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儒意控股
RUYI HOLDINGS

China Ruyi Holdings Limited

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 GAME COOPERATION
FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 10 January 2022 and the circular of the Company dated 12 April 2022 in relation to the 2022 CCT Agreement, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China.

The Board is pleased to announce that, on 22 February 2023, to further cooperate in the realm of game technology, Beijing Jingxiu entered into the 2023 Game Cooperation Framework Agreement with Tencent Computer in relation to the cooperation of games between the parties, under which the parties agreed that Beijing Jingxiu and Tencent Representative Companies shall cooperate in the field of gaming.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Holdings is a shareholder indirectly holding more than 10% of the shares of the Company. Pursuant to Chapter 14A of the Listing Rules, Tencent Holdings and its subsidiaries are connected persons of the Company. Accordingly, the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the 2023 Game Cooperation Framework Agreement calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5%, the transaction(s) contemplated under the 2023 Game Cooperation Framework Agreement shall be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the 2023 Game Cooperation Framework Agreement and the Annual Caps. The Company expects that voting at the SGM will be conducted by poll and Water Lily Investment Limited and its associate(s) will abstain from voting at the SGM.

An Independent Board Committee will be formed to advise the Independent Shareholders on the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder. The Company has appointed Maxa Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things: (i) further details of the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, is expected to be despatched to the Shareholders on or before 15 March 2023 in order to allow sufficient time for preparation of the relevant information to be included in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 10 January 2022 and the circular of the Company dated 12 April 2022 in relation to the 2022 CCT Agreement, pursuant to which the parties agreed that Tencent Computer shall provide technical services and channel promotion services for the Group's game products in Mainland China.

The Board is pleased to announce that, on 22 February 2023, to further cooperate in the realm of game technology, Beijing Jingxiu entered into the 2023 Game Cooperation Framework Agreement with Tencent Computer in relation to the cooperation of games between the parties, under which the parties agreed that Beijing Jingxiu and Tencent Representative Companies shall cooperate in the field of gaming.

THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT

The principal terms of the 2023 Game Cooperation Framework Agreement are set out below:

Date : 22 February 2023

Parties : (1) Beijing Jingxiu, a subsidiary of the Company; and
(2) Tencent Computer, a subsidiary of Tencent Holdings and an associate of the connected person of the Company.

Term : 22 February 2023 to 31 December 2025

Principal Terms

The parties shall cooperate on the following matters:

(1) *Distribution and operation of the Cooperation Products by Beijing Jingxiu (“Distribution Cooperation”)*

Tencent Representative Companies agreed to license Beijing Jingxiu to distribute and operate the Cooperation Products as (i) exclusive distributor; or (ii) distributor on certain platforms. Beijing Jingxiu will act as the distributor of the Cooperation Products and directly derive income from the end users of the Cooperation Products on the platform. Tencent Representative Companies shall provide to Beijing Jingxiu intellectual property rights licensing and/or content update and maintenance services in respect of the Cooperation Products. Depending on the needs of Cooperation Products, Beijing Jingxiu shall pay to the Tencent Representative Companies (i) intellectual property license fees (if applicable); (ii) content update and maintenance fees of cooperation game (if applicable); and/or (iii) other fees negotiated by the parties.

The payment and settlement terms of such fees payable by Beijing Jingxiu shall be separately agreed between the relevant parties in the implementation agreements to be entered into pursuant to the terms of the 2023 Game Cooperation Framework Agreement.

(2) *Joint distribution and operation of games by Tencent Representative Companies and Beijing Jingxiu (“Joint Operation Cooperation”)*

Tencent Representative Companies and Beijing Jingxiu agreed to jointly distribute and operate the Cooperation Products, and the parties shall be responsible for managing the settlement of fees on different platforms based on actual demand as agreed between the parties. Tencent Representative Companies and Beijing Jingxiu shall directly derive income from the end users of the Cooperation Products on the platforms which they are responsible for, and then pay each other (as the case may be) relevant fees.

The platforms or scope of channels for which each party is responsible for, and payment and settlement terms of such fees payable and/or receivable (as the case may be) by each party shall be separately agreed between the respective parties in the implementation agreements to be entered into pursuant to the terms of the 2023 Game Cooperation Framework Agreement.

(3) *Marketing services provided by Beijing Jingxiu (“Marketing Services”)*

Beijing Jingxiu agreed to provide marketing and advertising services to Tencent Representative Companies. Through the linkage between films and games, Beijing Jingxiu will leverage on its strengths in the film and television field to formulate specific marketing plans for the promotion of the Cooperation Products, including but not limited to designing and executing game marketing plans, promotion planning and video content production.

The payment and settlement terms of relevant marketing services fees or service bonus (where applicable) payable by Tencent Representative Companies to Beijing Jingxiu shall be separately determined between the respective parties in the implementation agreements to be entered into pursuant to the terms of the 2023 Game Cooperation Framework Agreement.

PRICING PRINCIPLES

(1) *Distribution Cooperation*

In respect of the aforementioned Distribution Cooperation, Beijing Jingxiu shall pay Tencent Representative Companies relevant fees as agreed between the parties based on the particular Cooperation Product. The mode of settlement include but not limited to revenue-sharing or fixed amount. The revenue-sharing will be calculated based on (i) the income derived from the distribution and operation of Cooperation Products on different platforms; and (ii) comparable pricing terms in the market, and shall be specifically determined by the scope of channels that Beijing Jingxiu is actually responsible for the distribution and operation of

specific Cooperation Products. In respect of fixed amount settlement mode, depending on the circumstances, Tencent Representative Companies may also charge Beijing Jingxiu a fixed amount of fees as agreed between the parties.

(2) *Joint Operation Cooperation*

In respect of the aforementioned Joint Operation Cooperation, the relevant fees shall be calculated based on the income derived from the operation of the Cooperation Products on the platforms for which each party is responsible for, with reference to the scope of the channels that the parties are actually responsible for the distribution and operation of the specific Cooperation Product.

(3) *Marketing Services*

In respect of the aforementioned Marketing Services, Tencent Representative Companies shall pay to Beijing Jingxiu marketing service fees or service bonus (where applicable) based on the income derived from the operation of the Cooperation Products.

PRICING POLICIES

The revenue sharing and/or service fees payable and receivable (as the case may be) by the Group to/from Tencent Representative Companies shall be determined after arm's length negotiations between the parties with reference to (i) the prevailing market price and (ii) taking into account various commercial factors, such as the nature, popularity, quality and commercial potential, in respect of the relevant games. The Group will only enter into the cooperation agreement with the Tencent Group when the agreement is in the best interests of the Company and the Shareholders as a whole. In any event, all of the above fees payable and receivable (as the case may be) by Beijing Jingxiu to/from Tencent Representative Companies shall be not more favourable to Tencent Representative Companies nor less favourable to Beijing Jingxiu than those paid or charged by any independent third party under the same or similar conditions. The Group will review such fees from time to time by comparing them against the fees receivable by the Group from any independent third party for comparable cooperation.

ANNUAL CAPS

The proposed annual caps for the total amount payable and receivable by the Group to and from Tencent Representative Companies for the transactions under the 2023 Game Cooperation Framework Agreement are as follows:

	Proposed annual caps		
	for the year ending 31 December		
	2023	2024	2025
	<i>(RMB million)</i>		
(1) Total amount payable by the Group to Tencent Representative Companies ⁽¹⁾	1,000	1,000	1,000
(2) Total amount receivable by the Group from Tencent Representative Companies ⁽²⁾	700	700	700

Notes:

- (1) The total amount payable by the Group to Tencent Representative Companies is (a) the relevant fees payable to Tencent Representative Companies by the Group, as the authorized distributor of Tencent Representative Companies, for distributing Cooperation Products on different platforms, after deriving income from the end users of the Cooperation Products; and (b) relevant fees payable to the Tencent Representative Companies by the Group after the Group derives revenue from the end users of the Cooperation Products, which are jointly operated and distributed by the parties, on the platforms the Group is responsible for. For details of the relevant cooperation, please refer to the section headed “Principal Terms” above.
- (2) The total amount receivable by the Group from Tencent Representative Companies is (a) the relevant fees payable by Tencent Representative Companies to the Group after Tencent Representative Companies derive income from the end users of the Cooperation Products, which are jointly operated and distributed by the parties, on the platform they are responsible for; and (b) marketing service fees. For details of the relevant cooperation and provision of services, please refer to the section headed “Principal Terms” above.

Basis for determination of the Annual Caps

A. *Distribution Cooperation and Joint Operation Cooperation*

Given the revenue-sharing mechanism contemplated in the 2023 Game Cooperation Framework Agreement, the transaction amounts in relation to the Distribution Cooperation and Joint Operation Cooperation under the 2023 Game Cooperation Framework Agreement are expected to depend on the revenue-generating capacity of each Cooperation Product, as well as the coverage and

extent of the Cooperation Products (for example, the number of Cooperation Products to be rolled out each year by the Group), which in turn, are subject to the future levels of acceptance of and popularity of the Cooperation Products.

Accordingly, despite the practicable difficulties in accurately estimating the income to be generated from each Cooperation Product in the next three years, the Board has determined the Annual Caps for the three financial years ending 31 December 2025 with reference to, among others, (i) the market demand for and development trend of gaming business; (ii) the roadmap for the development of the Cooperation Products of the Group; (iii) the estimated scale and average cost, revenue and profit of the Cooperation Products that the Group intends to be operated by Beijing Jingxiu; and other relevant commercial factors, including but not limited to the development and production cycle of game works, budget control and work quality. The Directors believe that relatively new and high-quality game works have higher market value and can generally attract more gamers; and (iv) the expected revenue-generating capacity of the Cooperation Products with reference to similar products of comparable attributes.

The Board has also considered the following factors: (i) the market status and recognition of the Tencent Representative Companies in the realm of game business; (ii) the promotion expertise and financial resources of the Tencent Representative Companies; (iii) the breadth of user base, user demographics and traffic of various Tencent Platforms (including but not limited to Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶)); and (iv) the excellent track record of Tencent Representative Companies in promoting mobile games. Tencent Group, a provider of internet value-added services in the PRC, offers a wide range of high-quality technological products and services and has a large user base.

B. *Marketing Services*

It is expected that the transaction amount of the Marketing Services under the 2023 Game Cooperation Framework Agreement will depend on the revenue-generating capability of the relevant Cooperation Products. Therefore, with respect to the Marketing Services under the 2023 Game Cooperation Framework Agreement, in addition to the above factors, the Board has also taken into consideration, among other things: (i) the number, size, type, revenue-generating capability of Cooperation Products which are expected to be delivered by the Company in the coming years; and (ii) the marketing services and the scope thereof which are expected to be required by Tencent Representative Companies.

INTERNAL CONTROL PROCEDURES

In order to ensure that the Company complies with the pricing policies, the monitoring of the aggregate accumulated transaction amount and, if applicable, the approval of the Annual Caps under the 2023 Game Cooperation Framework Agreement, the Company has adopted a series of internal control policies in its daily operations. These internal control policies are implemented and monitored by the Company's internal audit and internal control department, independent non-executive Directors and external auditors:

- (1) the Company's internal control department conducts regular monitoring of connected transactions, the results of which together with the external auditor's report are then submitted to the audit committee and independent non-executive Directors for review. The Company's internal audit and internal control department supervises connected transactions and ensures that these transactions are carried out in the following ways: (a) in accordance with the pricing principles of the 2023 Game Cooperation Framework Agreement; (b) in the ordinary and usual course of business of the Group; (c) on normal or better commercial terms; and (d) in accordance with the 2023 Game Cooperation Framework Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole;
- (2) the independent non-executive Directors have reviewed and will continue to review the continuing connected transactions and confirm in the annual report whether: these transactions are entered into on normal or better commercial terms; in accordance with the 2023 Game Cooperation Framework Agreement, and that the terms are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and
- (3) the Company's external auditors will also conduct annual reviews of the pricing principles, total amount of accumulated transactions and, if applicable, Annual Caps of the 2023 Game Cooperation Framework Agreement and make corresponding confirmations in the Company's annual report.

The Board believes that the above internal control procedures can ensure that the transactions under the 2023 Game Cooperation Framework Agreement will be implemented on normal or better commercial terms and will not harm the interests of the Company and its Shareholders.

INFORMATION ON THE COMPANY, BEIJING JINGXIU AND TENCENT COMPUTER

The Company

The Company is listed on the Stock Exchange (stock code: 136). The Company is an investment holding company. The Group is principally engaged in content production and online streaming business, internet community services and related businesses, and manufacture and sales of accessories.

Beijing Jingxiu

Beijing Jingxiu (former name was Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司)) is a company established under the laws of the PRC and a subsidiary of the Company. It is principally engaged in the development and procurement of film and television copyrights.

The Tencent Group

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

Tencent Computer

Tencent Computer is a company established under the laws of the PRC and a subsidiary of Tencent Holdings. It is principally engaged in the development and provision of integrated internet services in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 GAME COOPERATION FRAMEWORK AGREEMENT

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

On the basis of the orderly development of the game cooperation business between the parties in 2022, the 2023 Game Cooperation Framework Agreement will be entered into for the purpose of further broadening the scope of game cooperation and enriching the cooperation model in the game field between the parties. This will also help the Group continue to broaden the scope of entertainment business of the Company, and enhance the monetization of the proprietary intellectual properties of the Company through the linkage between films and games, and in the long run, help to strengthen the Group's talent pool and consolidate its technological capability, which will in turn allow the Company to leap into a new stage of development.

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

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser as and when appropriate) consider that the transactions contemplated under the 2023 Game Cooperation Framework Agreement are entered into in the ordinary and usual course of business of the Company and its subsidiaries, on normal commercial terms after arm's length negotiations between the parties, and the terms of those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tencent Holdings is a shareholder indirectly holding more than 10% of the shares of the Company. Pursuant to Chapter 14A of the Listing Rules, Tencent Holdings and its subsidiaries are connected persons of the Company. Accordingly, the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the 2023 Game Cooperation Framework Agreement calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5%, the transaction(s) contemplated under the 2023 Game Cooperation Framework Agreement shall be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser as and when appropriate) believe that, the terms of the 2023 Game Cooperation Framework Agreement are fair and reasonable, on normal commercial terms and beneficial to the business development of the Group. In addition, the terms of the 2023 Game Cooperation Framework Agreement are no less favourable than those offered to or by

independent third parties. 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 transactions contemplated under the 2023 Game Cooperation Framework Agreement or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

The Company will convene the SGM for the purpose of seeking approval from the Independent Shareholders on, among other things, the 2023 Game Cooperation Framework Agreement and the Annual Caps. The Company expects that voting at the SGM will be conducted by poll and Water Lily Investment Limited and its associate(s) will abstain from voting at the SGM.

An Independent Board Committee will be formed to advise the Independent Shareholders on the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder. The Company has appointed Maxa Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder.

A circular containing, among other things: (i) further details of the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) notice of the SGM, is expected to be despatched to the Shareholders on or before 15 March 2023 in order to allow sufficient time for preparation of the relevant information to be included in the circular.

DEFINITIONS

Unless otherwise stated, the following expressions have the following meanings in this announcement:

“2022 CCT Agreement”	the continuing connected transaction agreement dated 10 January 2022 entered into between Beijing Jingxiu and Tencent Computer, pursuant to which the parties agreed that Tencent Computer shall provide, among other things, technical services and channel promotion services for the Group’s game products in Mainland China
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“2023 Game Cooperation Framework Agreement”	the continuing connected transaction agreement dated 22 February 2023 entered into between Beijing Jingxiu and Tencent Computer, pursuant to which the parties agreed that, (1) Tencent Representative Companies and Beijing Jingxiu shall carry out Distribution Cooperation, (2) Tencent Representative Companies and Beijing Jingxiu shall carry out Joint Operation Cooperation and (3) Beijing Jingxiu shall provide Marketing Services to Tencent Representative Companies
“Annual Caps”	the expected maximum annual transaction amount receivable by Beijing Jingxiu from Tencent Representative Companies, and payable by Beijing Jingxiu to Tencent Representative Companies for the three years ending 31 December 2025 in respect of the transactions contemplated under the 2023 Game Cooperation Framework Agreement, each being the “Annual Cap” of the corresponding year
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Jingxiu”	Beijing Ruyi Jingxiu Network Technology Co., Ltd.* (北京儒意景秀網絡科技有限公司) (formerly known as Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司)), a company established in the PRC with limited liability and a subsidiary of the Company
“Board”	the board of directors of the Company
“Company”	China Ruyi Holdings Limited (中國儒意控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 136)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cooperation Products”	the games developed by the Tencent Group or of which the Tencent Group owns the IP rights which shall be published and operated by the Group in the PRC under the continuing connected transactions

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin, being the independent non-executive Directors, formed to advise the Independent Shareholders on the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Maxa Capital Limited, being appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders other than Water Lily Investment Limited and its respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened, as and when appropriate, for the Independent Shareholders to consider, and vote on, the 2023 Game Cooperation Framework Agreement and the transactions contemplated thereunder, and, if applicable, the Annual Caps
“Shareholders”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Tencent Computer”	Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司), a company established in the PRC and a subsidiary of Tencent Holding
“Tencent Group”	Tencent Holdings and its subsidiaries
“Tencent Representative Companies”	Tencent Group, but excluding (i) China Literature Limited, its subsidiaries and its controllable companies through contractual arrangements; and (ii) Tencent Music Entertainment Group, its subsidiaries, and its controllable companies through contractual arrangements
“Tencent Holdings”	Tencent Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700) and the controlling shareholder of Tencent Computer
“%”	per cent.

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

Hong Kong, 22 February 2023

As at the date of this announcement, 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.

* *for identification purposes.*