



# 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)



2022 INTERIM REPORT

# Contents

2	Corporate Information	10	Interim Condensed Consolidated Statement of Changes in Equity
4	Independent Auditor's Review Report	12	Interim Condensed Consolidated Statement of Cash Flows
6	Interim Condensed Consolidated Statement of Financial Position	13	Notes to the Condensed Consolidated Interim Financial Information
8	Interim Condensed Consolidated Statement of Comprehensive Income	46	Management Discussion and Analysis



# Corporate Information

The corporate information of China Ruyi Holdings Limited as at the date of this report (31 August 2022) is as follows:

## DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)  
Mr. Nie Zhixin  
Mr. Chen Haiquan

## REMUNERATION COMMITTEE

Mr. Chau Shing Yim, David (*Chairman*)  
Mr. Ke Liming  
Mr. Nie Zhixin

## NOMINATION COMMITTEE

Mr. Ke Liming (*Chairman*)  
Mr. Nie Zhixin  
Mr. Chen Haiquan

## COMPANY SECRETARY

Mr. Fong Kar Chun, Jimmy

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23rd Floor  
China Evergrande Centre  
38 Gloucester Road  
Wanchai  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN CHINA

CN03  
Laijin Culture Creative Industrial Park  
Chaoyang District  
Beijing  
The People's Republic of China

## Corporate Information (Continued)

### SHARE REGISTRARS

#### Bermuda

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

#### Hong Kong

Tricor Secretaries Limited  
Level 17, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANK

Industrial and Commercial Bank of China (Asia) Limited  
Bank of Hangzhou Co., Ltd.  
Agricultural Bank of China Limited

### AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central  
Hong Kong

### WEBSITE ADDRESS

<http://www.ryholdings.com>

### DATE OF REPORT

31 August 2022

# Independent Auditor's Review Report



羅兵咸永道

**Report on Review of Interim Financial Information**  
**To the Board of Directors of China Ruyi Holdings Limited**  
*(incorporated in Bermuda with limited liability)*

## INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 45, which comprises the interim condensed consolidated statement of financial position of China Ruyi Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

---

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Independent Auditor's Review Report (Continued)

### OTHER MATTER

The comparatives in the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2020 and the related explanatory notes have not been reviewed or audited.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 31 August 2022

# Interim Condensed Consolidated Statement of Financial Position

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	7,532	8,826
Right-of-use assets	7	62,653	68,600
Intangible assets	7	683,853	684,821
Deferred tax assets		1,765	1,693
Investments accounted for using the equity method	8	33,217	34,448
Goodwill	7	4,214,619	4,214,619
Financial assets at fair value through profit or loss	12	136,000	136,000
Financial assets at fair value through other comprehensive income		467	539
Prepayments for film and television programmes rights	9	94,400	74,400
Film and television programmes rights	10	1,600,837	1,403,045
		<b>6,835,343</b>	6,626,991
<b>Current assets</b>			
Film and television programmes rights	10	1,450,646	1,178,828
Inventories		1,361	2,257
Prepayments and other current assets		155,908	326,978
Contract assets	11	23,348	—
Trade and other receivables	11	2,396,111	1,300,529
Financial assets at fair value through profit or loss	12	30,417	44,846
Cash and cash equivalents		456,772	1,139,463
		<b>4,514,563</b>	3,992,901
<b>Total assets</b>		<b>11,349,906</b>	10,619,892
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	182,451	180,467
Share premium	13	7,998,844	7,752,893
Other reserves	14	(11,352)	40,240
Accumulated losses		(2,188,927)	(2,360,349)
		<b>5,981,016</b>	5,613,251
Non-controlling interests		5,284	6,165
<b>Total equity</b>		<b>5,986,300</b>	5,619,416

## Interim Condensed Consolidated Statement of Financial Position (Continued)

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	Notes		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		27,514	26,797
Deferred tax liabilities		495,522	501,958
Borrowings	15	1,443,079	1,373,018
Contingent consideration payable	16	687,622	1,373,719
		<b>2,653,737</b>	<b>3,275,492</b>
<b>Current liabilities</b>			
Contract liabilities		66,852	16,083
Trade payables	17	159,979	50,418
Film and television programmes investment funds from investors	18	654,146	559,058
Other payables and accruals		150,295	80,603
Current income tax liabilities		145,474	168,432
Lease liabilities		7,880	13,531
Borrowings	15	150,000	150,000
Contingent consideration payable	16	1,375,243	686,859
		<b>2,709,869</b>	<b>1,724,984</b>
<b>Total liabilities</b>		<b>5,363,606</b>	<b>5,000,476</b>
<b>Total equity and liabilities</b>		<b>11,349,906</b>	<b>10,619,892</b>

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended	
		30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
Revenue	6	651,797	1,395,040
Cost of revenue	19	(297,926)	(909,160)
<b>Gross profit</b>		<b>353,871</b>	485,880
Other income		577	2,874
Other gains/(losses) — net	20	33,918	(2,558,283)
Selling and marketing costs	19	(2,424)	(237,337)
Administrative expenses	19	(126,511)	(75,896)
Net provision of impairment losses on financial assets		(10,538)	(15,230)
<b>Operating profit/(loss)</b>		<b>248,893</b>	(2,397,992)
Finance costs		(40,667)	(5,875)
Finance income		15,071	3,439
Finance costs — net	21	(25,596)	(2,436)
Share of losses of associates accounted for using the equity method	8	(1,231)	—
<b>Profit/(loss) before income tax</b>		<b>222,066</b>	(2,400,428)
Income tax expenses	22	(75,499)	(48,358)
<b>Profit/(loss) for the period</b>		<b>146,567</b>	(2,448,786)
<b>Other comprehensive losses</b>			
<i>Items that may not be reclassified to profit or loss:</i>			
Exchange differences on translation of the Company		45,084	—
<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		—	(7)
Exchange differences on translation of subsidiaries		(116,984)	(4,513)
<b>Other comprehensive loss for the period, net of tax</b>		<b>(71,900)</b>	(4,520)
<b>Total comprehensive income/(loss) for the period</b>		<b>74,667</b>	(2,453,306)

## Interim Condensed Consolidated Statement of Comprehensive Income (Continued)

	Notes	Six months ended	
		30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
<b>Profit/(loss) for the period attributable to:</b>			
— Equity holders of the Company		147,448	(2,448,081)
— Non-controlling interests		(881)	(705)
		146,567	(2,448,786)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
— Equity holders of the Company		75,548	(2,452,601)
— Non-controlling interests		(881)	(705)
		74,667	(2,453,306)
<b>Earning/(loss) per share for profit/(loss) attributable to the equity holders of the Company for the period: (expressed in RMB cents per share)</b>			
— Basic earnings (losses) per share	23	1.59	(26.87)
— Diluted earnings (losses) per share	23	1.54	(26.87)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Changes in Equity

	Unaudited						
	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 13)	Share premium RMB'000 (Note 13)	Other reserves RMB'000 (Note 14)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2021</b>	161,228	4,511,147	46,481	(3,535,688)	1,183,168	—	1,183,168
<b>Comprehensive loss</b>							
Loss for the period	—	—	—	(2,448,081)	(2,448,081)	(705)	(2,448,786)
<b>Other comprehensive loss</b>							
Changes in the fair value of debt instruments at fair value through other comprehensive income	—	—	(7)	—	(7)	—	(7)
Currency translation difference	—	—	(4,513)	—	(4,513)	—	(4,513)
<b>Total other comprehensive loss</b>	—	—	(4,520)	—	(4,520)	—	(4,520)
<b>Total comprehensive loss</b>	—	—	(4,520)	(2,448,081)	(2,452,601)	(705)	(2,453,306)
<b>Transactions with equity holders</b>							
Non-controlling interest arising from business combination	—	—	—	—	—	1,853	1,853
Deemed contribution from a shareholder	—	—	596	—	596	—	596
Issue of ordinary shares as consideration for business combination	19,239	3,241,746	—	—	3,260,985	—	3,260,985
Transfer to statutory reserve	—	—	95	(95)	—	—	—
<b>Total transactions with equity holders</b>	19,239	3,241,746	691	(95)	3,261,581	1,853	3,263,434
<b>Balance at 30 June 2021</b>	180,467	7,752,893	42,652	(5,983,864)	1,992,148	1,148	1,993,296

## Interim Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated losses	Total		
RMB'000 (Note 13)	RMB'000 (Note 13)	RMB'000 (Note 14)	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2022</b>	180,467	7,752,893	40,240	(2,360,349)	5,613,251	6,165	5,619,416
<b>Comprehensive income</b>							
Profit for the period	—	—	—	147,448	147,448	(881)	146,567
<b>Other comprehensive loss</b>							
Currency translation difference	—	—	(71,900)	—	(71,900)	—	(71,900)
<b>Total comprehensive income</b>	—	—	(71,900)	147,448	75,548	(881)	74,667
<b>Transactions with equity holders</b>							
Issuance of ordinary shares	1,984	245,951	—	—	247,935	—	247,935
Share-based compensation expenses	—	—	44,282	—	44,282	—	44,282
Release of reserves upon deregistration of subsidiaries	—	—	(23,974)	23,974	—	—	—
<b>Total transactions with equity holders</b>	1,984	245,951	20,308	23,974	292,217	—	292,217
<b>Balance at 30 June 2022</b>	182,451	7,998,844	(11,352)	(2,188,927)	5,981,016	5,284	5,986,300

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Interim Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
<b>Cash flows from operating activities</b>		
Net cash used in operations	(866,483)	(467,089)
Interest paid	(5,770)	(5,104)
Interest received	1,606	3,439
Income tax paid	(71,093)	(7,001)
<b>Net cash used in operating activities</b>	<b>(941,740)</b>	<b>(475,755)</b>
<b>Cash used in investing activities</b>		
Purchase of property, plant and equipment	(709)	(1,688)
Purchase of intangible assets	(336)	(184)
Purchase of financial assets at fair value through profit or loss	—	(29,504)
Proceeds from disposal of property, plant and equipment	—	12
Cash acquired from business combination	—	89,986
Dividend income received	—	18
<b>Net cash (used in)/generated from investing activities</b>	<b>(1,045)</b>	<b>58,640</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	247,935	—
Repayment of borrowings	—	(5,000)
Principal elements of lease payments	(4,934)	(7,866)
<b>Net cash generated from/(used in) financing activities</b>	<b>243,001</b>	<b>(12,866)</b>
<b>Net decrease in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of period	1,139,463	1,031,092
Exchange gain/(loss) on cash and cash equivalents	17,093	(3,254)
<b>Cash and cash equivalents at end of period</b>	<b>456,772</b>	<b>597,857</b>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Condensed Consolidated Interim Financial Information

## 1 GENERAL INFORMATION

China Ruyi Holdings Limited (the “Company”) was incorporated in Bermuda with limited liability and is engaged in investment holding. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in film and television programmes production, distribution, online streaming platform business, providing online game services, internet community services and related businesses, manufacture and sales of accessories for photographic and electrical products and investment and trading of securities.

The Company had its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of Renminbi (“RMB”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 31 August 2022.

This condensed consolidated interim financial information has not been audited.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 3 ACCOUNTING POLICIES

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards and the accounting policy of game business as set out below.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3 ACCOUNTING POLICIES (Continued)

### (a) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning on 1 January 2022 for the Group:

HKFRS 16 (Amendments) Amendments to HKFRS 3	Covid-19-Related Rent Concessions beyond 30 June 2021 Business Combinations — Reference to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts
HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 (Amendments)	Annual Improvements to HKFRS Standards 2018 to 2020
HKFRS 16 (Amendments) Amendments to HKFRS 3	Covid-19-Related Rent Concessions beyond 30 June 2021 Business Combinations — Reference to Conceptual Framework
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

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 2022 and have not been early adopted by the Group

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Interpretation 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sales 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.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 3 ACCOUNTING POLICIES (Continued)

### (c) Accounting policies adopted by the Group for game business

#### Mobile Game services

The mobile game operated by the Group which is operated under a free-to-play model whereby game players can download the games free of charge and are charged for the purchase of in-game virtual items via payment channels, such as various mobile carriers and third-party internet payment systems (collectively referred to as "Payment Channels", Distribution Channels and Payment Channels, collectively referred to as "Platforms"). The Platforms are entitled to handling fees which are withheld and deducted from the gross proceeds collected from the game players, with the net amounts remitted to the Group. The payment received from game players regarding purchase of game tokens and other virtual items is generally non-refundable and the related contracts are non-cancellable where permitted by law.

The revenue and the cost of revenue are recognised rateably over the estimated playing period of paying players ("Player Relationship Period"), given there is an implicit obligation of the Group to maintain and allow access of the users of the games operated by the Group.

The Group reports the revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include but are not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The following significant judgements are made by the management in preparing this condensed consolidated interim financial information. Other significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

#### (a) Impairment of goodwill and intangible assets with indefinite useful life

The Group tests annually whether goodwill and intangible assets with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in the annual consolidated financial statements of the Group for the year ended 31 December 2021.

The Group's goodwill and operating licenses were allocated to two cash generated units ("CGUs"), the content production CGU and the online steaming CGU, which were grouped in one segment.

As at 31 December 2021, the directors assessed the recoverable amounts of CGUs with reference to the valuation performed by Hong Kong Appraisal Advisory Limited, an independent professional valuer.

The recover amounts of CUGS are determined based on value-in-use ("VIU") calculation. The calculation use pre-tax cash flow projects based on financial budgets for the year ended 31 December 2021 approved the Directors of the Group, covering a five-year period. VIU calculations require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

##### Goodwill allocated to content production CGU

The carrying amount consisted of film and television programmes rights classified as intangible assets and goodwill.

Management prepared the financial budget based on the number of films and television programmes to be released, and taking reference to the estimated movies' box offices or television programmes' selling prices of similar genres, directors, casting and investment costs etc.

##### Goodwill allocated to online streaming CGU

The carrying amount consisted of licensed film and television programmes, operating license with indefinite useful life and goodwill.

Management prepared the financial budget based on the estimation of cumulative number of paid users and the number of payments per capital.

Management determined the key assumptions based on past performance and expectations on market and operational development. The discount rate applied by the Group is rate that reflect current market assessment of the time value of money and take risk specific to the CGUs.

With regards to the assessment of VIU, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the CGUs to materially exceed their respective recoverable amount.

Based on management's assessment review, there was no impairment on goodwill and intangible assets with indefinitely useful life charged to administrative expenses during the six months ended 30 June 2022 (year ended 31 December 2021: Nil).

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

#### (b) Measurement, amortisation and impairment of film and television programmes rights classified as intangible assets and software costs

At the end of each reporting period, the directors of the Group assessed the amortisation policy and estimated useful life of the film and television programmes rights classified as intangible asset and license. The determination of amortisation policy and estimated useful life requires management's significant judgement.

The Group amortises the film and television programmes rights completed based on the management's assessment of their potential benefits brought to the Group and the expected consumption pattern.

Based on the management's assessment, amortisation of film is charged to the interim condensed consolidation statement of comprehensive income over the period of the first release of the films through various distribution channels, such as theatrical release, television release or internet release, and other licensing arrangement. Cost of television programmes rights is charged to the interim condensed consolidated statement of comprehensive income upon the delivery of master tapes of the respective television programmes.

Other than the amortisation, the directors also (i) assessed whether impairment indicator exists on film and television programmes rights completed and available for intended use, and licensed film and television programmes rights and software costs, and (ii) assessed impairment for film and television programmes rights either completed but not available for intended use or under production and provided impairment up to its recoverable amount in accordance with the respective impairment assessment.

In respect of the film and television programmes rights completed and television programmes rights under production, the recoverable amount of the associated film and television programmes rights was determined by using value-in-use model approach.

In respect of the Group's software costs, together with licensed film and television programmes rights and operating license with indefinite useful life, management considered these are essential elements of the Group's online streaming business, and identified as a cash-generating unit ("Online streaming CGU"), which is the basis for impairment assessment of Group's licensed film and television programmes rights, operating licenses with indefinite useful life and software costs. The recoverable amount of the Online Streaming CGU was determined based on the present value of the expected future cash flow generated from the Online Streaming CGU.

In determining the recoverable amount, the Group takes into consideration both internal and external market information, for example, the expected revenue, the estimated production and purchase costs, the estimated selling and distribution expenses, the discounted rates and the general economic condition of the relevant markets.

Based on management's assessment, there was no impairment on film and television programmes rights classified as intangible assets and software costs made during the six-month ended 30 June 2022 (for the year ended 31 December 2021: Nil).

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (Continued)

#### (c) Estimate of Player Relationship Period

As described in Note 3 (c), the Group recognises the revenues rateably over the estimated average Player Relationship Period for the mobile games whereas the Group acts as principal. The determination of Player Relationship Period in each game is made based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a periodical basis or there is any indication of change in the Player Relationship Period. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for as a change in accounting estimate.

### 5 FINANCIAL RISK MANAGEMENT

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

There have been no changes in the Group's risk management policies since 31 December 2021.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 5 FINANCIAL RISK MANAGEMENT (Continued)

#### 5.2 Fair value estimate

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liability measured and recognised at fair value at 30 June 2022 and 31 December 2021 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2022</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss ("FVPL") (Note 12)	30,417	—	136,000	166,417
Financial assets at fair value through other comprehensive income ("FVOCI")	467	—	—	467
	<b>30,884</b>	<b>—</b>	<b>136,000</b>	<b>166,884</b>
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2022</b>				
<b>Financial liability</b>				
Contingent consideration payable	—	—	2,062,865	2,062,865

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Fair value estimate (Continued)

#### (a) Fair value hierarchy (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2021</b>				
<b>Financial assets</b>				
Film rights investments	—	—	564	564
Financial assets at FVPL (Note 12)	44,846	—	136,000	180,846
Financial assets at FVOCI	539	—	—	539
	45,385	—	136,564	181,949

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2021</b>				
<b>Financial liability</b>				
Contingent consideration payable	—	—	2,060,578	2,060,578

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022 and 31 December 2021.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.2 Fair value estimate (Continued)

(a) Fair value hierarchy (Continued)

*Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the changes in level 3 instruments for the six months ended 30 June 2022:

<b>Film rights investments</b>	<b>30 June 2022</b>	30 June 2021
	<b>RMB'000</b>	RMB'000
As at 1 January	<b>564</b>	—
Acquisition from business combination	—	66,222
Additions	—	2,359
Changes in fair values	—	(177)
Derecognition	<b>(564)</b>	(66,222)
Closing balance as at 30 June	—	2,182

There were no transfers between levels 1, 2 and 3 during the six months ended 30 June 2022.

There were no other changes in valuation techniques during the six months ended 30 June 2022.

## 6 SEGMENT INFORMATION

### (a) Description of segments and principal activities

The chief operating decision-maker (“CODM”) of the Group has been identified as the executive directors of the Company who are 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 two business segments: content production, online streaming business and online game businesses and other businesses.

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/(losses) — net and finance costs — net are not included in the results for each operating segment.

Previously, the Group had disclosed three reportable operating segments, including the content production and online streaming business, internet community and related business and manufacture and sales of accessories. Due to increasing profit contribution from content production, online streaming and online game businesses, the directors of the Company considered other operating segments which do not meet the quantitative thresholds prescribed by HKFRS 8 “Operating Segments” for determining reportable segments are combined as “Other businesses”.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 6 SEGMENT INFORMATION (Continued)

#### (b) Segment profit/(loss)

The segment results and other segment items included in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2022 are as follows:

	Content production, online streaming and online game businesses RMB'000 (Unaudited)	Other businesses RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue			
Timing of revenue recognition			
At a point	534,309	23,579	557,888
Over time	93,909	—	93,909
	<b>628,218</b>	<b>23,579</b>	<b>651,797</b>
Segment profit/(loss)	<b>243,940</b>	<b>(22,441)</b>	<b>221,499</b>
Unallocated corporate expenses			(17,206)
Unallocated other gain			48,878
Unallocated finance cost — net			(31,105)
Profit before income tax			<b>222,066</b>
Depreciation of property, plant and equipment	627	1,458	2,085
Depreciation of right-of-use assets	6,593	—	6,593
Amortisation of intangible assets	1,304	—	1,304
Amortisation of film and TV programmes rights	146,423	—	146,423

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 6 SEGMENT INFORMATION (Continued)

#### (b) Segment profit/(loss) (Continued)

The segment results and other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021 are as follows:

	Content production and online streaming business RMB'000 (Unaudited)	Other businesses RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue			
Timing of revenue recognition			
At a point	1,187,776	26,634	1,214,410
Over time	157,148	23,482	180,630
	1,344,924	50,116	1,395,040
Segment profit/(loss)	206,314	(39,020)	167,294
Unallocated corporate expenses			(12,079)
Unallocated other losses			(2,555,733)
Unallocated finance income — net			90
Loss before income tax			(2,400,428)
Depreciation of property, plant and equipment	264	2,299	2,563
Depreciation of right-of-use assets	3,830	1,818	5,648
Amortisation of intangible assets	1,247	159	1,406
Amortisation of film and TV programmes rights	187,551	—	187,551

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 6 SEGMENT INFORMATION (Continued)

#### (c) Segment assets and liabilities

Segment assets and liabilities as at 30 June 2022 are as follows:

	Content production online streaming and online game businesses RMB'000 (Unaudited)	Other businesses RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
<b>ASSETS</b>			
Segment assets	10,654,731	69,279	10,724,010
Unallocated other receivables and prepayments			475
Financial assets at FVPL			166,417
Financial assets at FVOCI			467
Deferred tax assets			1,765
Cash and cash equivalents			456,772
Consolidated total assets			11,349,906
<b>LIABILITIES</b>			
Segment liabilities	(1,692,098)	(18,711)	(1,710,809)
Unallocated other payables			(1,379)
Unallocated borrowings			(1,443,079)
Contingent consideration payable			(2,062,865)
Current income tax liabilities			(145,474)
Consolidated total liabilities			(5,363,606)

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 6 SEGMENT INFORMATION (Continued)

#### (c) Segment assets and liabilities (Continued)

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

	Content production and online streaming business RMB'000	Other businesses RMB'000	Consolidated RMB'000
<b>ASSETS</b>			
Segment assets	9,221,434	74,972	9,296,406
Unallocated other receivables and prepayments			945
Financial assets at FVPL			180,846
Financial assets at FVOCI			539
Deferred tax assets			1,693
Cash and cash equivalents			1,139,463
Consolidated total assets			10,619,892
<b>LIABILITIES</b>			
Segment liabilities	(1,359,072)	(22,532)	(1,381,604)
Unallocated other payables			(4,145)
Unallocated borrowings			(1,373,018)
Contingent consideration payable			(2,073,277)
Current income tax liabilities			(168,432)
Consolidated total liabilities			(5,000,476)

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, unallocated borrowings, contingent consideration payables and current income tax liabilities.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 7 PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INTANGIBLE ASSETS AND GOODWILL

	Property, plant and equipment RMB'000	Right-of- use assets RMB'000	Intangible assets RMB'000	Goodwill RMB'000
<b>Six months ended 30 June 2021</b>				
Opening net book amount at 1 January 2021	13,338	12,952	2,172	—
Additions	1,688	23,252	184	—
Acquired from business combination	806	1,208	687,308	4,214,619
Currency translation differences	(63)	—	—	—
Disposals	(7)	—	—	—
Depreciation and amortisation charges (Note 19)	(2,563)	(5,648)	(1,406)	—
Closing net book amount at 30 June 2021 (Unaudited)	13,199	31,764	688,258	4,214,619
<b>Six months ended 30 June 2022</b>				
Opening net book amount at 1 January 2022	8,826	68,600	684,821	4,214,619
Additions	709	646	336	—
Currency translation differences	82	—	—	—
Depreciation and amortisation charges (Note 19)	(2,085)	(6,593)	(1,304)	—
Closing net book amount at 30 June 2022 (Unaudited)	7,532	62,653	683,853	4,214,619

### 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Associates	33,217	34,448

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

The amounts recognised in the income statement are as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Share of losses of associates	(1,231)	(867)

#### (a) Investments in associates

The movements of the investments in associates are as follows:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	Six months ended 30 June 2021 RMB'000 (Unaudited)
Balance as at 1 January	34,448	—
Additions	—	21,000
Share of post-tax losses of associates	(1,231)	(867)
Balance as at 30 June	33,217	20,133

As at 30 June 2022 and 31 December 2021, the Group had interest in the following associates:

Name	Place of incorporation and kind of legal entity	Principal activities	Particulars of issued share capital	Percentage of ownership interest attributable to the Group
風吹不動影業(海口)有限公司 (Fengchuidong Pictures (Haikou) Co., Ltd.)	The People's Republic of China (the "PRC"), limited liability company	Media and film production	RMB10,000,000	20%
喜歡季節(天津)文化娛樂有限公司 (Xihuanjijie (Tianjin) Culture and Entertainment Co., Ltd.)	The PRC, limited liability company	Media and film production	RMB5,000,000	20%

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 9 PREPAYMENTS FOR FILM AND TELEVISION PROGRAMMES RIGHTS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Prepayments for film and television programmes rights	<b>81,000</b>	69,000
Prepayments for film directors' fees	<b>13,400</b>	5,400
	<b>94,400</b>	74,400

Prepayments for film and television programmes rights represented the prepayments made by the Group to the respective parties in relation to the film and television programmes rights. The prepayments will form part of the contribution by the Group for the investment in production of film and television programmes rights. The related terms will be further agreed between the respective parties upon signing of the agreements.

### 10 FILM AND TELEVISION PROGRAMMES RIGHTS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Film and television programmes rights completed	<b>806,913</b>	612,835
Film and television programmes rights under production	<b>1,996,118</b>	1,875,138
Licensed film and television programmes rights	<b>248,452</b>	93,336
Film rights investments	<b>—</b>	564
	<b>3,051,483</b>	2,581,873
Less: Current portion	<b>(1,450,646)</b>	(1,178,828)
	<b>1,600,837</b>	1,403,045

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 10 FILM AND TELEVISION PROGRAMMES RIGHTS (Continued)

	Film and television programmes rights completed RMB'000	Film and television programmes rights under production RMB'000	Licensed film and television programmes rights RMB'000	Film rights investments RMB'000	Total RMB'000
<b>As at 1 January 2022</b>	612,835	1,875,138	93,336	564	2,581,873
Additions	—	315,058	301,539	—	616,597
Amortisation	—	—	(146,423)	—	(146,423)
Transfer	194,078	(194,078)	—	—	—
Derecognition	—	—	—	(564)	(564)
<b>As at 30 June 2022 (Unaudited)</b>	<b>806,913</b>	<b>1,996,118</b>	<b>248,452</b>	<b>—</b>	<b>3,051,483</b>
	Film and television programmes rights completed RMB'000	Film and television programmes rights under production RMB'000	Licensed film and television programmes rights RMB'000	Film rights investments RMB'000	Total RMB'000
<b>As at 1 January 2021</b>	—	—	—	—	—
Acquired from business combination	21,805	1,536,653	26,711	66,222	1,651,391
Additions	104,118	315,876	288,740	2,359	711,093
Amortisation of film and TV programmes rights	(127,604)	—	(59,947)	—	(187,551)
Changes in fair values	—	—	—	(177)	(177)
Transfer	28,077	(28,077)	—	—	—
Derecognition	—	—	—	(66,222)	(66,222)
<b>As at 30 June 2021 (Unaudited)</b>	<b>26,396</b>	<b>1,824,452</b>	<b>255,504</b>	<b>2,182</b>	<b>2,108,534</b>

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 11 CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract assets	23,348	—
Trade receivables — gross		
— Third parties	1,373,436	1,074,417
Less: allowance for doubtful debts	(16,907)	(13,220)
Trade receivables — net (Note a)	1,356,529	1,061,197
Other receivables due from (Note b)		
— Related parties	33,318	33,318
— Loan receivables (Note c)	863,756	123,000
— Interest income receivables	15,569	2,480
— Amount due from a shareholder	7,350	7,200
— Other third parties	126,844	73,580
Less: allowance for impairment of other receivables	(7,255)	(246)
Other receivables — net	1,039,582	239,332
Total contract assets, trade and other receivables	2,419,459	1,300,529

- (a) The Group allows an average credit period ranging from 60 to 150 days to its customers. The following is an ageing analysis of contract assets and 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.

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 60 days	628,749	919,218
61 days to 180 days	303,649	40,859
Over 181 days	424,131	101,120
	1,356,529	1,061,197

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

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 11 CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES (Continued)

#### (b) Other receivables

These balances generally arose from transactions surrounding the operating activities of the Group.

#### (c) Loan receivables

These loan receivables are unsecured, bearing fixed interest rates between 5% to 15%, and repayable within 2 to 24 months. The balances are denominated in RMB and United States Dollars ("USD").

During the six months ended 30 June 2022, the Group entered into an investment cooperation agreement with an independent third party (the "Borrower") and advanced approximately US\$70,000,000 (equivalent to approximately RMB469,828,000), which bears an annual interest rate of 5% with a maturity of 2 years, to the Borrower. In accordance with the agreement, the Group has the preferential right to invest in certain film rights incubated by the Borrower within the cooperation period, which is subject to further negotiation and separate film investment agreement. If the Group chooses not to invest in the film rights, the Group has unconditional right to demand the Borrower to repay the principal amount and interest.

#### (d) 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.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Listed equity securities (Note i)	30,417	44,846
Unlisted investment fund (Note ii)	136,000	136,000
	<b>166,417</b>	180,846
<b>Represented by:</b>		
Non-current assets	136,000	136,000
Current assets	30,417	44,846
	<b>166,417</b>	180,846

- (i) As at 30 June 2022 and 31 December 2021, listed equity securities represented the Group's equity investments in certain Hong Kong listed companies, which were quoted in the Stock Exchange.

The fair value of all equity securities is based on their current bid prices in an active market and the fair values are within level 1 of the fair value hierarchy (Note 5).

- (ii) On 22 October 2021, a non-wholly owned subsidiary of the Group (the "non-wholly owned subsidiary"), incorporated in the PRC, entered into a share subscription agreement and became a limited partner of Shenzhen Chuang Ye Number One Fund, L.P\* ("Shenzhen Chuang Ye"), at a commitment of RMB680,000,000.

The non-wholly owned subsidiary's accumulated capital injection amounted to RMB136,000,000 as at 30 June 2022, representing 68% equity interest of Shenzhen Chuang Ye (31 December 2021: same).

Shenzhen Chuang Ye would invest in small and medium-sized enterprises that principally engaged in entertainment, technology, media and telecommunication industries in the PRC.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

#### (a) Amounts recognised in profit or loss

During the six months ended 30 June 2022 and 2021, the following (loss)/gain were recognised in the consolidated statement of comprehensive income:

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Fair value (loss)/gain on equity investments at FVPL recognised in net change in fair value of FVPL (Note 20)	(15,064)	6,873

There was no notional fair value change in investment in unlisted investment fund during the six months ended 30 June 2022.

### 13 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000
<b>At 1 January 2021</b>	80,803,166,025	161,228	4,511,147
Share Consolidation (Note a)	(72,722,849,423)	—	—
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	1,154,330,943	19,239	3,241,746
<b>At 31 December 2021</b>	9,234,647,545	180,467	7,752,893
<b>Balance at 1 January 2022</b>	9,234,647,545	180,467	7,752,893
Issue of new shares (Note b)	120,000,000	1,984	245,951
<b>At 30 June 2022 (Unaudited)</b>	9,354,647,545	182,451	7,998,844

Notes:

- (a) Pursuant to the share consolidation approved by the shareholders, every ten issued ordinary shares of Company had been consolidated into one ordinary share. The share consolidation became effective as from 20 January 2021.
- (b) During the six months ended 30 June 2022, the Group allotted and issued 120,000,000 ordinary shares of the Company to Water Lily Investment Limited and Mr. Liu Xueheng.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 14 OTHER RESERVES

	Financial assets at FVOCI RMB'000	Special reserve RMB'000	Capital Surplus RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Reserve fund RMB'000	Enterprise expansion reserve RMB'000	Total RMB'000
<b>Six months ended 30 June 2021</b>									
Balance at 1 January 2021	(266)	18,888	9,471	(22,967)	39,050	—	1,153	1,152	46,481
Changes in the fair value of debt instruments at FVOCI	(2)	—	—	(5)	—	—	—	—	(7)
Deemed contribution from shareholder	—	—	596	—	—	—	—	—	596
Transfer to statutory reserves	—	—	—	—	95	—	—	—	95
Exchange differences on translating foreign operations	—	—	—	(4,513)	—	—	—	—	(4,513)
<b>Balance at 30 June 2021 (Unaudited)</b>									
	(268)	18,888	10,067	(27,485)	39,145	—	1,153	1,152	42,652
<b>Six months ended 30 June 2022</b>									
Balance at 1 January 2022	(276)	18,888	9,471	(29,093)	30,342	8,603	1,153	1,152	40,240
Release of reserves upon deregistration of subsidiaries	—	—	—	—	(23,974)	—	—	—	(23,974)
Exchange differences on translating foreign operations	—	—	—	(71,900)	—	—	—	—	(71,900)
Employees share option scheme: — share-based compensation expenses	—	—	—	—	—	44,282	—	—	44,282
<b>Balance at 30 June 2022 (Unaudited)</b>									
	(276)	18,888	9,471	(100,993)	6,368	52,885	1,153	1,152	(11,352)

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 15 BORROWINGS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<i>Unsecured</i>		
Borrowings — non-current (i)	<b>1,443,079</b>	1,373,018
Borrowings — current (ii)	<b>150,000</b>	150,000
	<b>1,593,079</b>	1,523,018

Movements in other borrowings are analysed as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	30 June 2021 RMB'000 (Audited)
Opening amount at 1 January	<b>1,523,018</b>	—
Borrowings obtained from business combination	—	155,000
Repayments of borrowings	—	(5,000)
Imputed interest expense	<b>39,283</b>	—
Currency translation differences	<b>30,778</b>	—
	<b>1,593,079</b>	150,000

Notes:

- (i) The unsecured non-current borrowing is denominated in HK\$, non-interest bearing and repayable after 5 years. Imputed interest has been deducted from the principal at initial recognition.
- (ii) The unsecured current borrowings are denominated in RMB, carry fixed interest rate at 7.5% per annum. The carrying amounts of current other borrowings approximate their fair values.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 16 CONTINGENT CONSIDERATION PAYABLE

	<b>30 June 2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	30 June 2021 RMB'000 (Unaudited)
Opening amount at 1 January	<b>2,060,578</b>	—
Contingent warrants consideration for business acquisition	—	2,422,750
Fair value change of the contingent consideration payable	<b>2,287</b>	2,559,766
<b>At 30 June</b>	<b>2,062,865</b>	4,982,516
	<b>30 June</b> <b>2022</b> <b>RMB'000</b> <b>(Unaudited)</b>	31 December 2021 RMB'000 (Audited)
<b>Represented by</b>		
Current portion	<b>1,375,243</b>	686,859
Non-current portion	<b>687,622</b>	1,373,719
	<b>2,062,865</b>	2,060,578

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 17 TRADE PAYABLES

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
— Third parties	<b>149,656</b>	49,885
— Related parties	<b>10,323</b>	533
	<b>159,979</b>	50,418

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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Within 60 days	<b>58,208</b>	33,269
61 days to 150 days	<b>29,862</b>	13,035
Over 151 days	<b>71,909</b>	4,114
	<b>159,979</b>	50,418

The carrying amounts of trade payables approximated their fair values.

### 18 FILM AND TELEVISION PROGRAMMES INVESTMENT FUNDS FROM INVESTORS

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Film and television programmes investment funds from investors		
— Third parties	<b>505,018</b>	410,850
— Related parties	<b>149,128</b>	148,208
	<b>654,146</b>	559,058

The amounts represent investments made by certain investors in respect of film and television programmes rights held by the Group. In accordance with the terms of the respective investment agreements, the investors are entitled to recoup their investment amounts as appropriate by the predetermined percentage of income to be generated from the films and television programmes.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 19 EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Employees benefit expenses (including directors' emoluments)	113,418	59,340
Cost of inventories sold	11,945	20,602
Bandwidth and server custody fees	26,168	16,930
Depreciation		
— Property, plant and equipment	2,085	2,563
— Right-of-use assets	6,593	5,648
Amortisation		
— Film and television programmes rights	146,423	187,551
— Intangible assets	1,304	1,406
Service fee charged by distribution platform and developer	23,348	—
Content costs	—	679,103
Content distribution and promotion cost	—	216,127
Distribution cost and payment handling fees	48,118	20,220
Software service fee	—	252
Advertising and promotion costs	19,264	8,398
Rental expense	615	4,314
Travelling expense	797	1,329
Legal and professional fees	15,037	12,836
Write-down/(reversal of write-down) of inventories	74	(632)

### 20 OTHER GAINS/(LOSSES) — NET

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Fair value change in contingent consideration payable	(2,287)	(2,559,766)
Fair value change in financial assets at FVPL	(15,064)	6,873
Foreign exchange gain/(loss)	50,977	(1,333)
Gain on disposal of property, plant and equipment	—	5
Other gain/(loss)	292	(4,062)
	<b>33,918</b>	<b>(2,558,283)</b>

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 21 FINANCE COSTS — NET

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Finance costs:		
— Interests expenses on borrowings	(5,770)	(5,104)
— Interests expenses on lease liabilities	(1,193)	(771)
— Imputed interest expense	(33,704)	—
	(40,667)	(5,875)
Finance income:		
— Interest income on saving deposits	1,606	3,439
— Interest income on loan receivables	13,465	—
	15,071	3,439
Finance costs — net	(25,596)	(2,436)

### 22 INCOME TAX EXPENSES

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	81,857	55,659
Deferred income tax	(6,358)	(7,301)
Income tax expenses	75,499	48,358

# Notes to the Condensed Consolidated Interim Financial Information (Continued)

## 22 INCOME TAX EXPENSES (Continued)

### 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 profits for both periods, based on the existing legislation, interpretations and practices in respect thereof.

No Hong Kong profits tax has been provided for during the six months ended 30 June 2022 and 2021.

### 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 a subsidiary of the Group which is entitled to preferential tax rate applicable to advanced and new technology enterprises of 15% (for the six months ended 30 June 2021: 15%) on the estimated assessable profit for the period, based on the existing legislation, interpretations and practices in respect thereof.

## 23 EARNING/(LOSS) PER SHARE

### (a) Basic

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021, including the weighted average number of issuable shares of which all necessary conditions are satisfied under the consideration share arrangement.

	Six months ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	147,448	(2,448,786)
Weighted average number of ordinary shares in issue (thousands)	9,296,305	9,112,802
Basic earnings/(losses) per share (RMB cents per share)	1.59	(26.87)

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 23 EARNING/(LOSS) PER SHARE (Continued)

#### (b) Diluted

Diluted earning/(loss) 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/(losses) per share.

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Weighted average number of ordinary shares for calculation of basic earnings/(losses) per share (thousands)	9,296,505	9,112,802
Adjustment for:		
— Share warrants (thousands)	351,926	—
Weighted average number of ordinary shares for diluted earnings/(losses) per share (thousands)	9,648,231	9,112,802
One-third of the Group's share warrants which specific conditions were met as at 30 June 2022 were included in the calculation of the diluted earnings/(losses) per share for the six months ended 30 June 2022.		
Profit/(loss) attributable to equity holders of the Company (RMB'000)	147,448	(2,448,786)
Adjustments for fair value change of share warrants	762	—
Profit/(loss) attributable to the equity holders of the Company used in calculating diluted earnings/(losses) per share	148,210	(2,448,786)
Diluted earnings/(losses) per share (RMB cents per share) for the year	1.54	(26.87)

The effect of the exercise of share options was not included in the calculation of dilutive earning per share as they are anti-dilutive during the six months ended 30 June 2022 (2021: same).

### 24 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 25 COMMITMENTS

#### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Not later than one year	<b>770</b>	463

#### (b) Capital commitments

As at 30 June 2022 and 31 December 2021, capital commitment contracted but no provided for was as follow:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Contribute to an investment fund	<b>544,000</b>	544,000

### 26 RELATED PARTY TRANSACTIONS

#### (a) Major shareholders

	<b>As at 30 June 2022 (Unaudited)</b>	As at 31 December 2021 (Audited)
<b>Major shareholders' share percentage in the Company:</b>		
Mr. Ke Liming	<b>20.24%</b>	20.50%
Water Lily Investment Limited (a wholly owned subsidiary of Tencent Holdings Limited)	<b>20.13%</b>	19.70%
Allied Resources Investment Holding Limited	<b>9.73%</b>	18.00%

In addition to those disclosed elsewhere in the financial information, during the six months ended 30 June 2022 and 2021, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 26 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Name and relationship with related parties

Name	Relationship
Mascotte Investments Limited	A company in which a key management personnel of the Group has controlling interest
Guangzhou Jiasui Property Co., Ltd. ("廣州市佳穗置業有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Evergrande Jinbi Property Management Co.,Ltd ("金碧物業集團有限公司")	A subsidiary of former shareholder (ceased to be a related party since 17 November 2021)
Beijing Zhumeng Qiming Culture & Arts Co., Ltd. ("北京築夢啟明文化藝術有限公司")	Controlled by major shareholder
Beijing Ruyi Xingrong Culture Media Co., Ltd. ("北京儒意興榮文化傳媒有限公司")	Controlled by a close family member of the major shareholder
Beijing Ruyi Xinxin Film Investment Co., Ltd ("北京儒意欣欣影業投資有限公司")	Controlled by major shareholder
Yongxin Changqingteng Culture Service Center (Limited Partnership) ("永新縣常青藤文化服務中心(有限合夥)")	Controlled by major shareholder
Shenzhen Tencent Computer Systems Company Limited ("深圳市騰訊計算機系統有限公司")	Controlled by Tencent
Tencent Film Culture Communication Co., Ltd ("騰訊影業文化傳播有限公司")	Controlled by Tencent
Tencent Cloud Computer (Beijing) Company Limited ("騰訊雲計算(北京)有限公司")	Controlled by Tencent
Tencent Technology (Shenzhen) Company Limited ("騰訊科技深圳有限公司")	Controlled by Tencent
Tencent Technology (Beijing) Company Limited ("騰訊科技(北京)有限公司")	Controlled by Tencent
Mr. Ke Liming	Major shareholder

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 26 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Transactions with related parties

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
<b>(i) Rental expenses:</b>		
— Guangzhou Jiasui Property Co., Ltd.	—	1,513
— Mascotte Investments Limited	600	600
	<b>600</b>	2,113
<b>(ii) Property management expenses:</b>		
— Evergrande Jinbi Property Management Co.,Ltd.	—	244
<b>(iii) Content delivery network cost</b>		
— Tencent Cloud Computer (Beijing) Company Limited	1,593	1,779
<b>(iv) Distribution cost</b>		
— Tencent Technology (Shenzhen) Company Limited	9,707	—

#### (d) Key management compensation

	Six months ended	
	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Key management compensation:		
Salaries and other benefits	3,664	1,686

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

### 26 RELATED PARTY TRANSACTIONS (Continued)

#### (e) Balances with related parties

As at 30 June 2022 and 31 December 2021, the Group had the following significant balances with related parties:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Due from related parties:		
— Beijing Ruyi Xingrong Culture Media Co., Ltd	800	800
— Beijing Ruyi Xinxin Film Investment Co., Ltd	31,218	31,218
— Beijing Zhumeng Qiming Culture & Arts Co., Ltd.	1,300	1,300
— Mr Ke Liming	7,350	7,200
	<b>40,668</b>	40,518
Due to related parties :		
— Beijing Ruyi Xinxin Film Investments Co., Ltd	3,105	3,105
— Shenzhen Tencent Computer Systems Company Limited	—	13,208
— Tencent Technology (Beijing) Company Limited	14,000	—
— Tencent Cloud Computer (Beijing) Company Limited	617	—
— Tencent Technology (Shenzhen) Company Limited	9,707	—
— Tencent Film Culture Communication Co., Ltd	135,000	135,000
— Yongxin Changqingteng Culture Service Center (Limited Partnership)	400	400
	<b>162,829</b>	151,713

# Management Discussion and Analysis

The board of directors (the “**Board**”) of China Ruyi Holdings Limited (the “**Company**”) is pleased to announce the results of the Company and its subsidiaries and controlled entities (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”).

## FINANCIAL PERFORMANCE SUMMARY

The Group recorded a profit attributable to equity holders of the Company of approximately RMB147 million for the six months ended 30 June 2022, which increased by approximately RMB2.597 billion as compared to a loss attributable to owners of the Company of approximately RMB2.45 billion for the six months ended 30 June 2021.

The basic and diluted earnings per share were RMB1.59 cents and RMB1.54 cents for the six months ended 30 June 2022 respectively as compared to the basic and diluted losses per share of RMB26.87 cents (after share consolidation) and RMB26.87 cents (after share consolidation) respectively for the six months ended 30 June 2021.

## CONTENT PRODUCTION, ONLINE STREAMING AND ONLINE GAME BUSINESSES

During the six months ended 30 June 2022, the Group conducted its content production, online streaming and online game businesses in China, and its turnover recorded was approximately RMB628 million for the six months ended 30 June 2022. The costs of the streaming media business are mainly content costs, labour costs, depreciation and amortization costs. Gross profit of such segment was approximately RMB344 million with gross profit margin of 55%. After deducting selling and marketing costs, administrative and other expenses of approximately RMB100 million, the segment recorded a profit before tax of approximately RMB244 million.

## BUSINESS REVIEW

After fully tapping into streaming media business around two years ago, the Group has been fully leveraging on its professional and talent competitive edges in terms of content and technology, as well as the resources of its major shareholders, including Tencent Holdings Limited (“**Tencent Holdings**”, together with its subsidiaries and controlled entities referred to as “**Tencent Group**”) (stock code: 0700), aiming to provide quality contents for users. The Group has provided users with high quality streaming services through continuous investments in research and product innovation.

In the first half of 2022, there was a resurgence of the COVID-19 pandemic, which has lasted for two years. Super first-tier cities such as Shanghai, Shenzhen and Beijing have been affected, thus affecting the development of the film and television industry to a certain extent. Many movies that were originally planned to be released in the first half of the year, including “Post Truth” (《保你平安》), a movie in which the Group served as main producer, have halted their release simultaneously. However, the Group’s film and television R&D and production work were not hindered and still maintained a very high production rate. At the same time, the Group commenced its cooperation in film production with overseas companies. In the first half of the year, the production of 7 movies and 4 drama series were commenced successively.

In the first half of the year, the domestic leading long video platform generally recorded profit, which further indicated that Chinese streaming media users’ awareness and habit of paying for high-quality content had gradually stabilized and matured. Content payment has become an important trend of online cultural consumption, and streaming media has become an important platform for mass entertainment, which has fostered a favorable development environment for the development of the Group’s streaming media business.

Since fully tapping into the streaming media business, the Group takes provision of quality contents for users as its mission. Through continuous investment in research and product innovation, the Group has provided users with high-quality streaming media services.

## Management Discussion and Analysis (Continued)

On the one hand, the Group focused on the vertical subscription-only membership system. With its strong production capabilities and advanced technological algorithms, the Group has created a massive library of selected movies from all around the world, and provided users with an ultimate customized movie viewing experience by accurately predicting and recommending movies that are tailored to their tastes. Relying on its globalized high-quality content and copyright reserves, the Group builds a communication bridge between domestic and international excellent film and television dramas, and conducts global content integration operations across the entire network and all channels.

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.

The Group also cooperated with other domestic video platforms in respect of distribution of some copyrights through authorized distribution, so as to enhance brand influence and maximize returns.

The Group adheres to a diversified development path, and continues to expand its operation in film and television production and distribution, streaming media platform operation, copyright agency account sharing, boutique IP reserve development, and game research and development and operation. These sectors have shown a thriving development trend as a whole. In particular, the Group has already launched two boutique mobile games, namely “The War of Three Kingdoms” (《亂世逐鹿》) and “Chuanqi Tianxia” (《傳奇天下》), which achieved profits since their launch, thus further consolidating the Group’s diversified profitability, and attracting more long-term investors and capital support and investment. In the first half of the year, various businesses of the Group progressed smoothly and maintained rapid development.

### Pumpkin Films

Pumpkin Films is currently the top-tier subscription-only membership film and television platform in China in terms of total number of registered members, with no advertisement and hidden fees. While adhering to the data-driven development strategy, it strives to maintain its content quality.

In the first half of 2022, Pumpkin Films integrated the industry ecosystem resources, and the numbers of new members maintained stable and rapid growth. As of 30 June 2022, the cumulative number of registered members reached 77.45 million, representing a year-on-year increase of 25% as compared to 31 December 2021, while the cumulative number of paid subscription users reached 33.67 million, representing a year-on-year increase of 37%.

### 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. Since its incorporation in 2006, thanks to its creative scripts, accurate market positioning, professional resource integration, standardized production management and intensive experience in promotion and distribution, Ruyi Films has created more than 100 film and television copyrights. It has also invested in and produced numerous influential film and television works, which won numerous important awards, such as Golden Rooster Award, Hundred Flowers Award, Golden Horse Award, Hong Kong Film Award, Flying Apsaras Awards, Golden Eagle Awards, Magnolia Awards and Huading Awards.

Ruyi Films possesses numerous competitive advantages.

Firstly, 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 appraise ordinary daily 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》).

## Management Discussion and Analysis (Continued)

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.

In the first half of 2022, under the environment where the film and television industry was affected by the pandemic and continued to be sluggish, Ruyi Films maintained a vigorous development trend as always thanks to its solid cultivation and excellent performance in the past.

Key films to be released by Ruyi Films include “Moon Man” (《獨行月球》) and “Post Truth” (《保你平安》). Key films that are currently in production or in post-production include “One and Only” (《熱烈》) and “Exchange Lives” (《交換人生》). Key dramas to be broadcasted include “Love is Full of Jiudaowan” (《情滿九道灣》). Key dramas that are in post-production or being filmed include “Rechter Tie” (《大唐狄公案》), “Fireworks in the World” (《人間煙火》) and “Xiao Nanfeng” (《小南風》) etc.

### Jingxiu Games

In the first half of 2022, the Group fully commenced its cooperation with Tencent Group in the gaming sector. Jingxiu Games has become the third major business segment of the Group. Our deployment in game sector is an important source of addition revenue for the Company, as well as an important approach to extend the long-tail value of the content.

On 26 May 2022, Jingxiu Games officially launched its first boutique mobile game, namely “The War of Three Kingdoms” (《亂世逐鹿》). In cooperating with the Group’s game business, Tencent Group not only provides full technical support but also assists the promotion and attraction of users through different high-traffic channels such as Weixin/WeChat, mobile QQ and Tencent Apps Treasure (應用寶). On the day of its launch, “The War of Three Kingdoms” got off to a good start. It was recommended by the App Store Today, and ranked top in the free game rankings.

The second game, namely “Chuanqi Tianxia” (《傳奇天下》), was also launched on 26 July 2022. Jingxiu Games will continue to launch other games in the future.

## 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. Thus, the Group will continue the vigorous development of its streaming media business.

### 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.

## Management Discussion and Analysis (Continued)

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.

### 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 brands in the future. By focusing on differentiated content creation and diversified contents, the two brands steadily and continuously create dramas and films that are in line with the central theme and popular among subscribers, and will continue to increase its attractiveness to subscribers, build up unique brand image, create core competitiveness and establish strong business moats.

Jingxiu Games, attributable to its in-depth cooperation with Tencent Group, the world’s top gaming company, has received strong support from Tencent Group. From the beginning of tapping into the gaming field, Jingxiu Games already stood at the high point of the gaming industry. Not only can it expand the business scope of the game horizontally, Jingxiu Games can also combine its own advantages in the film and television field to provide users with a more coherent, more diverse and more immersive entertainment experience, thus enhancing users’ stickiness to the platform, increasing user retention, attracting new users and expanding revenue sources.

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.

## Management Discussion and Analysis (Continued)

### Unleashing the competitive advantages of shareholder empowerment

In the first half of 2022, Tencent Holdings, the second largest shareholder of the Group, continued to support the Group's development. Following the entering into of agreement in respect of the sharing of film and television copyrights with the Group last April and the agreement in respect of the comprehensive cooperation in the gaming sector at the end of last year, in late January 2022, Tencent Holdings entered into an agreement to increase its shareholding in the Group at a premium of nearly 10%, and its shareholding ratio increased to 20.13%, continuing to maintain its position as the second largest shareholder of the Group. In addition, Tencent Holdings made a decision to continue to increase its shareholding in the Company, and led Sunshine Life Insurance Corporation Limited ( 陽光人壽保險股份有限公司 ) ("Sunshine Life") and China Handi Group Limited ( 中國漢地集團有限公司 ) ("China Handi") to subscribe for the Company's shares, with subscription agreements entered into in mid-July 2022. This not only demonstrates Tencent Holdings' recognition of the Group's business development in the first half of 2022 and its strong confidence in the Group's future development as a major shareholder, but also further expands and enriches the Company's shareholder base, further improves the Company's capital structure, and provides strong support for the Company's future business development and industrial investment.

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 to be published by the Group in due course for the details of the cooperation.

### OTHER GAINS

For the six months ended 30 June 2022, the Group's recorded other gains of approximately RMB33.9 million, as compared to other losses of approximately RMB2,558.3 million for the six months ended 30 June 2021, mainly due to fair value change in contingent consideration payables.

### LIQUIDITY, CAPITAL RESOURCES, BORROWINGS AND GEARING RATIO

The Group maintains a prudent treasury policy. The Group primarily financed its operations through shareholder's equity, borrowings and cash generated from operations. During the six months ended 30 June 2022, 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.

#### Liquidity

As at 30 June 2022, the Group maintained cash and bank balances of approximately RMB456.8 million (as at 31 December 2021: approximately RMB1,139.5 million). The decrease in cash and bank balances was mainly attributable to the cash used in operating activities.

#### Borrowings and Gearing Ratio

The Group maintained a sound financial position, and its borrowing demand was not seasonal. As at 30 June 2022, the Group had borrowings of RMB1,593.1 million (as at 31 December 2021: approximately RMB1,523.0 million), borrowings at fixed interest rates of 5.15%. Such bank borrowings will be due within 2 to 24 months.

## Management Discussion and Analysis (Continued)

As at 30 June 2022, the Group's net equity amounted to approximately RMB5,981.0 million (as at 31 December 2021: approximately RMB5,613.2 million) with total assets amounting to approximately RMB11,349.9 million (as at 31 December 2021: approximately RMB10,619.9 million). Net current assets were approximately RMB1,804.7 million (as at 31 December 2021: Net current assets were approximately RMB2,267.9 million) and the current ratio was 1.7 times (as at 31 December 2021: 2.3 times). Gearing ratio calculated on the basis of the Group's total debts (interest-bearing borrowings and lease liabilities) over shareholders' funds was 3.1% (as at 31 December 2021: 3.4%).

### SIGNIFICANT INVESTMENTS

Save as otherwise disclosed in this report, the Group did not have any significant investments for the six months ended 30 June 2022, and there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

### MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries or associates or joint ventures for the six months ended 30 June 2022.

### CHARGE OF ASSETS

As at 30 June 2022, the Group did not have any charges on assets (as at 31 December 2021: nil).

### COMMITMENT

As at 30 June 2022, the Group had capital commitment of RMB544 million (as at 31 December 2021: approximately RMB544 million).

### CONTINGENT LIABILITIES

The Group did not provide corporate guarantee to its subsidiaries or other parties and did not have other contingent liabilities as at 30 June 2022 (as at 31 December 2021: nil).

### CURRENCY RISK MANAGEMENT

The Group had significant amount of assets and liabilities denominated in Renminbi ("RMB") during the six months ended 30 June 2022. The content production and online streaming business is mainly carried out in RMB in Mainland China. Therefore, the Group is exposed to the risk of significant fluctuation in RMB exchange rates. During the six months ended 30 June 2022, 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.

## Management Discussion and Analysis (Continued)

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

#### Issue of New Shares under General Mandate and Specific Mandate (the "First Share Subscriptions")

On 25 January 2022, the Company entered into a share subscription agreement with Water Lily Investment Limited ("Water Lily") (the "First Water Lily Share Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue, and Water Lily has conditionally agreed to subscribe for at HK\$2.50 per subscription share for 64,000,000 new ordinary shares on the terms of the First Water Lily Share Subscription Agreement.

On the same day, the Company also entered into a share subscription agreement with Mr. Liu Xueheng ("Mr. Liu" (劉學恒)) (the "Mr. Liu Share Subscription Agreement", together with First Water Lily Share Subscription Agreement collectively referred as to the "First Share Subscription Agreements"), pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Liu has conditionally agreed to subscribe at HK\$2.50 per subscription share for 56,000,000 new ordinary shares on the terms of the Mr. Liu Share Subscription Agreement.

The subscription shares have an aggregate nominal value of HK\$2,400,000. The net proceeds from the First Share Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK\$300,000,000 (of which approximately HK\$140,000,000 from the share subscription under the general mandate and approximately HK\$160,000,000 from the share subscription under the specific mandate). 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. As at the date of the First Share Subscription Agreements, the closing price of the Company's shares as quoted on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$2.29 per Share.

The issuance of the subscription shares is expected to provide the Group with definite amount of capita, as well as expand the shareholder base of the Company, thus further strengthening the financial position of the Group.

In respect of the First Share Subscription by Water Lily, the relevant subscription shares were allotted and issued under the specific mandate approved by the independent shareholders at the special general meeting convened on 30 March 2022. In respect of the First Share Subscription by Mr. Liu, the subscribed shares were issued under the general mandate.

For further details of the First Share Subscriptions, please refer to the announcement dated 26 January 2022, the circular dated 14 March 2022, and the poll results of the special general meeting of the Company dated 30 March 2022.

The said proceed were intended to be utilized (a) for the Group's general working capital purposes and (b) for the growth and expansion of the business of the Group, as described in the sub-section headed "Use of Proceeds" in the announcement of the Company dated 25 January 2022.

## Management Discussion and Analysis (Continued)

As at 30 June 2022, the Group had fully utilized the net proceeds raised from the previous share issuance, further details of which are set out as follows:

<b>Proposed use of proceeds as disclosed in the announcement of the Company dated 25 January 2022</b>	<b>Allocated amount of net proceeds</b> (HK\$ million)	<b>Utilized amount as at 30 June 2022</b> (HK\$ million)	<b>Unutilized amount as at 30 June 2022</b> (HK\$ million)
The Group's general working capital purposes	45	45	—
The growth and expansion of the business of the Group	255	255	—
<b>Total</b>	<b>300</b>	<b>300</b>	<b>—</b>

Save for the aforementioned First Share Subscriptions, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2022.

### SHARE PAYMENT

#### 2013 Share Options Scheme

The Company's 2013 Share Option Scheme, was adopted pursuant to a resolution passed on 31 October 2013, for the primary purpose of providing incentives or rewards to participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group and any invested entity and which will expire 10 years after the date of adoption. Under the 2013 Share Option Scheme, the board of directors of the Company may, at its discretion, grant options to supplier, customer, person or entity that provides research, development or technological support or other services to the Group or any invested entity, shareholder or any member of the Group or any invested entity, holder of any securities issued by any member of the Group or invested entity and employee, including executive and non-executive directors of the Company or any of its subsidiaries or any invested entity to subscribe for shares in the Company at a price of (i) the closing price of the shares on the Stock Exchange on the date of grant of the option, which must be a trading day or (ii) the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options or (iii) the nominal value of the shares, whichever is the highest.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other schemes shall not exceed 30% of the total number of the issued share of the Company from time to time. The number of shares which may be issued upon exercise of all share options to be granted under the 2013 Share Option Scheme shall not exceed 7,359,057,611 shares, representing 10% of the total number of shares in issue on 10 June 2016, the date when the refreshment of the scheme mandate limit was approved by Shareholders.

The maximum number of shares in respect of which options may be granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of the issued share of the Company. Upon acceptance of option, the grantee shall pay HK\$1 to the Company by way of consideration of the grant. An option may be exercised at any time during the validity period of the options.

## Management Discussion and Analysis (Continued)

There is no vesting period or market or non-market performance condition for the 2013 Share Option Scheme. The expiry date of the option is 10 years after the grant. To the extent that the offer to grant an option is not accepted within 28 days from the date upon which it is made, it shall be deemed to have been irrevocably declined and lapsed automatically.

For the six months ended 30 June 2022, the Company (1) has not granted any other new share option under the 2013 Share Option Scheme or adopted any other share option scheme (For the six months ended 30 June 2021: nil); and (2) has no option lapsed or cancelled (For the six months ended 30 June 2021: nil). As at 30 June 2022, no granted share option was exercised. As at the date of this report, the total number of shares available for issue under the 2013 Share Option Scheme was 181,917,000, which represented approximately 1.94% of the total issued shares of the Company as at the date of this report.

As at 30 June 2022, there were a total of 58,000,000 outstanding share options granted to a director of the Company, details of which are as follows:

Name of director	Date of grant	Number of Share Options (thousands)					As at 30 June 2022	Exercise period	Exercise Price (HKD)
		As at 1 January 2022	Granted during the period	Exercised during the period	Expired/lapsed/cancelled during the period	Forfeited/cancelled during the period			
Ms. Chen Xi	26 November 2021	2,400	—	—	—	—	2,400	26 November 2022– 25 November 2027	3.43
	26 November 2021	4,800	—	—	—	—	4,800	26 November 2023– 25 November 2028	3.43
	26 November 2021	7,200	—	—	—	—	7,200	26 November 2024– 25 November 2029	3.43
	26 November 2021	14,400	—	—	—	—	14,400	26 November 2025– 25 November 2030	3.43
	26 November 2021	19,200	—	—	—	—	19,200	26 November 2026– 25 November 2031	3.43
	<b>Sub-total:</b>	<b>48,000</b>	—	—	—	—	<b>48,000</b>		
Mr. Zhang Qiang	26 November 2021	500	—	—	—	—	500	26 November 2022– 25 November 2027	3.43
	26 November 2021	1,000	—	—	—	—	1,000	26 November 2023– 25 November 2028	3.43
	26 November 2021	1,500	—	—	—	—	1,500	26 November 2024– 25 November 2029	3.43
	26 November 2021	3,000	—	—	—	—	3,000	26 November 2025– 25 November 2030	3.43
	26 November 2021	4,000	—	—	—	—	4,000	26 November 2026– 25 November 2031	3.43
	<b>Sub-total:</b>	<b>10,000</b>	—	—	—	—	<b>10,000</b>		
	<b>Total:</b>	<b>58,000</b>	—	—	—	—	<b>58,000</b>		

## Management Discussion and Analysis (Continued)

Notes:

1. The share options granted on 26 November 2021 are effective from 26 November 2022 to 25 November 2031.
2. The closing price following the date of which the options were granted on 26 November 2021 was HK\$3.43 per share.

Details of the 123,917,000 share options not yet exercised by senior management and employees of the Group (excluding director(s) of the Company) as at 30 June 2022 are as follows:

Date of grant	Number of Share Options (thousands)					As at 30 June 2022	Exercise period	Exercise Price (HKD)
	As at 1 January 2022	Granted during the period	Exercised during the period	Expired/ lapsed/ cancelled during the period	Forfeited/ cancelled during the period			
26 November 2021	6,196	—	—	—	—	6,196	26 November 2022– 25 November 2027	3.43
26 November 2021	12,392	—	—	—	—	12,392	26 November 2023– 25 November 2028	3.43
26 November 2021	18,588	—	—	—	—	18,588	26 November 2024– 25 November 2029	3.43
26 November 2021	37,175	—	—	—	—	37,175	26 November 2025– 25 November 2030	3.43
26 November 2021	49,566	—	—	—	—	49,566	26 November 2026– 25 November 2031	3.43
<b>Total:</b>	<b>123,917</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>123,917</b>		

Notes:

1. The share options granted on 26 November 2021 are effective from 26 November 2022 to 25 November 2031.
2. The closing price following the date of which the options were granted on 26 November 2021 was HK\$3.43 per share.

## Management Discussion and Analysis (Continued)

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interest and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) as required to be kept and recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules") as adopted by the Company, was as follows:

#### Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr. Ke Liming (Note 1)	Controlled corporation	3,727,381,250	39.85 %
Ms. Chen Xi (Note 2)	Beneficial owner	48,000,000	0.51%
Mr. Wan Chao (Note 3)	Beneficial owner	2,032,000	0.02%
Mr. Zhang Qiang (Note 4)	Beneficial owner	10,000,000	0.11%

Notes:

- (1) 1,893,101,943 Shares were indirectly held by Mr. Ke Liming through Pumpkin Films 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, as at 30 June 2022, none of the Directors nor their associates had any interests or short position in the shares, underlying shares or debentures of the Company and any of its associated corporations that were required to be kept in the register under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Listing Rules. During the six months ended 30 June 2022, no individual has held the position of chief executive officer of the Company.

Save as disclosed above, as at 30 June 2022, 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.

## Management Discussion and Analysis (Continued)

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

#### Positions as at 30 June 2022

As at 30 June 2022, Shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares — long positions:

Name of Shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Mr. Ke Liming	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	39.85%
Virtual Cinema Holding Limited (Note 1)	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	39.85%
Pumpkin Films Limited (Note 1)	3,727,381,250	0	3,727,381,250	Beneficial owner	39.85%
Tencent Holdings Limited	0	1,883,234,565	1,883,234,565	Interest of a controlled corporation	20.13%
Water Lily Investment Limited (Note 2)	1,883,234,565	0	1,883,234,565	Beneficial owner	20.13%
Ms. Li Shao Yu	0	835,036,000	835,036,000	Interest of a controlled corporation	8.93%
Eagle Smart Capital Investment Group Limited (Note 3)	835,036,000	0	835,036,000	Beneficial owner	8.93%

Notes:

- (1) Virtual Cinema Holding Limited is deemed to be interested in 3,727,381,250 Shares through its wholly-owned subsidiary Pumpkin Films Limited. Virtual Cinema Holding Limited is directly wholly-owned by Mr. Ke Liming, a Director. Pumpkin Films Limited is wholly owned by Mr. Ke Liming. The 1,893,101,943 shares of the Company were indirectly held by Mr. Ke Liming through Pumpkin Films Limited. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 shares of the Company (as defined in Part XV of the SFO), i.e. the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly owned by him.
- (2) Water Lily Investment Limited is an indirect wholly-owned subsidiary of Tencent Holdings Limited.
- (3) Eagle Smart Capital Investment Group Limited is directly wholly-owned by Ms. Li Shao Yu.

Save as disclosed above, as at 30 June 2022, so far as is known to the Directors or chief executive of the Company, the Company had not been notified by any person who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 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.

## Management Discussion and Analysis (Continued)

### Position as at 31 August 2022

As at the date of this report, being 31 August 2022, Shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which fell to be disclosed to the Company under Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Interest in the shares and underlying shares — long positions:

Name of Shareholder	Number of ordinary shares held	Deemed interests in number of shares	Total	Capacity	Approximate percentage of issued share capital of the Company
Mr. Ke Liming	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	39.85%
Virtual Cinema Holding Limited (Note 1)	0	3,727,381,250	3,727,381,250	Interest of a controlled corporation	39.85%
Pumpkin Films Limited (Note 1)	3,727,381,250	0	3,727,381,250	Beneficial owner	39.85%
Tencent Holdings Limited	0	2,045,734,565	2,045,734,565	Interest of a controlled corporation	21.87%
Water Lily Investment Limited (Note 2)	2,045,734,565	0	2,045,734,565	Beneficial owner	21.87%
Ms. Li Shao Yu	0	744,308,000	744,308,000	Interest of a controlled corporation	7.96%
Eagle Smart Capital Investment Group Limited (Note 3)	744,308,000	0	744,308,000	Beneficial owner	7.96%

Notes:

- (1) Virtual Cinema Holding Limited is deemed to be interested in 3,727,381,250 Shares through its wholly-owned subsidiary Pumpkin Films Limited. Virtual Cinema Holding Limited is directly wholly-owned by Mr. Ke Liming, a Director. Pumpkin Films Limited is wholly owned by Mr. Ke Liming. The 1,893,101,943 shares of the Company were indirectly held by Mr. Ke Liming through Pumpkin Films Limited. Mr. Ke Liming was also deemed to be interested in 1,834,279,307 shares of the Company (as defined in Part XV of the SFO), i.e. the underlying shares of the warrants granted to Pumpkin Films Limited, a company wholly owned by him.
- (2) Tencent Holdings Limited was deemed to be interested in 2,045,734,565 Shares through its wholly-owned subsidiary Water Lily, the number of which included 162,500,000 Subscription Shares to be allotted and issued pursuant to the terms and conditions of the Water Lily Share Subscription Agreement.
- (3) Eagle Smart Capital Investment Group Limited is directly wholly-owned by Mr. Li Shao Yu.

Save as disclosed above, as at the date of this report, being 31 August 2022, so far as is known to the Directors or chief executive of the Company, the Company had not been notified by any person (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 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.

## Management Discussion and Analysis (Continued)

### DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

During the Reporting Period and up to the date of this report, the directors of the Company are as follows:

#### Executive Directors:

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

#### Independent Non-executive Directors:

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

Since 29 April 2022 (being the date of publication of the annual report of the Company for the financial year ended 31 December 2021), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed approximately 400 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, mandatory provident fund and share option scheme. The Group also provided training courses for the employees to develop their professional skills and create value to the Group. Total staff costs for the six months ended 30 June 2022, including directors' emoluments, amounted to approximately RMB110.8 million (for the six months ended 30 June 2021: approximately RMB59.4 million).

### CHANGE OF COMPANY NAME AND ADOPTION OF NEW BYE-LAWS

During the six months ended 30 June 2022, the Company has changed its English name to "China Ruyi Holdings Limited" and its secondary name to "中國儒意控股有限公司", with effect from 12 January 2022. A second amended and restated bye-laws of the Company has been approved and adopted on 13 June 2022.

## Management Discussion and Analysis (Continued)

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

#### Proposed Issue of New Shares under General Mandate and Specific Mandate (the “Share Subscription(s)”)

On 13 July 2022, the Company entered into a share subscription agreement (the “**Water Lily Share Subscription Agreement**”) with Water Lily, pursuant to which the Company has agreed to allot and issue, and Water Lily has agreed to subscribe at HK\$2.40 per subscription share for 162,500,000 new ordinary shares of the Company, on the terms of Water Lily Share Subscription Agreement.

On 14 July 2022, the Company entered into the Sunshine Life Share Subscription Agreement (the “**Sunshine Life Share Subscription Agreement**”) and the China Handi Share Subscription Agreement (the “**China Handi Share Subscription Agreement**”) with Sunshine Life and China Handi, respectively, pursuant to which the Company has agreed to allot and issue, and Sunshine Life and China Handi have agreed to subscribe at HK\$2.40 per subscription share for 487,500,000 and 325,000,000 new ordinary shares of the Company, respectively, on the terms of the Sunshine Life Share Subscription Agreement and the China Handi Share Subscription Agreement, respectively.

The subscription shares have an aggregate nominal value of HK\$19,500,000. The net proceeds from the Share Subscriptions, after deduction of relevant costs and expenses, is estimated to be approximately HK\$2,340,000,000 (of which approximately HK\$1,950,000,000 from the share subscription under the general mandate and approximately HK\$390,000,000 from the share subscription under the specific mandate). The net subscription price per subscription share, after deduction of relevant costs and expenses, is estimated to be approximately HK\$2.40 per subscription share. As at the date of the Water Lily Share Subscription Agreement, the closing price of the Company’s shares as quoted on the Stock Exchange was HK\$2.45 per Share. As at the last trading date prior to the date of the China Handi Share Subscription Agreement and the Sunshine Life Share Subscription Agreement, the closing price of the Company’s shares as quoted on the Stock Exchange was HK\$2.45 per Share.

The issue of subscription shares is expected to provide the Group with definite amount of capital whereby the shareholders base of the Company will also be enlarged and diversified, further strengthening the financial position and market reputation of the Group.

In respect of the Share Subscription by Water Lily, the relevant subscription shares will be allotted and issued under the specific mandate approved by the independent shareholders at the special general meeting convened on 23 September 2022. In respect of the Share Subscriptions by Sunshine Life and China Handi, the subscribed shares will be issued under the general mandate.

For further details of the aforesaid Share Subscriptions, please refer to the announcement dated 14 July 2022, the circular dated 7 September 2022 and the announcement dated 23 September 2022 in respect of the poll results of the special general meeting.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## Management Discussion and Analysis (Continued)

### REVIEW OF INTERIM RESULTS

The interim financial information of the Company for the six months ended 30 June 2022 has been reviewed by the audit committee of the Company (the “**Audit Committee**”), which comprises the three Independent Non-executive Directors of the Company.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### CORPORATE GOVERNANCE

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 six months ended 30 June 2022 except for the following deviations from the Code provision:

- Code provision 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 six months ended 30 June 2022, 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. The Board believes that the current structure is conducive to strong and consistent leadership and oversight enabling the Group to operate efficiently.
- Code provision F.2.2 stipulated that the chairman of the board should attend the annual general meeting. During the six months ended 30 June 2022, Mr. KE Liming, the chairman of the Board, was unable to attend the annual general meeting held on 13 June 2022 due to his other business commitments. Mr. CHAU Shing Yim, David (an independent non-executive director, the chairman of the Audit Committee and the chairman of the Remuneration Committee) attended the 2022 annual general meeting and served as the chairman of the meeting. The Board believes that Mr. CHAU Shing Yim, David has sufficient ability and knowledge to answer questions at the 2022 annual general meeting. Therefore, the good communication established between the Company and the shareholders is not affected.

### COMPLIANCE WITH THE MODEL CODE

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. The Company, having made specific and cautious enquiries, confirmed that all Directors had complied with the Model Code for the six months ended 30 June 2022.

## Management Discussion and Analysis (Continued)

### FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this Management Discussion and Analysis 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 our shareholders, investors, employees and business partners for their continuous support.

By Order of the Board  
**China Ruyi Holdings Limited**  
**Mr. Ke Liming**  
*Chairman*

Hong Kong, 31 August 2022