and cash equivalents of approximately RMB597.9 million. The goodwill and the intangible assets as at 30 June 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 RMB90.1 million as at 31 December 2020, which mainly comprised of (i) accrual and other payables of approximately RMB60.1 million; and (ii) lease liabilities of approximately RMB16.7 million. The Group had total liabilities of approximately RMB6,313.7 million as at 30 June 2021, which mainly comprised of (i) contingent consideration payable of approximately RMB4,982.5 million; (ii) deferred tax liabilities of approximately RMB496.3 million; and (iii) trade payables of approximately RMB218.6 million. The contingent consideration payable represents the share consideration and warrants consideration to be issued in relation to the VCEL Acquisition.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

The increase in the total assets by approximately RMB7,033.8 million to approximately RMB8,307.0 million as at 30 June 2021 as compared to 31 December 2020 was mainly attributable to (i) the increase in goodwill of approximately RMB4,214.6 million; (ii) the increase in film and television programmes rights of approximately RMB2,108.5 million; and (iii) the increase in intangible assets of approximately RMB686.1 million, as a result of the VCEL Acquisition. The increase in the total liabilities by approximately RMB6,223.6 million to approximately RMB6,313.7 million as at 30 June 2021 as compared to 31 December 2020 was mainly due to (i) the increase in contingent consideration payable of approximately RMB4,982.5 million in relation to the VCEL Acquisition; and (ii) the increase in deferred tax liabilities of approximately RMB496.3 million.

The Group's current ratios remained relatively high at approximately 3.8 times and 15.8 times as at each of 31 December 2019 and 31 December 2020, respectively. The Group's current ratio decreased significantly to 0.64 times as at 30 June 2021, which was mainly attributable to the current portion of the contingent consideration payable of approximately RMB1,660.8 million recognised in relation to the VCEL Acquisition. The Group's gearing ratios, which are calculated on the basis of the Group's total interest-bearing borrowings and lease liabilities over the total equity, as at 31 December 2019 and 2020, and 30 June 2021 were approximately 6.5%, 1.4% and 9.2%, respectively.

### **2. Background information of Water Lily**

Water Lily is an investment holding company incorporated in the British Virgin Islands with limited liability, and it wholly-owned subsidiary of Tencent Holdings Limited (“**Tencent**”), which is a company principally engaged in value-added services, online advertising, fin-tech and business services.

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

#### ***3.1 Background and reasons for the Share Subscription by Water Lily***

We note from the 2021 IR that the Group's cash and cash equivalents decreased from approximately RMB1,031.1 million as at 31 December 2020 to approximately RMB597.9 million as at 30 June 2021. Although the Group's content production and online streaming business segment recorded segment profit of approximately RMB206.3 million for 1H2021, the Group had net cash used in operations of approximately RMB467.1 million for 1H2021. We understand from the Management that the net cash used in operations was primarily

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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attributable to the continued increase of investment in production of film and television series as well as acquisition of copyrights in order to sustain the growth of Pumpkin Films. We note that since the completion of the VCEL Acquisition in January 2021, Pumpkin Films have seen a stable and rapid growth in new members. The cumulative number of registered members and paying subscribers increased from approximately 36.1 million and 5.9 million as of the end of January 2021 to approximately 61.9 million and 24.6 million, respectively, as of the end of June 2021. As disclosed in the 2021 IR, the Management believes that the streaming media business will further expand. There will be great potential for its future development. As the awareness of users on paying for quality dramas and films has been increasing and becoming a habit, 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 streaming media business. 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 and online streaming business segment.

We note that on 1 August 2021, the Company announced that Solution Key Holdings Limited (“**Solution Key**”), a wholly-owned subsidiary of China Evergrande Group, transferred 7% and 4% of the shares of the Company to Water Lily and an independent third party for a total consideration of approximately HK\$2,068.6 million and HK\$1,182.0 million, respectively (the “**First Share Transfer**”). Upon completion of the First Share Transfer, Solution Key’s shareholding in the Company reduced to approximately 26.55%. At the same time, to support the business development of the Company, Solution Key agreed to provide a 5-year unsecured and interest-free shareholder’s loan of HK\$2,070.0 million to the Company (the “**5-year Loan**”). In light of the Group’s cash balance of approximately RMB597.9 million as at 30 June 2021 and the additional funding of HK\$2,070.0 million (equivalent to approximately RMB1,697.4 million) from the 5-year Loan, we have enquired with the Management whether the Group has an imminent funding need to conduct the Share Subscription. Based on the preliminary financial information provided by the Management as extracted from the Group’s management accounts, the Group had cash balance of approximately RMB1.1 billion as at 31 December 2021. The Management advised that the Group had utilised majority of the funding from the 5-year Loan in the 2nd half of 2021 to make additional investment in the production of films and television series and the acquisition of copyrights. In additions, based on the working capital projection prepared by the Management for the six months ending 30 June 2022 (the “**WC Projection**”), the Management estimates that the Group will have cash outflow of not less than approximately RMB700 million for the investment in films and television series production and acquisition of copyrights. We have reviewed breakdown of the film and television series projects as well as the estimated production costs of the film and television series currently in production. Also, for the acquisition of copyrights, we have obtained samples contracts entered into between the Group and independent third parties in relation to the broadcasting right of licensed dramas and movies. In view of the Group’s cash position as at 31 December 2021 and the estimated cash outflow to be incurred for the Group’s content production and online

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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streaming business segment, we consider that the Share Subscription would enable the Group to replenish its working capital and provide financial support for the Group's business development.

As disclosed in the Letter from the Board, the aggregate net proceeds of the Share Subscriptions, after the deduction of related fees and expenses, will be approximately HK\$300,000,000 (as to approximately HK\$140,000,000 from the Share Subscription by Mr. Liu and as to approximately HK\$160,000,000 from the Share Subscription by Water Lily). The Company intends to apply (i) approximately HK\$50 million, being approximately 16.7% of the net proceeds, for the Group's general working capital for payment of items such as administrative expenses and settlement of payables which fall due; and (ii) approximately HK\$250 million, being approximately 83.3% of the net proceeds, for the growth and expansion of the business of the Group in the foreseeable future. As advised by the Management, the net proceeds of approximately HK\$250 million will be used for investment in films and television series production and acquisition of copyrights, including broadcasting right of licensed dramas and movies as discussed above. As at the Latest Practicable Date, the Company has no intention or plan, or has entered into any agreement, arrangement, negotiation or undertaking (whether formal or informal; implied or expressed) in relation to acquisition of new businesses.

We note that the Company has established a long-standing business relationship with Tencent, 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, on in-depth cooperation between Pumpkin Films and Tencent, allowing subscribers of Pumpkin Films to gain access to an extensive number of dramas and movies under the exclusive copyright of Tencent. On 3 January 2022, Jingxiu and Shenzhen Tencent Computer Systems Company Limited, a subsidiary of Tencent, entered into a cooperation agreement where Shenzhen Tencent Computer Systems Company Limited shall provide technical services and channel promotion services for the Group's game products in Mainland China and will enter into further agreement(s) in relation to such cooperation in the realm of game technology. We believe the above business cooperation demonstrate Tencent's support to facilitate the rapid development of the Group. In addition, we consider that the Share Subscription by Water Lily reflects Tencent'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 Subscription, 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 do not possess any material tangible assets as collaterals for borrowing. We have reviewed the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2021 IR and note that the Company's total asset mainly comprised of (i) goodwill and intangible asset resulting from the VCEL Acquisition; (ii) film and television programmes rights; (iii) trade and other receivable, which are usually not accepted by financial institutions as collaterals for borrowing. The Management advises that it would be impracticable to secure financing from offshore financial institutions without incurring relatively high financing cost due to the lack of tangible asset in offshore entity for collateral, which would result in additional interest burden to the Group. Regarding rights issue or open offer, the Management considers that both rights issue or open offer will (i) on the 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) when compared to that of an allotment and issue of new Shares under the Specific Mandate, as more time is required for preparing a rights issue prospectus than a circular to the Shareholders and to comply trading period under/ 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 of around HK\$200,000 to HK\$300,000 (excluding any underwriting commission to be received by underwriter(s) which typically falls within the range of 2–4% of the fundraising proceeds). Moreover, the Share Subscription would demonstrate Water Lily's confidence and commitment towards the future prospect of the Group and reinforce the strategic corporation relationship with Tencent.

Having considered the reasons and factors above, including (i) the proposed use of proceeds of the Share Subscription by the Group; (ii) the Share Subscription 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 arranged 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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 summarised below:

**Date:** 25 January 2022 (after trading hours)

**Parties:** (i) the Company, as issuer; and  
(ii) Water Lily, as Subscriber

**Subscription Shares:** 64,000,000 Subscription Shares

**Subscription Price:** HK\$2.50 per Subscription Share

#### *Subscription Shares*

Assuming there will be no change in the issued share capital of the Company from the date of the Share Subscription Agreements to the Closing Date save for the allotment and issue of the Subscription Shares:

- (a) the Subscription Shares to be allotted and issued to Water Lily represent approximately 0.69% of the issued share capital of the Company as at the Latest Practicable Date; and
- (b) the Subscription Shares to be allotted and issued to Water Lily represent approximately 0.68% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

#### *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*

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;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the 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) 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 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 at the 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 pm on the 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)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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cannot be waived by any party. As at the Latest Practicable Date, none of the Conditions Precedent under Water Lily Share Subscription Agreement has been fulfilled and the Company is given to understand that Water Lily has no intention to waive any of the Conditions Precedent.

### *Termination*

If any Condition Precedent set out in paragraphs (a), (b) and (c) has not been satisfied by 11:59 pm on the 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 Closing Date, the Water Lily Share Subscription Agreement shall be automatically terminated with immediate effect.

### *Closing*

Subject to the Conditions Precedent being satisfied or waived (if applicable) and the relevant terms under the Water Lily Share Subscription Agreement, Closing shall occur on the date that is ten (10) Business Days after the date (not being later than the Longstop Date) on which the last of the Conditions Precedent 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 “**Closing Date**”). The Closing Date is expected to be no later than 30 April 2022, being the Longstop Date.

Completion of each of the Share Subscription Agreements are not inter-conditional upon each other but it is intended that Closing of the Share Subscription under each of the Share Subscription Agreements will take place simultaneously.

### *More Favourable Terms*

The Company undertook to Water Lily that, in the event the Company at any time proposes to grant or has granted to Mr. Liu, whether under the Mr. Liu Share Subscription Agreement or otherwise, any terms, rights, powers, privileges or preferences relating to or in connection with the Share Subscription by Mr. Liu 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Specific Mandate*

In respect of the Share Subscription by Water Lily, the Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the SGM. The Specific Mandate, if approved, will be valid from the date of passing of the relevant resolution at the SGM until 30 June 2022. If the Share Subscription by Water Lily is not completed on or before 30 June 2022, further approval from the Independent Shareholders will be sought, and the Company will further comply with the requirements of the Listing Rules as appropriate.

### **4.2 Evaluation of the Subscription Price**

As set out in the Letter from the Board, the Subscription Price of HK\$2.50 per Subscription Share was determined after arm's length negotiations between the Company and each of the Subscribers 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\$2.50 per Subscription Share represents:

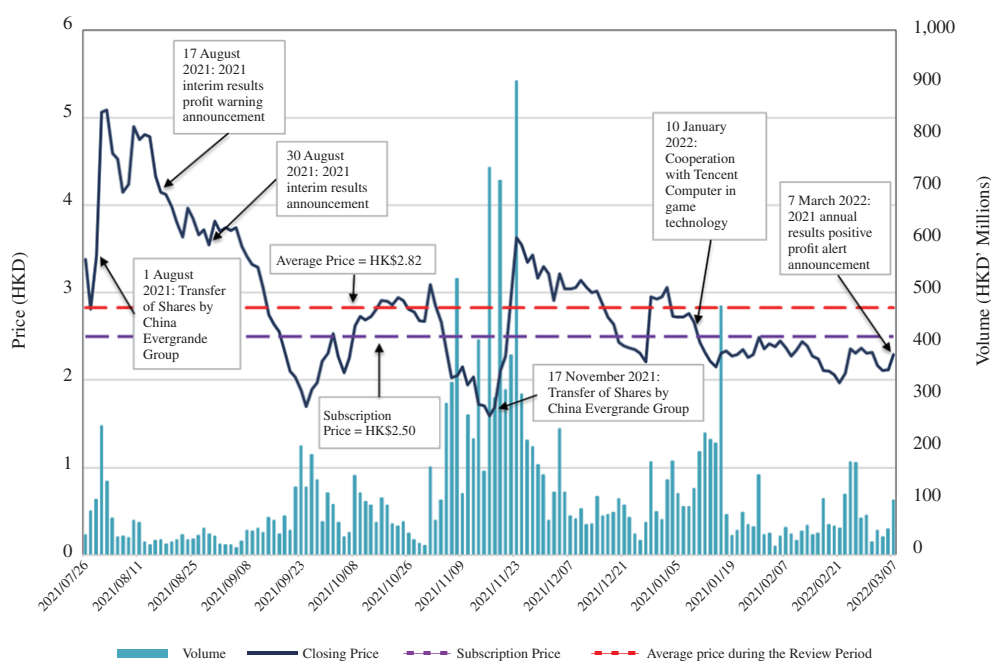
- (i) a premium of approximately 9.17% of the closing price of HK\$2.29 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreements;
- (ii) a premium of approximately 8.70% to the average closing price of approximately HK\$2.30 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 9.17% to the average closing price of approximately HK\$2.29 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 1,288.89% to the audited net asset value of approximately HK\$0.18 per Share as at 31 December 2020 (calculated based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,455,296,640 (equivalent to RMB1,183,168,000) as at 31 December 2020 and adjusted with 8,080,316,602 Shares (being the number of the issued Shares following share consolidation of every 10 issued and unissued existing shares of the Company into 1 consolidated share of the Company which took effect on 20 January 2021) then in issue; and
- (v) a premium of approximately 841.64% to the unaudited net asset value of approximately HK\$0.27 per Share as at 30 June 2021 (calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$2,451,754,080 (equivalent to RMB\$1,993,296,000) as at 30 June 2021 and adjusted with the Shares then in issue.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### a. Review of the historical Share price performance

We have reviewed the daily closing prices of the Shares for the period from 25 July 2021 (being the 6 months period prior to the Last Trading Day) 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: The Stock Exchange

As illustrated in the chart above, during the Review Period, the closing Share price traded at an average of approximately HK\$2.82. On 1 August 2021, the Company issued the First Share Transfer announcement. Subsequent to the First Share Transfer announcement, the Share price reached its highest point of HK\$5.09 on 3 August 2021. On 17 August 2021, the Company issued a profit warning announcement for the six months ended 30 June 2021 as the Group expected to record a net loss in the first half of 2021, which was primarily attributable to the proposed assessment of loss arising from fair value change in respect of the warrants issued by the Company in early 2021 in connection with the VCEL Acquisition. On 30 August 2021, the Company announced its interim results for the six months ended 30 June 2021 of which the Group recorded loss of approximately RMB2,448.8 million for 1H2021 as compared to profit of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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approximately RMB7.2 million for 1H2020. Subsequent to the abovementioned profit warning and 2021 interim results announcements, the Share price demonstrated a general declining trend and reached its second lowest point of HK\$1.70 on 24 September 2021.

On 17 November 2021, the Company announced that Solution Key shall transfer approximately 18.0% of the issued shares of the Company to Allied Resources Investment Holdings Limited at a total consideration of approximately HK\$2,127.6 million (the “**Second Share Transfer**”). Immediately after completion of the Second Share Transfer, China Evergrande Group shall cease to hold any share in the Company. Shortly after the Second Share Transfer announcement, the Share price surged to HK\$3.63 on 23 November 2021. The Share price demonstrated a general declining trend since then and up to the Last Trading Day. The Subscription Price represents a premium of approximately 57.2% to the lowest Share price, and discounts of approximately 50.9% and 11.3% to the highest and average Share prices, respectively, during the Review Period. Although the Subscription Price is at approximately 11.3% discount to the average Share price during the Review Period, we note that the Share prices fluctuated within the region of approximately HK\$1.97 to HK\$3.63 between 18 November 2021 and up to the Last Trading Day (the “**Post Second Share Transfer Period**”) and the Share prices were traded below HK\$3.0 during majority of the Post Second Share Transfer Period. Therefore, we consider that the Subscription Price, although represents a discount to the average Share price during the Review Period, is determined with the prevailing market price of the Share during the Post Second Share Transfer Period.

b. *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 under specific mandate carried out by the companies listed on the Main Board of the Stock Exchange with market capitalization more than HK\$1.0 billion as at the date of announcing the Comparable Issues; (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. To the best of our knowledge and as far as we are aware of, we identify an exhaustive list of seven transactions which meet the aforesaid criteria by searching the website of Stock Exchange. Although the business, operation and prospects of the Group are not the same as the listed issuers of the Comparable Issues, we consider that the Comparable Issues can provide a fair and representative reference of the recent market practices (i.e. the Review Period) in relation to subscription of new shares under specific mandate 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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

Date of announcement	Company name	Stock code	Connected transactions or not	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
18-Jan-21	Zall Smart Commerce Group Ltd.	2098	Yes	13.64%	12.11%
31-Dec-21	Wealthking Investments Limited	1140	Yes	15.00%	21.37%
31-Dec-21	China South City Holdings Limited	1668	No	(17.39)%	(14.93)%
10-Dec-21	China Saite Group Company Limited	153	No	(3.80)%	(2.70)%
28-Nov-21	IDreamSky Technology Holdings Limited	1119	Yes	(9.34)%	(8.07)%
14-Nov-21	China Nuclear Energy Technology Corporation Limited	611	No	(6.17)%	0.92%
4-Oct-12	Coolpad Group Limited	2369	Yes	(17.65)%	(18.60)%
			Mean	(3.67)%	(1.41)%
			Median	(6.17)%	(2.70)%
			Maximum	15.00%	21.37%
			Minimum	(17.65)%	(18.60)%
			<b>Subscription Price</b>	<b>9.17%</b>	<b>8.70%</b>

*Source: the Stock Exchange*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated by the table above, we note that the Premium/Discount of the Comparable Issues ranged from a premium of approximately 15.00% to a discount of approximately 17.65%, with the mean and median discounts of approximately 3.67% and 6.17%, respectively. In addition, the Five Days Premium/Discount of the Comparable Issues ranged from a premium of approximately 21.37% to a discount of approximately 18.60%, with the mean and median discounts of approximately 1.41% and 2.70%, respectively.

As shown by the market comparison above, the (a) premium to the Subscription Price of approximately 9.17% to the closing price per Share on the Last Trading Day is within the range of the Premium/Discount of the Comparable Issues, and above the mean and median discounts of the Comparable Issues; and (b) premium to the Subscription Price of approximately 8.70% to the average closing price per Share for the last five consecutive trading days immediately prior to the Last Trading Day is within the range of the Five Days Premium/Discount of the Comparable Issues, and above the mean and median discounts of the Comparable Issues.

In view of the above and further taking into account that (i) the Subscription Price is determined at a level that is close to the prevailing market price of the Share; and (ii) the Subscription Price is the same as the Share Subscription by Mr. Liu, who is an independent third parties, 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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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**5. Potential dilution effect on to 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 Date save for the allotment and issue of the Subscription Shares to Water Lily), are set out as follows:

Name of Shareholder	(i) As at Latest Practicable Date		(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 Date save for the allotment and issue of the Subscription Shares to Water Lily)	
	Number of Shares	Approximate per cent. (%)	Number of Shares	Approximate per cent. (%)
<i>Director (Other than Mr. Ke Liming)</i>				
<i>(Note 1)</i>				
Mr. Wan Chao <i>(Note 2)</i>	2,032,000	0.02	2,032,000	0.02
<i>Substantial Shareholders</i>				
Mr. Ke Liming <i>(Note 3)</i>	1,893,101,943	20.50	1,893,101,943	20.36
Water Lily <i>(Note 4)</i>	1,819,234,565	19.70	1,883,234,565	20.25
<b>Sub-total of non-public Shareholders</b>	<b>3,714,368,508</b>	<b>40.22</b>	<b>3,778,368,508</b>	<b>40.63</b>
<b>Public Shareholders</b>	<b>5,520,279,037</b>	<b>59.78</b>	<b>5,520,279,037</b>	<b>59.37</b>
<b>Total number of issued shares</b>	<b>9,234,647,545</b>	<b>100.00</b>	<b>9,298,647,545</b>	<b>100.00</b>

*Notes:*

- As at the Latest Practicable Date, each of Ms. Chen Xi and Mr. Zhang Qiang was interested in 48,000,000 and 10,000,000 Shares (within the mean 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 letter, the above table does not include any underlying shares to be granted under any share options granted to the Directors.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2. As at the Latest Practicable Date, Mr. Wan Chao was interested in 2,032,000 Shares, of which 1,592,000 Shares were directly held by Mr. Wan Chao himself and 4,400,000 Shares were deemed interests held through his spouse.
3. 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.
4. As at the Latest Practicable Date, Water Lily was directly interested in 1,819,234,565 Shares. Water Lily is a wholly-owned subsidiary of Tencent Holdings Limited.

As illustrated in the table above, Water Lily's shareholding in the Company will increase from approximately 19.70% to 20.25% immediately after the Closing. The shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 59.78% and will be diluted to approximately 59.37% immediately after the Closing. In this regard, in view of (i) the reason for and benefit of the Share Subscription by Water Lily as mentioned in the section headed "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 "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 existing Shareholders resulting from the Share Subscription by Water Lily is acceptable.

### **6. Possible financial effects of the Subscription**

Pursuant to the 2021 IR, the net assets of the Group amounted to approximately RMB1,993.3 million as at 30 June 2021. 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\$160.0 million; and (ii) the current ratio of the Group will increase from approximately 0.64 times to 0.71 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 both the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 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; and (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. 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 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 10 years of experience in the corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

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

#### *Interest of 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
Ke Liming	Interest of a controlled corporation	3,727,381,250 <i>(Note 1)</i>	40.36%
Chen Xi	Beneficial owner	48,000,000 <i>(Note 2)</i>	0.52%
Wan Chao	Beneficial owner	2,032,000 <i>(Note 3)</i>	0.02%
Zhang Qiang	Beneficial owner	10,000,000 <i>(Note 4)</i>	0.11%

*Notes:*

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

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

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

**(b) Interests of substantial Shareholders**

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

<b>Name of Shareholder</b>	<b>Capacity in which interests are held</b>	<b>Interest in the Shares</b>	<b>Approximate percentage of total issued shares as at the Latest Practicable Date</b>
Ke Liming	Interest of a controlled corporation	3,727,381,250	40.36%
Pumpkin Films Limited ( <i>Note 1</i> )	Beneficial owner	3,727,381,250	40.36%
Tencent Holdings Limited	Interest of a controlled corporation	1,819,234,565	19.70%
Water Lily ( <i>Note 2</i> )	Beneficial owner	1,819,234,565	19.70%
Li Shao Yu	Interest of a controlled corporation	910,000,000	9.85%
Eagle Smart Capital Investment Group Limited ( <i>Note 3</i> )	Beneficial owner	910,000,000	9.85%

*Notes:*

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

Save as disclosed above in the table, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

**3. COMPETING BUSINESS**

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

**4. DIRECTORS' SERVICE CONTRACTS**

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

**5. DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors or proposed Director had any direct or indirect interest in any asset which had been, since 31 December 2020 (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 2020 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 experts who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
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 2020, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

**10. MISCELLANEOUS**

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

**11. DOCUMENTS ON DISPLAY**

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

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

*(formerly known as HengTen Networks Group Limited 恒騰網絡集團有限公司)*

*(a company incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of China Ruyi Holdings Limited (the “Company”) shall be held at 5/F, CN-03 Building, No. 1 Dong Ba Li Zhuang, Chaoyang District, Beijing, the People’s Republic of China on Wednesday, 30 March 2022 at 5:00 p.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution. Words and expressions that are not expressly defined in this notice of SGM shall bear the same meaning as those defined in the circular of the Company dated 14 March 2022.

#### **ORDINARY RESOLUTION**

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

**“THAT**

- (a) the Water Lily Share Subscription Agreement dated 25 January 2022 (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 64,000,000 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 Stock Exchange having granted the listing of, and permission to deal in the 64,000,000 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

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## NOTICE OF SGM

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others, 64,000,000 Subscription Shares to Water Lily, on and subject to the terms and conditions of the Water Lily Share Subscription Agreement entered into between the 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.”

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

Hong Kong, 14 March 2022

*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member.
2. A form of proxy for use at the SGM is enclosed herewith. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and, in any event, not less than 48 hours (i.e. no later than 4:30 p.m. on Monday, 28 March 2022) before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and deposit of the form of proxy will not preclude a shareholder from attending and voting in person at the SGM or any adjournment thereof (as the case may be).
3. **In view of the ongoing COVID-19 pandemic, the Company strongly recommends shareholders of the Company to exercise your voting rights by appointing the chairperson of the SGM as your proxy to vote on the relevant resolution(s) at the SGM as an alternative to attending the SGM in person.**
4. 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.
5. 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.
6. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 25 March 2022 to Wednesday, 30 March 2022 (both days inclusive), during which period no transfer of Shares will be registered. In order for a shareholder of the Company to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch registrar in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 24 March 2022.
7. References to time and dates in this notice are to Hong Kong time and dates.

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## NOTICE OF SGM

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### PRECAUTIONARY MEASURES FOR THE SGM

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

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

To enable Shareholders of the Company to participate in the SGM and to speak and observe in relation to the resolution(s) to be resolved at the SGM, Shareholders not attending the SGM in person may join a live streaming webcast of the SGM where they can both speak and see during the discussion session at the SGM via Zoom at zoom link address. Shareholders that intend to participate in the SGM via Zoom shall contact Tricor Secretaries Limited the Company's branch share registrar in Hong Kong before 4:30 p.m. on Monday, 28 March 2022 to obtain a passcode to join the SGM via the following means:

By email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

By telephone: (852) 2980 1333

Shareholders should note that viewing the live streaming webcast of the SGM via Zoom will not be counted towards a quorum nor will they be able to cast their votes online. Shareholders who wish to vote are strongly encouraged to appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the SGM by completing and returning the Proxy Form in accordance with the instructions therein by a time not less than 48 hours before the time appointed for the SGM (i.e. 4:30 p.m. on 28 March 2022), if they have not already done so.

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

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

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