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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

	2021	2020
	RMB'000	RMB'000
Revenue	2,318,132	230,114
Gross profit	1,032,268	110,222
Gross profit margin	44.5%	47.9%
Net profit	1,173,652	12,022
Net profit margin	50.6%	5.2%
Basic earnings per share	RMB0.12792	RMB0.00149
Diluted earnings per share	RMB0.11056	RMB0.00149

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ruyi Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021 together with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	2	2,318,132	230,114
Cost of revenue		(1,285,864)	(119,892)
Gross profit		1,032,268	110,222
Selling and marketing costs		(248,418)	(50,417)
Administrative expenses		(150,544)	(71,154)
Net impairment losses on financial assets		(35,612)	(4,169)
Other income	3	7,682	18,452
Other expenses	4	—	(2,928)
Other gains — net		362,238	5,174
Operating profit		967,614	5,180
Finance costs	5	(34,545)	(2,270)
Finance income	5	382,673	13,218
Finance income — net	5	348,128	10,948
Share of losses of associates accounted for using the equity method		(337)	—
Profit before income tax		1,315,405	16,128
Income tax expenses	6	(141,753)	(4,106)
Profit for the year		1,173,652	12,022
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of debt instruments at fair value through other comprehensive income		(14)	(78)
Currency translation difference		(6,122)	(47,223)
Other comprehensive income for the year, net of tax		(6,136)	(47,301)
Total comprehensive income/(loss) for the year		1,167,516	(35,279)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Profit attributable to:			
Equity holders of the Company		1,175,339	12,022
Non-controlling interests		<u>(1,687)</u>	<u>—</u>
		<u>1,173,652</u>	<u>12,022</u>
Total comprehensive income attributable to:			
Equity holders of the Company		1,169,203	(35,279)
Non-controlling interests		<u>(1,687)</u>	<u>—</u>
		<u>1,167,516</u>	<u>(35,279)</u>
Earnings per share for profit attributable to the equity holders of the Company for the years: (expressed in RMB per share)			
— Basic earnings per share	7	<u>0.12792</u>	<u>0.00149</u>
— Diluted earnings per share	7	<u>0.11056</u>	<u>0.00149</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		8,826	13,338
Right-of-use assets		68,600	12,952
Intangible assets		684,821	2,172
Deferred tax assets		1,693	3,280
Investments accounted for using the equity method		34,448	—
Goodwill	13	4,214,619	—
Financial assets at fair value through profit or loss		136,000	—
Financial assets at fair value through other comprehensive income		539	553
Prepayments		—	6,595
Prepayments for film and television programmes rights		74,400	—
Film and television programmes rights		<u>1,403,045</u>	<u>—</u>
		<u>6,626,991</u>	<u>38,890</u>
Current assets			
Film and television programmes rights		1,178,828	—
Inventories		2,257	8,840
Prepayments and other current assets	8	326,978	21,465
Trade and other receivables	9	1,300,529	154,987
Financial assets at fair value through profit or loss		44,846	17,967
Cash and cash equivalents		<u>1,139,463</u>	<u>1,031,092</u>
		<u>3,992,901</u>	<u>1,234,351</u>
Total assets		<u><u>10,619,892</u></u>	<u><u>1,273,241</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	180,467	161,228
Share premium	10	7,752,893	4,511,147
Other reserves		40,240	46,481
Accumulated losses		<u>(2,360,349)</u>	<u>(3,535,688)</u>
		5,613,251	1,183,168
Non-controlling interests		<u>6,165</u>	<u>—</u>
Total equity		<u><u>5,619,416</u></u>	<u><u>1,183,168</u></u>

		31 December 2021	31 December 2020
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings		1,373,018	—
Lease liabilities		26,797	11,811
Deferred tax liabilities		501,958	—
Contingent consideration payable		<u>1,373,719</u>	<u>—</u>
		<u>3,275,492</u>	<u>11,811</u>
Current liabilities			
Contract liabilities	2	16,083	4,196
Borrowings		150,000	—
Trade payables	11	237,098	8,116
Film and television programmes investment funds from investors		559,058	—
Other payables	12	80,603	60,103
Current income tax liabilities		168,432	920
Lease liabilities		13,531	4,927
Contingent consideration payable		<u>686,859</u>	<u>—</u>
		<u>1,724,984</u>	<u>78,262</u>
Total liabilities		<u>5,000,476</u>	<u>90,073</u>
Total equity and liabilities		<u>10,619,892</u>	<u>1,273,241</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and contingent consideration payable which are stated at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the above new and amended standards did not have any significant impact on the Group’s accounting policies and did not require retrospective adjustments.

(b) **New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group**

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Business Combinations — Reference to Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts	1 January 2022
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Presentation of Financial Statements on Classification of Liabilities	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2 SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-makers (the “**CODM**”) of the Group has been identified as the executive directors of the Company who is responsible for reviewing the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments: 1) content production and online streaming business, 2) internet community and related businesses, and 3) manufacture and sales of accessories.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Certain corporate expenses, other income, other gains and finance income — net are not included in the results for each operating segment.

In previous years, management considered that the Group has two reportable operating segments, being internet community and related businesses and manufacture and sales of accessories. During the year, the Group acquired 100% equity interest in Virtual Cinema Entertainment Limited which is principally engaged in film and television programmes productions, distribution and online streaming platform business. Therefore, management currently considers the Group’s operation from a business perspective and determines that the Group has three reportable operating segments.

(b) Segment profit/(loss)

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2021 are as follows:

	Content production and online streaming business <i>RMB'000</i>	Internet community and related businesses <i>RMB'000</i>	Manufacture and sales of accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue				
Timing of revenue recognition				
At a point	1,872,671	9,578	51,029	1,933,278
Over time	342,401	42,453	—	384,854
	<u>2,215,072</u>	<u>52,031</u>	<u>51,029</u>	<u>2,318,132</u>
Segment profit/(loss)	<u>696,894</u>	<u>(74,761)</u>	<u>3,121</u>	625,254
Unallocated corporate expenses				(22,646)
Unallocated other income				—
Unallocated other gains				361,924
Unallocated finance income — net				<u>350,873</u>
Profit before income tax				<u>1,315,405</u>
Depreciation of properties, plant and equipment	697	3,931	369	4,997
Depreciation of right-of-use assets	10,175	2,602	997	13,774
Amortisation of intangible assets	2,734	238	—	2,972
Amortisation of film and television programmes rights	971,680	—	—	971,680
Amortisation of licensed film and television programmes rights	<u>231,564</u>	<u>—</u>	<u>—</u>	<u>231,564</u>

The segment results and other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2020 are as follows:

	Internet community and related businesses <i>RMB'000</i>	Manufacture and sales of accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue			
Timing of revenue recognition			
At a point	71,083	44,644	115,682
Over time	114,432	—	114,432
	<u>185,470</u>	<u>44,644</u>	<u>230,114</u>
Segment profit/(loss)	<u>31,100</u>	<u>(3,841)</u>	27,259
Unallocated corporate expenses			(13,509)
Unallocated other income			48
Unallocated other gains			1,873
Unallocated finance income — net			<u>546</u>
Profit before income tax			<u>16,128</u>
Depreciation	12,200	1,515	13,715
Amortisation	<u>894</u>	<u>—</u>	<u>894</u>

(c) **Segment assets and liabilities**

Segment assets and liabilities as at 31 December 2021 are as follows:

	Content production and online streaming business RMB'000	Internet community and related businesses RMB'000	Manufacture and sales of accessories RMB'000	Consolidated RMB'000
ASSETS				
Segment assets	<u>9,221,434</u>	<u>62,654</u>	<u>12,318</u>	9,296,406
Unallocated other receivables and prepayments				945
Financial assets of fair value through profit or loss (“FVPL”)				180,846
Financial assets at fair value through other comprehensive income (“FVOCI”)				539
Deferred tax assets				1,693
Cash and cash equivalents				<u>1,139,463</u>
Consolidated total assets				<u>10,619,892</u>
LIABILITIES				
Segment liabilities	<u>(891,777)</u>	<u>(10,555)</u>	<u>(11,977)</u>	(891,777)
Unallocated other payables				(4,145)
Unallocated borrowings				(1,373,018)
Contingent consideration payable				(2,060,578)
Current income tax liabilities				(169,000)
Deferred tax liabilities				<u>(501,958)</u>
Consolidated total liabilities				<u>(5,000,476)</u>

Segment assets and liabilities as at 31 December 2020 are as follows:

	Internet community and related businesses <i>RMB'000</i>	Manufacture and sales of accessories <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSETS			
Segment assets	<u>205,816</u>	<u>13,293</u>	219,109
Unallocated other receivables and prepayments			1,240
Financial assets at FVPL			17,967
Financial assets at FVOCI			553
Deferred tax assets			3,280
Cash and cash equivalents			<u>1,031,092</u>
Consolidated total assets			<u>1,273,241</u>
LIABILITIES			
Segment liabilities	<u>(75,434)</u>	<u>(8,354)</u>	(83,788)
Unallocated other payables			(5,365)
Current income tax liabilities			<u>(920)</u>
Consolidated total liabilities			<u>(90,073)</u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable and operating segments, other than certain other receivables and prepayments, financial assets at FVPL, financial assets at FVOCI, deferred tax assets and cash and cash equivalents; and
- all liabilities are allocated to reportable and operating segments, other than certain other payables, certain borrowings, contingent consideration payable, current income tax liabilities and deferred tax liabilities.

(d) Geographical information

The Group's operations are located in the Mainland China and Hong Kong for the years ended 31 December 2021 and 2020.

Information about the Group's revenue from external customers is presented based on the location at which the goods or services are delivered or provided.

The Group's total revenue from sales of goods and provision of services by geographical location is detailed below:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Mainland China	2,277,676	193,009
Europe	22,531	17,691
Hong Kong	14,313	14,030
Others	<u>3,612</u>	<u>5,384</u>
	<u>2,318,132</u>	<u>230,114</u>

The Group's non-current assets excluding financial instruments and deferred tax assets by geographical location of the assets are detailed below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Mainland China	4,975,866	32,744
Hong Kong	<u>1,000</u>	<u>2,313</u>
	<u>4,976,866</u>	<u>35,057</u>

(e) Liabilities related to contracts with customers

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities	<u>16,083</u>	<u>4,196</u>

Unsatisfied performance obligations

Unsatisfied performance obligations are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(f) **Information about major customers**

During the year ended 31 December 2021, 1 customer individually contributed over 10% of the Group's revenue (2020: Nil). The revenue from the customer during the year was approximately RMB455,524,000.

3 OTHER INCOME

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Subleasing income	—	8,069
Income from network equipment usage and maintenance service	—	7,327
Government grant	3,592	2,429
Tax credit of input tax additional deduction	4,056	—
Dividend income from financial assets at FVOCI	34	40
Dividend income from financial assets at FVPL	—	8
Sundry income	—	579
	<hr/>	<hr/>
Total other income	<u>7,682</u>	<u>18,452</u>

4 OTHER EXPENSES

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Subleasing expenses	—	2,928
	<hr/>	<hr/>

5 FINANCE INCOME — NET

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Finance costs:		
— Interests expenses on borrowings	(9,420)	(1,156)
— Interests expenses on lease liabilities	(2,007)	(1,114)
— Imputed interest expense	<u>(23,118)</u>	<u>—</u>
	<u>(34,545)</u>	<u>(2,270)</u>
Finance income:		
— Interest income on short-term bank deposits	6,292	13,218
— Interest income on loan receivable	2,480	—
— Imputed interest income	<u>373,901</u>	<u>—</u>
	<u>382,673</u>	<u>13,218</u>
Finance income — net	<u><u>348,128</u></u>	<u><u>10,948</u></u>

6 INCOME TAX EXPENSES

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Current income tax		
— Provision for the year	(138,492)	(2,364)
— Adjustments for current income tax of prior years	<u>—</u>	<u>2,273</u>
Total current income tax expense	(138,492)	(91)
Deferred income tax	<u>(3,261)</u>	<u>(4,015)</u>
Income tax expenses	<u><u>(141,753)</u></u>	<u><u>(4,106)</u></u>

Bermuda corporate tax

The Company is incorporated in the Bermuda under the Companies Act 1981 of Bermuda and, accordingly, are exempted from the Bermuda corporate tax.

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof. No Hong Kong profits tax has been provided for during the year ended 31 December 2021 (year ended 31 December 2020: nil).

PRC corporate income tax

The income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate of 25%, except for subsidiaries of the Group which are entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% in 2021 (for the year ended 31 December 2020: 15%) on the estimated assessable profit for the year, based on the existing legislation, interpretations and practices in respect thereof.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the share consolidation effective on 20 January 2021, whereby every ten issued and unissued then existing shares of the Company were consolidated into one consolidated share.

	Year ended 31 December 2021	Year ended 31 December 2020
Profit attributable to equity holders of the Company (RMB'000)	<u>1,173,652</u>	<u>12,022</u>
Weighted average number of ordinary shares in issue (thousands)	<u>9,174,559</u>	<u>8,061,399</u>
Basic earnings per share (RMB cents per share) for the year	<u><u>12.792</u></u>	<u><u>0.149</u></u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share warrants.

The number of shares that would have been issued assuming the exercise of the share warrants less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December 2021	Year ended 31 December 2020
Profit attributable to equity holders of the Company (RMB'000)	<u>1,173,652</u>	<u>12,022</u>
Weighted average number of ordinary shares for calculation of basic earnings per share (thousands)	9,174,559	8,061,399
Adjustments for:		
— Share warrants (thousands)	<u>1,440,808</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>10,615,367</u>	<u>8,061,399</u>
Diluted earnings per share (RMB cents per share) for the year	<u>11.056</u>	<u>0.149</u>

For the year ended 31 December 2021, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options since their exercise will increase the earnings per share.

8 PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Prepayments	238,220	25,428
Deductible input value-added tax	<u>88,758</u>	<u>2,632</u>
	326,978	28,060
Less non-current portion: prepayments	<u>—</u>	<u>(6,595)</u>
Current portion	<u>326,978</u>	<u>21,465</u>

9 TRADE AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables — gross		
— Third parties	1,074,417	95,783
Less: allowance for doubtful debts	<u>(13,220)</u>	<u>(7,055)</u>
Trade receivables — net	<u>1,061,197</u>	<u>88,728</u>
Other receivables due from		
— Related parties	33,318	25,137
— Other third parties	206,260	43,407
Less: allowance for doubtful debts	<u>(246)</u>	<u>(2,285)</u>
Other receivables — net	<u>239,332</u>	<u>66,259</u>
Total trade and other receivables	<u><u>1,300,529</u></u>	<u><u>154,987</u></u>

(a) Trade and other receivables were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	1,295,462	158,884
— US\$	4,567	5,032
— HK\$	759	369
— EUR	<u>41</u>	<u>42</u>
	<u><u>1,300,529</u></u>	<u><u>164,327</u></u>

- (b) Trade receivables mainly arose from industrialised film and television production, manufacture and sales of accessories and internet platform services. The Group allows an average credit period ranging from 60 to 150 days to its trade customers. The following is an ageing analysis of trade receivables net of allowances for doubtful debts, based on the invoice date which approximates the revenue recognition date at the end of the reporting period.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 60 days	919,218	60,855
61 days to 180 days	40,859	8,305
Over 181 days	101,120	19,568
	<u>1,061,197</u>	<u>88,728</u>

- (c) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

10 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
At 1 January 2020	74,611,669,087	150,172	4,454,940
Issue of new shares upon exercises of New Warrants	<u>6,191,496,938</u>	<u>11,056</u>	<u>56,207</u>
At 31 December 2020 and 1 January 2021	80,803,166,025	161,228	4,511,147
Share Consolidation (<i>Note</i>)	(72,722,849,423)	—	—
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	<u>1,154,330,943</u>	<u>19,239</u>	<u>3,241,746</u>
At 31 December 2021	<u>9,234,647,545</u>	<u>180,467</u>	<u>7,752,893</u>

Note:

Pursuant to the share consolidation approved by the shareholders, every ten issued ordinary shares of Company had been consolidated into one ordinary share (“**share consolidation**”). The share consolidation became effective as from 20 January 2021.

11 TRADE PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade payables	<u>237,098</u>	<u>8,116</u>

Trade payables were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	236,155	7,578
— HK\$	906	472
— US\$	<u>37</u>	<u>66</u>
	<u>237,098</u>	<u>8,116</u>

The ageing analysis of trade payables of the Group based on invoice date is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Within 60 days	19,329	4,858
61 days to 150 days	13,035	2,916
Over 151 days	<u>4,114</u>	<u>342</u>
	<u>237,098</u>	<u>8,116</u>

The average credit period on purchases of goods is 90 days.

12 OTHER PAYABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Other payables	27,498	44,995
Accrued expenses	7,142	8,251
Provisions for other taxes	42,458	6,550
Amount due to related parties	<u>3,505</u>	<u>307</u>
	<u>80,603</u>	<u>60,103</u>

Other payables and accruals were denominated in the following currencies:

	31 December 2021 RMB'000	31 December 2020 RMB'000
— RMB	70,966	57,650
— HK\$	8,919	2,408
— US\$	718	45
	<u>80,603</u>	<u>60,103</u>

13 BUSINESS COMBINATION

On 20 January 2021 (“**acquisition date**”), the Group completed its acquisition (“**Acquisition**”) of 100% of all issued shares in Virtual Cinema Entertainment Limited (“**Virtual Cinema**”), which, together with its subsidiaries and variable interest entities, are principally engaged in film and TV programme production and online streaming platform.

The consideration of the Acquisition was settled by a combination of (i) HK\$3,913,182,000 (approximately RMB3,260,985,000) of the consideration settled in 1,154,330,943 shares (after share consolidation) at the issue price of HK\$3.39 (after share consolidation); and (ii) a maximum of HK\$2,907,300,000 (approximately RMB2,422,750,000) of the consideration settled by way of allotment and issue at maximum 1,834,279,307 warrants (after share consolidation) at the initial warrants exercise price of HK\$0.96 (after share consolidation) per each warrant.

The actual number of warrants to be issued is subject to the net profit of Virtual Cinema in a specified time frame following the Acquisition.

Based on the final purchase price allocation, the following table summarises the consideration paid for Virtual Cinema and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Consideration

	<i>RMB'000</i>
Fair value of share consideration	3,260,985
Fair value of contingent warrants consideration	<u>2,422,750</u>
Total consideration as at acquisition date	<u>5,683,735</u>

Recognised amounts of identifiable assets acquired and liabilities assumed*RMB'000*

Property, plant and equipment	806
Right-of-use assets	1,208
Intangible assets	687,308
Prepayments for film and television programmes rights	12,213
Film and television programmes rights	1,651,391
Trade and other receivables and prepayments	135,677
Inventories	104
Cash and cash equivalents	89,986
Deferred tax assets	2,014
Trade and other payables	(282,617)
Amount due to shareholder	(67,810)
Film and television programmes investment funds from investors	(152,564)
Current income tax liabilities	(2,326)
Contract liabilities	(16,600)
Lease liabilities	(1,265)
Borrowings	(155,000)
Deferred tax liabilities	<u>(499,366)</u>
Total identifiable net assets acquired	1,403,159
Non-controlling interests	(1,853)
Assignment of shareholder's loan	67,810
Goodwill on business combination	<u>4,214,619</u>
	<u><u>5,683,735</u></u>

Net cash inflow arising on acquisition of business*RMB'000*

Cash considerations paid in the period	—
Add: cash and cash equivalents in the subsidiaries acquired	<u>89,986</u>
Cash inflow as at acquisition date	<u><u>89,986</u></u>

Notes:

(i) Goodwill on business combination

The Group recognised the goodwill of approximately RMB4,214,619,000 as a result of the business combination. The main reason giving rise to the goodwill is the synergy brought to the Group from the combination of film and platform business.

(ii) Acquisition-related costs

Acquisition-related costs of RMB11,377,000 are included in administrative expenses.

(iii) Acquired trade and other receivables

The carrying amounts of trade and other receivables approximated their fair values. The gross contractual amount for trade receivables due is RMB69,602,000.

(iv) Non-controlling interest

The non-controlling interest of acquired subsidiaries at the acquisition date was measured by proportionate share of recognised amounts of net assets amounted to RMB1,853,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance Summary

The Group recorded a profit attributable to owners of the Company of approximately RMB1,174 million for the year ended 31 December 2021, which increased by approximately RMB1,162 million as compared to the profit attributable to owners of the Company of approximately RMB12.0 million for the year ended 31 December 2020. The increase in the profit attributable to owners of the Company was mainly due to contribution from content production and online streaming business. It contributed to a segment profit of approximately RMB558 million for the year ended 31 December 2021. The basic and diluted earnings per share were RMB0.13 and RMB0.11 for the year ended 31 December 2021 respectively as compared to the basic and diluted earnings per share of RMB0.00149 and RMB0.00149 for the year ended 31 December 2020.

For the year ended 31 December 2021, the Group conducted its content production and online streaming business in China, and its turnover increased from RMB230 million for the year ended 31 December 2020 to RMB2,318 million for the year ended 31 December 2021, including revenue from the content production and online streaming segment of RMB2,215 million and revenue from the internet community and related services segment of RMB52 million.

The costs of the content production and online streaming business are mainly content costs, labour costs, depreciation and amortization costs. Gross profit margin of such segment was approximately 44.5%. After deducting selling and marketing costs, administrative and other expenses of approximately RMB1,518 million, the segment recorded a profit before tax of approximately RMB697 million.

The turnover of internet community and related services decreased by approximately 72.0% from RMB185.5 million for the year ended 31 December 2020 to RMB52.0 million for the year ended 31 December 2021. The costs of such business segment are mainly labour costs, depreciation and amortization costs and material procurement costs. Gross profit margin recorded for the year ended 31 December 2021 was approximately 40.7%, representing a decrease of approximately 11 percentage points as compared to the year ended 31 December 2020.

The turnover of manufacture and sales of accessories business increased by approximately 14.3% from RMB44.6 million for the year ended 31 December 2020 to RMB51.0 million for the year ended 31 December 2021. Gross profit margin recorded for the year ended 31 December 2021 was approximately 29.1%, representing a decrease of approximately 3.1 percentage points as compared to the year ended 31 December 2020.

Business Review

After fully tapping into content production and online streaming business more than one year ago, the Group has been fully leveraging on its professional competitive edges in terms of content and technology, as well as the resources of its major shareholders, including Tencent Holdings Limited (“**Tencent Holdings**”) (0700. HK), aiming to provide quality contents for users. The Group has provided Chinese users with high quality streaming services through continuous investments in research and product innovation.

2021 was marked with both opportunities and challenges. COVID-19 pandemic continued to spread around the world. In China, where effective COVID-19 pandemic prevention and control measures were implemented, there were still recurring local outbreaks in certain areas, which affected the development of the film and television industry to a certain extent. However, the Group, adhering to its strategy of quality content, has distributed dramas and movies under prudent judgement, which received both public praise and box office success. At the same time, under the management of a professional team that understands and is passionate about content production and well-versed in the operation of online platforms, the Group’s streaming platform, Pumpkin Films, also showed a strong growth momentum. Through the integration of industry ecosystem resources, multi-channel and cost effective measures for customer acquisition and the empowerment by technologies including multi-dimensional algorithm, users’ attention and enthusiasm are effectively boosted. This results in further expansion in member user base and increase in level of customer stickiness, which facilitates the rapid growth achieved by the Group’s content production and online streaming business.

In 2021, the Chinese government has introduced a series of favorable policies. For instance, the new Copyright Law, with effect from 1 June 2021, and the Rules on Content Review Standards for Internet Short Videos (《網路短視頻內容審核標準細則》) issued by the China Netcasting Services Association (中國網絡視聽節目服務協會) on 15 December 2021, have provided effective legal support for protecting copyrights of long videos and resisting infringement of medium and short videos. In addition, the awareness and habit of paying for quality content is also growing among Chinese media streaming users. Paying for content has become an important trend in online cultural consumption, and streaming media has become an important platform for mass cultural entertainment, which have contributed to an optimal environment for the development of the Group’s content production and online streaming business.

Since fully tapping into the content production and online streaming business, the Group takes provision of quality contents for users as its mission, with serving users as its business core. On the one hand, the Group focused on the vertical subscription-only membership system. Through the impeccable production capabilities of Ruyi Films, combined with the advanced algorithms and the unique ad-free model of Pumpkin Films, the Group aims to continuously provide global users with a vast number of quality content along with the ultimate viewing experience. On the other hand, the Group actively expands and enriches the contents of streaming media. Through continuous investment in research and product innovation, the Group expanded its business scope to various fields, covering games and IP monetization in the upstream and downstream of the industry chain, providing users with richer and more diversified streaming media services with better quality.

Content production and online streaming business

1 *Pumpkin Films*

In 2021, Pumpkin Films, a film platform under the Group, integrated the industry ecosystem resources and maintained a steady and rapid growth in new members. As at 31 December 2021, the cumulative number of registered members of Pumpkin Films reached 70.84 million, representing an increase of 101% as compared to 31 December 2020, while the cumulative number of paid subscribers reached 28.68 million, representing a year-on-year increase of 472%.

2 *Ruyi Films*

Ruyi Films is a professional film and television production brand of the Group with industry-leading capabilities in research and development, production, as well as promotion and distribution. From a genre perspective, based on the segmentation and subdivision of audience, Ruyi Film has achieved coverage of different groups of people by leveraging on its experience in systematic production. On the one hand, there are youthful masterpieces that focus on passionate years of life and sing the praise of ordinary everyday lives, such as “Hi, Mom” (《你好，李煥英》), “Old Boy” (《老男孩》) and “City of Rock” (《縫紉機樂隊》). On the other hand, there are also major period dramas with both ideological depth and aesthetic appeal that tell the story of Chinese history and pass on the national spirit, such as “All Quiet in Peking” (《北平無戰事》), “Doctor of Traditional Chinese Medicine” (《老中醫》) and “The Legendary Tavern” (《老酒館》). Secondly, Ruyi Films has a team of seasoned and talented producers. Leveraging the experience in industrialized film and television production, the producer-centric system at Ruyi Films creates a complete content production chain that standardizes and refines the production process. This ensures the stable and continuous production of high-quality content, and effectively controls the costs, expenses and investments. Through a scientific production workflow, Ruyi Films maximizes the artistic and commercial value of its works, and continues to promote the development of China’s film industry. Since 2006, leveraging on its extremely creative scripts, accurate market positioning, professional resource consolidation, standardized production management and rich experience in promotion and distribution, Ruyi Films has incubated the creation of more than 100 film and television copyrights. It has also invested in and produced numerous extremely influential film and television works, which won numerous significant awards, such as as the Flying Apsaras Award, the Golden Eagle Award, the Magnolia Award and the Huading Award.

In 2021, Ruyi Films released two films, namely “A Little Red Flower” (《送你一朵小紅花》) and “Hi, Mom” (《你好，李煥英》), as well as “The Reunions《吉祥如意》”, Shock Wave 2 (《拆彈專家2》), “Xiaguang”(《霞光》) and “Poetry of the Song Dynasty”(《大宋宮詞》). In particular, “Hi, Mom” (《你好，李煥英》), which was released on 12 February 2021, recorded a box office of over RMB5.414 billion, and has ranked second in the box office of Chinese movies in 2021. The film also broke the record of exceeding the box office of RMB5 billion at the fastest pace in Chinese film history. Under the backdrop of continuous sluggish global film and television industry as

affected by the pandemic, Ruyi Film's two critically acclaimed box office successes have greatly boosted market confidence, and have addressed the general public's great need for high-quality works of art during the pandemic period.

Internet community and related businesses

In respect of the home furnishing and material business under the Group's internet community and related businesses, the Group was able to meet customers' consumption needs for one-stop home furnishing with its home furnishing and materials business which covers categories including customized furniture, complementary home electric appliances, balcony textile art products and soft decorations, decoration engineering and kitchen supplies. In 2021, the Group maintained production of its home products, and launched 8 product lines, totaling 200 individual pieces of furniture. Through the model of "panoramic display in online stores, live experience in offline model rooms", the Group continuously developed itself in a standardized manner and in scale. As at 31 December 2021, the Group has launched its home furnishing and material business in more than 600 projects.

Business Outlook

Looking forward, the management of the Group believes that China's streaming media industry will further expand. The clear and favorable policies and laws are generating strong momentum for the business's current development. There will be great potential for its future development. At the same time, 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 content production and online streaming business.

Content production and online streaming business

1. *Riding the developmental wave of the era*

Modern technologies gave rise to a brand new cultural environment and distribution channel for arts of dramas and films. Streaming media platform stands out from others, thanks to its unique content ecosystem and user experience. Meanwhile, with the increasing trend of consumption upgrade, the public's aesthetic standards and artistic qualities also continued to improve. Comparing to medium and short videos, which mainly depend on user-generated content and focus on satisfying users' sensory and entertainment demands during users' small pockets of time, long videos depend on a professional content production. As a result, long videos are superior in constructing meta-universes, demonstrating ideological values, creating complete narratives and passing on tradition and heritage. Long videos play an irreplaceable role in satisfying the public's increasing cultural needs.

The 11th National Congress of the Chinese Federation of Literary and Art Circles and the 10th National Congress of the Chinese Writers Association held in December 2021 reiterated the glorious mission of literary and artistic work to "raise the flag of national spirit, gather people's hearts, nurture new people, promote culture and showcase the national image", as well as to

showcase the refreshed scene of Chinese literature and art and forge a new splendour of Chinese culture, with new commitment to cultivating roots and shaping the soul, and new actions to guard our cultural inheritance while promoting innovation.

The Group will continue to persist in standing with the people, guarding our cultural inheritance while promoting innovation, encouraging righteousness, enhancing cultural self-awareness and cultural self-confidence, actively participating in the construction of a socialist nation with strong cultural heritage and development, and narrating the Chinese story with passion and vigour. The Group will, adhering to the developmental concept of “technology facilitates innovation, innovation facilitates growth”, embrace future technology development and innovation with an open mindset, and produce more popular dramas and movies by leveraging on its expertise. Looking forward, the Group will continue to deepen its innovation and applications of smart technology, and use technology to empower the upgrading of the streaming media industry, thereby bringing immersive cultural and entertainment experiences for users.

2. *Developing competitive advantages*

Both Pumpkin Films and Ruyi Films have their own industry-leading competitive advantages, which will be fully consolidated for the integrated development of two companies in the future. By focusing on differentiated content creation and diversified contents, the two companies steadily and continuously create dramas and films that are in line with the central theme and popular among subscribers. Both companies will continue to increase its attractiveness to subscribers, build up unique brand image, create core competitiveness and establish strong business moats.

Ruyi Films adopts the producer-centric system and has extensive experience in industrialized film production. Through refined division of works, scientific management, standardized production and line production, while lowering the costs of production, Ruyi Films is able to achieve products with relatively high degree of artistic completeness, predictable commercial returns, and sustainable research and development and production. By collecting the real viewing data of a large number of paid users, the Group analyzes the film types that are popular among users through advanced multi-dimensional algorithm. The Group facilitates data-orientated content production based on the real preference of users. Leveraging on its strong industrialized production capability, Ruyi Films create customized and exclusive content for Pumpkin Films, thereby creating a user-orientated customized content production model. At the same time, the Group will continue to discover and demonstrate the essence of traditional Chinese culture, promote mainstream values, and actively reflect the themes of the era. Through modern, artistic and popularized production and expression, the Group aims to create resonance between films and audiences and provide a spiritual sustenance for audiences, thus strengthening the cultural identity and cultural confidence of Chinese people. The Group will assist China’s streaming media industry in creating appealing narratives of the Chinese people, and promoting Chinese culture across the world.

3 *Unleashing the competitive advantages of shareholder empowerment*

In 2021, the streaming media business of the Group experienced rapid development. At the same time, dramas and movies produced had received both public praise and box office successes. While making breakthrough in the Group's business development, Tencent Holdings, one of the Group's substantial shareholders, continues to be optimistic on the Group's development prospects. In the second quarter of 2021, Tencent Holdings entered into an agreement with the Group in relation to the sharing of film and television copyrights. At the beginning of 2022, the Group and the Tencent Holdings also reached an agreement on cooperation in the gaming sector. Tencent will not only provide full technical support but also assist the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). At present, "Chuanqi Tianxia" (《傳奇天下》), being the first mobile game under the cooperation, will be launched in April 2022. Looking forward, a number of other games will also be gradually launched. In addition, Tencent Holdings, through its wholly-owned subsidiary, has also entered into a share subscription agreement with the Company to subscribe for additional shares of the Company, maintaining its position as the Group's second largest shareholder. This reflected its recognition on the business development of the Group in 2021, as well as its strong confidence in the future development of the Group.

Looking forward, the Group will fully integrate with its shareholders' ecosystems. Leveraging on the competitive advantages and strengths of its shareholders in the whole industry chain and relevant digital data fields, the Group will further enhance and optimize the upper and lower stream businesses in the industry chain, as well as online and offline channels. Through the vast amount of traffic-attracting resources empowered by shareholders, the Group will establish an efficient traffic pool, thus achieving continuous growth in its number of subscribers. Meanwhile, the Group will conduct more in-depth cooperation with Tencent Holdings to facilitate the rapid development of the Group. Please refer to the announcements for the details of the cooperation.

Internet community and related businesses

Through regulated management and standardized service, the Group plans to expand the number of community and user base that it serves. The Group is expected to gradually serve over 1,000 communities and more than 10 million property owners and provide quality one-stop fully furnished services. The Group will focus on audience attraction, marketing plan, product management, distributor management, customer service and other fields, and realize digital empowerment, thereby improving marketing conversion rate and customer satisfaction. The Group will expand the application of intelligent technologies such as VR/AR so as to bring new scenario-based consumption experience for users. Looking forward, the Group will further expand product offerings, and continuously fulfill customers' needs on diversified and customized services. Meanwhile, the Group will also, by fully utilizing its competitive advantages in industry chain resources and strict quality management system, actively create more self-owned home and living brands.

LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the year ended 31 December 2021, the liquidity of the Group was closely monitored by the Board and the Group reviews its working capital and finance requirements on a regular basis.

Loan financing

During the year ended 31 December 2021, no new loan was granted and therefore no interest income was generated from this segment (the year ended 31 December 2020: nil).

Liquidity

As at 31 December 2021, the Group maintained cash and bank balance of approximately RMB1,139.5 million (as at 31 December 2020: approximately RMB1,031.1 million). The increase in cash and bank balance was mainly due to operation.

Borrowings and Gearing Ratio

As at 31 December 2021, the Group's net equity amounted to approximately RMB5,613.2 million (as at 31 December 2020: approximately RMB1,183.2 million) with total assets amounted to approximately RMB10,563.0 million (as at 31 December 2020: approximately RMB1,273.2 million). Net current assets were approximately RMB2,116.4 million (as at 31 December 2020: approximately RMB1,156.1 million) and the current ratio was 2.4 times (as at 31 December 2020: 15.8 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings and lease liabilities) over shareholders' funds was 3.4% (as at 31 December 2020: 1.4%).

COMMITMENT

As at 31 December 2021, the Group had capital commitments contracted but not provided for of approximately RMB544 million (as at 31 December 2020: nil).

CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi as at 31 December 2021. The content production and online streaming business is mainly carried out in Renminbi in the PRC. Therefore, the Group is exposed to the risk of significant fluctuation in Renminbi exchange rates. During the year ended 31 December 2021, the Group closely monitored the fluctuation and does not expect any material fluctuation of exchange rates in the near future, but will continue to monitor it.

CHARGE OF ASSETS

During the year ended 31 December 2021, the Group did not have any charges on assets.

CONTINGENT LIABILITIES

The Company and the Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 31 December 2021 (as at 31 December 2020: nil).

SHARE-BASED PAYMENTS

2013 Share Option Scheme

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Share Option Scheme is to provide incentives to eligible participants. During the year ended 31 December 2021, save as 181,917,000 share options granted on the 26 November 2021 disclosed in the announcement of the Company published on the same date, the Company has not granted any other new share option under such Share Option Scheme or adopt any other share option scheme. For the year ended 31 December 2021, (i) 181,917,000 share options granted under the Share Option Scheme had not been exercised; and (ii) no share option granted under the Share Option Scheme had been lapsed or cancelled (for the year ended 31 December 2020: nil).

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed approximately 410 employees. The remuneration policy of the Group is to reward its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Employee benefits include medical insurance coverage and mandatory provident fund, etc. Total staff costs for the year ended 31 December 2021, including directors' emoluments, amounted to approximately RMB113.5 million (2020: RMB85.6 million).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

1. Change of Company Name, Change of Company Website and Change of Stock Short Names

After the end of the reporting period, the Company completed the change of company name with the Registrar of Companies in Bermuda and the Companies Registry in Hong Kong. The English name of the Company has been changed to "China Ruyi Holdings Limited" and the secondary name of the Company in Chinese has been changed to "中國儒意控股有限公司". The change with the Registrar of Companies in Bermuda has become effective on 21 January 2022, and the change with the Companies Registry in Hong Kong has become effective on 4 February 2022. In addition, the website of the Company has been changed to "https://www.ryholdings.com" with effect from 21 January 2022; The English stock short name for trading of the Company's shares on

The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been changed to “CHINA RUYI” and the Chinese stock short name has been changed to “中國儒意”, with effect from 9:00 a.m. on 11 February 2022.

For further details of the change of company name, the change of company website and the change of stock short names, please refer to the announcement dated 3 December 2021, the circular dated 17 December 2021, the poll results of the special general meeting dated 10 January 2022, and the announcements of the Company dated 21 January 2022 and 8 February 2022.

2. Issue of New Shares under General Mandate and Connected Transaction Involving Issue of New Shares to Substantial Shareholder under Specific Mandate (the “Share Subscriptions”)

On 25 January 2022, the Company entered into share subscription agreements with Water Lily Investment Limited (“**Water Lily**”) and Mr. Liu Xueheng (劉學恒) (“**Mr. Liu**”), pursuant to which 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 new shares of the Company (the “**Subscribed Shares**”), respectively, on the terms of the share subscription agreements.

The independent shareholders of the Company has approved, among others, the Water Lily Share Subscription Agreement and the transactions contemplated thereunder at the special general meeting convened on 30 March 2022. In respect of the Share Subscription by Mr. Liu, the Subscribed Shares will be issued under the general mandate.

For further details of the aforesaid Share Subscriptions, please refer to the announcement dated 25 January 2022, the circular dated 14 March 2022, and the poll results of the special general meeting of the Company dated 30 March 2022

3. Continuing Connected Transactions in Relation to the Cooperation with Shenzhen Tencent Computer Systems Company Limited in the Provision of Game Technology and Channel Promotion Services

On 10 January 2022, Shenzhen Jingxiu Network Technology Co., Ltd.* (深圳市景秀網絡科技有限公司), a variable interests entity controlled by the Company, entered into a continuing connected transaction agreement (the “**CCT Agreement**”) with Shenzhen Tencent Computer Systems Company Limited* (深圳市騰訊計算機系統有限公司) (“**Tencent Computer**”), a subsidiary of Tencent Holdings, for a term of three years, 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 in exchange for the service fees payable by Shenzhen Jingxiu to Tencent Computer (the “**CCTs**”). The Company expects to convene a special general meeting in April 2022 to seek approval from the independent shareholders on the CCT Agreement and the maximum annual transaction amount of the transactions contemplated thereunder. For further details of the aforesaid CCTs, please refer to the voluntary announcement dated 3 January 2022 and the announcement of the Company dated 10 January 2022.

REVIEW OF RESULTS

The Audit Committee of the Company consists of three of the independent non-executive directors of the Company, namely Mr. Chau Shing Yim, David, Mr. Nie Zhixin and Mr. Chen Haiquan. The Audit Committee assists the Board in, among others, providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2021.

The figures in this preliminary announcement of the results of the Group have been agreed to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2021 by the auditor of the Company, PricewaterhouseCoopers. The work of PricewaterhouseCoopers in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and, consequently, no assurance will be expressed on the preliminary announcement.

MATERIAL ACQUISITION AND DISPOSAL

On 20 January 2021, the Company completed its acquisition of all issued share capital in Virtual Cinema Entertainment Limited and its subsidiaries. For further details of the above acquisition, please refer to the announcements of the Company dated 26 October 2020 and 20 January 2021, and the circular of the Company dated 31 December 2020. During the year ended 31 December 2021, saved for the aforesaid acquisition, there was no material acquisition and disposal.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Board considers that good corporate governance practices are crucial to the smooth and effective operation of the Group and the safeguarding of the interests of the shareholders and other stakeholders of the Company. The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 December 2021 except for the following deviation from the Code provision:

- Code provision A.2.1 (now rearranged as C.2.1) stipulated that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2021, the Company has no such title as chief executive officer. The overall responsibility of supervising and ensuring that the Group functions in line with the order of the Board in terms of day-to-day operation and execution is vested in the Board itself.

- Code provision E.1.2 (now rearranged as F.2.2) stipulates that the chairman of the Board shall attend the annual general meeting of the Company. Due to the COVID-19 travel restrictions imposed this year and the need to attend other business matters that had been arranged in advance, Mr. Xu Wen, who had served as a director of the Company during the year ended 31 December 2021, did not attend the Company's annual general meeting held on 28 June 2021.

COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the Company's code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, they confirmed that they had complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

The annual results announcement for the year ended 31 December 2021 is also published on the Stock Exchange's website (<https://www.hkexnews.hk>) and the Company's website (<https://www.ryholdings.com>). The annual report containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

2022 ANNUAL GENERAL MEETING

As at the date of this announcement, the Company has not determined the date when the Company's 2022 annual general meeting will be held and the relevant book closure arrangement. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein 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 undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

APPRECIATION

The Board would like to express its sincere gratitude to the Company's shareholders, investors, employees and business partners for their continuous support.

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

Hong Kong, 31 March 2022

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.