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儒意控股
RUYI HOLDINGS

China Ruyi Holdings Limited

中國儒意控股有限公司

(a company incorporated in Bermuda with limited liability)

(Stock Code: 136)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ruyi Holdings Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries and controlled entities (the “**Group**”) for the six months ended 30 June 2022 together with comparative figures as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	<i>Notes</i>	Six months ended	
		30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
Revenue	3	651,797	1,395,040
Cost of revenue	4	(297,926)	<u>(909,160)</u>
Gross profit		353,871	485,880
Other income		577	2,874
Other gains/(losses) — net	5	33,918	(2,558,283)
Selling and marketing costs	4	(2,424)	(237,337)
Administrative expenses	4	(126,511)	(75,896)
Net provision of impairment losses on financial assets		(10,538)	<u>(15,230)</u>

		Six months ended	
		30 June	30 June
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Operating profit/(loss)		248,893	(2,397,992)
Finance costs		(40,667)	(5,875)
Finance income		<u>15,071</u>	<u>3,439</u>
Finance costs — net	6	<u>(25,596)</u>	<u>(2,436)</u>
Share of losses of associates accounted for using the equity method		<u>(1,231)</u>	<u>—</u>
Profit/(loss) before income tax		222,066	(2,400,428)
Income tax expenses	7	<u>(75,499)</u>	<u>(48,358)</u>
Profit/(loss) for the period		<u><u>146,567</u></u>	<u><u>(2,448,786)</u></u>
Other comprehensive losses			
<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		<u>(116,984)</u>	<u>(4,513)</u>
Other comprehensive losses for the period, net of tax		<u>(71,900)</u>	<u>(4,520)</u>
Total comprehensive income/(loss) for the period		<u><u>74,667</u></u>	<u><u>(2,453,306)</u></u>

		Six months ended	
		30 June	30 June
		2022	2021
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period attributable to:			
	— Equity holders of the Company	147,448	(2,448,081)
	— Non-controlling interests	<u>(881)</u>	<u>(705)</u>
		<u>146,567</u>	<u>(2,448,786)</u>
Total comprehensive income/(loss) for the period attributable to:			
	— Equity holders of the Company	75,548	(2,452,601)
	— Non-controlling interests	<u>(881)</u>	<u>(705)</u>
		<u>74,667</u>	<u>(2,453,306)</u>
Earning/(loss) per share for profit/(loss) attributable to the equity holders of the Company for the period: (expressed in RMB cents per share)			
	— Basic earnings/(losses) per share	8 <u>1.59</u>	<u>(26.87)</u>
	— Diluted earnings/(losses) per share	8 <u>1.54</u>	<u>(26.87)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	7,532	8,826
Right-of-use assets	62,653	68,600
Intangible assets	683,853	684,821
Deferred tax assets	1,765	1,693
Investments accounted for using the equity method	33,217	34,448
Goodwill	4,214,619	4,214,619
Financial assets at fair value through profit or loss	136,000	136,000
Financial assets at fair value through other comprehensive income	467	539
Prepayments for film and television programmes rights	94,400	74,400
Film and television programmes rights	<u>1,600,837</u>	<u>1,403,045</u>
	<u>6,835,343</u>	<u>6,626,991</u>
Current assets		
Film and television programmes rights	1,450,646	1,178,828
Inventories	1,361	2,257
Prepayments and other current assets	155,908	326,978
Contract assets	9 23,348	—
Trade and other receivables	9 2,396,111	1,300,529
Financial assets at fair value through profit or loss	30,417	44,846
Cash and cash equivalents	<u>456,772</u>	<u>1,139,463</u>
	<u>4,514,563</u>	<u>3,992,901</u>
Total assets	<u><u>11,349,906</u></u>	<u><u>10,619,892</u></u>

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		182,451	180,467
Share premium		7,998,844	7,752,893
Other reserves		(11,352)	40,240
Accumulated losses		(2,188,927)	(2,360,349)
		5,981,016	5,613,251
Non-controlling interests		5,284	6,165
Total equity		5,986,300	5,619,416
LIABILITIES			
Non-current liabilities			
Lease liabilities		27,514	26,797
Deferred tax liabilities		495,522	501,958
Borrowings		1,443,079	1,373,018
Contingent consideration payable	<i>11</i>	687,622	1,373,719
		2,653,737	3,275,492
Current liabilities			
Contract liabilities		66,852	16,083
Trade payables	<i>10</i>	159,979	50,418
Film and television programmes investment funds from investors		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		150,000	150,000
Contingent consideration payable	<i>11</i>	1,375,243	686,859
		2,709,869	1,724,984
Total liabilities		5,363,606	5,000,476
Total equity and liabilities		11,349,906	10,619,892

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 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”).

2 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 game accounting policy as set out below.

(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)	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	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)	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	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

		Effective for accounting periods beginning on or after
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.

(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, 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.

3 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 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”.

(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 in time	534,309	23,579	557,888
Over time	93,909	—	93,909
	<u>628,218</u>	<u>23,579</u>	<u>651,797</u>
Segment profit/(loss)	<u>243,940</u>	<u>(22,441)</u>	<u>221,499</u>
Unallocated corporate expenses			(17,206)
Unallocated other gains			48,878
Unallocated finance cost — net			<u>(31,105)</u>
Profit before income tax			<u>222,066</u>
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	<u>146,423</u>	<u>—</u>	<u>146,423</u>

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

	Content production and online streaming business <i>RMB'000</i> (Unaudited)	Other businesses <i>RMB'000</i> (Unaudited)	Consolidated <i>RMB'000</i> (Unaudited)
Revenue			
Timing of revenue recognition			
At a point in time	1,187,776	26,634	1,214,410
Over time	157,148	23,482	180,630
	<u>1,344,924</u>	<u>50,116</u>	<u>1,395,040</u>
Segment profit/(loss)	<u>206,314</u>	<u>(39,020)</u>	<u>167,294</u>
Unallocated corporate expenses			(12,079)
Unallocated other losses			(2,555,733)
Unallocated finance income — net			<u>90</u>
Loss before income tax			<u>(2,400,428)</u>
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	<u>187,551</u>	<u>—</u>	<u>187,551</u>

(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)
ASSETS			
Segment assets	<u>10,654,731</u>	<u>69,279</u>	<u>10,724,010</u>
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			<u>456,772</u>
Consolidated total assets			<u>11,349,906</u>
LIABILITIES			
Segment liabilities	<u>(1,692,098)</u>	<u>(18,711)</u>	<u>(1,710,809)</u>
Unallocated other payables			(1,379)
Unallocated borrowings			(1,443,079)
Contingent consideration payable			(2,062,865)
Current income tax liabilities			<u>(145,474)</u>
Consolidated total liabilities			<u>(5,363,606)</u>

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

	Content production and online streaming business <i>RMB'000</i>	Other businesses <i>RMB'000</i>	Consolidated <i>RMB'000</i>
ASSETS			
Segment assets	<u>9,221,434</u>	<u>74,972</u>	<u>9,296,406</u>
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			<u>1,139,463</u>
Consolidated total assets			<u>10,619,892</u>
LIABILITIES			
Segment liabilities	<u>(1,359,072)</u>	<u>(22,532)</u>	<u>(1,381,604)</u>
Unallocated other payables			(4,145)
Unallocated borrowings			(1,373,018)
Contingent consideration payable			(2,073,277)
Current income tax liabilities			<u>(168,432)</u>
Consolidated total liabilities			<u>(5,000,476)</u>

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

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

4 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 <i>RMB'000</i> (Unaudited)	30 June 2021 <i>RMB'000</i> (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)

5 OTHER GAINS/(LOSSES) — NET

	Six months ended	
	30 June 2022 <i>RMB'000</i> (Unaudited)	30 June 2021 <i>RMB'000</i> (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)
	33,918	(2,558,283)

6 FINANCE COSTS — NET

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

7 INCOME TAX EXPENSES

	Six months ended	
	30 June 2022	30 June 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— The People's Republic of China (“PRC”) corporate income tax	81,857	55,659
Deferred income tax	(6,358)	(7,301)
Income tax expenses	<u>75,499</u>	<u>48,358</u>

Bermuda corporate tax

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

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% on the estimated assessable 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.

8 EARNINGS/(LOSSES) 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 period.

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

(b) Diluted

Diluted earnings/(losses) 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 period) 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)
Profit/(loss) attributable to equity holders of the Company (RMB'000)	147,448	(2,448,786)
Adjustments for fair value change of share warrants	<u>762</u>	<u>—</u>
Profit/(loss) attributable to the equity holders of the Company used in calculating diluted earnings/(losses) per share	<u>148,210</u>	<u>(2,448,786)</u>
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)	<u>351,926</u>	<u>—</u>
Weighted average number of ordinary shares for diluted earnings/(losses) per share (thousands)	<u>9,648,231</u>	<u>9,112,802</u>
Diluted earnings/(losses) per share (RMB cents per share) for the year	<u>1.54</u>	<u>(26.87)</u>

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 per share for the period ended 30 June 2022.

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 period ended 30 June 2022.

9 CONTRACT ASSETS, TRADE AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract assets	<u>23,348</u>	<u>—</u>
Trade receivables — gross		
— Third parties	1,373,436	1,074,417
Less: allowance for doubtful debts	<u>(16,907)</u>	<u>(13,220)</u>
Trade receivables — net (<i>Note</i>)	<u>1,356,529</u>	<u>1,061,197</u>
Other receivables due from		
— Related parties	33,318	33,318
— Loan receivables	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	<u>(7,255)</u>	<u>(246)</u>
Other receivables — net	<u>1,039,582</u>	<u>239,332</u>
Total trade and other receivables	<u><u>2,419,459</u></u>	<u><u>1,300,529</u></u>

Note:

The Group allows an average credit period ranging from 60 to 150 days to its customers. The following is an ageing analysis of trade receivables net of allowances for doubtful debts, based on the invoice date which approximates the revenue recognition date at the end of the reporting period.

	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	<u>424,131</u>	<u>101,120</u>
	<u><u>1,356,529</u></u>	<u><u>1,061,197</u></u>

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

10 TRADE PAYABLES

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

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

The carrying amounts of trade payables approximated their fair values.

11 CONTINGENT CONSIDERATION PAYABLE

	30 June 2022 RMB'000 (Unaudited)	30 June 2021 RMB'000 (Unaudited)
Opening amount at 1 January	2,060,578	—
Contingent warrants consideration for business acquisition	—	2,422,750
Fair value change of the contingent consideration payable	<u>2,287</u>	<u>2,559,766</u>
At 30 June	<u>2,062,865</u>	<u>4,982,516</u>

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current portion	1,375,243	686,859
Non-current portion	<u>687,622</u>	<u>1,373,719</u>
	<u>2,062,865</u>	<u>2,060,578</u>

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Film 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 company 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》).

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.

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.

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.

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%).

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.

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 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**”), 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 shares on the terms of the Mr. Liu Share Subscription Agreement.

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.

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-BASED PAYMENTS

2013 Option Scheme

The Company's share option scheme (the “**2013 Option Scheme**”) was adopted pursuant to a resolution passed by the Shareholders on 31 October 2013. The purpose of the 2013 Option Scheme is to provide incentives to eligible participants. During the six months ended 30 June 2022, (1) no option had been granted (for the six months ended 30 June 2021: nil); and (2) no option had been lapsed or cancelled (for the six months ended 30 June 2021: nil). As at 30 June 2022, 181,917,000 share options granted had been exercised (as at 31 December 2021: 181,917,000).

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.

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 shares of the Company, on the terms of Water Lily Share Subscription Agreement.

On 14 July 2022, the Company entered into the share subscription agreements (the “**Sunshine Life Share Subscription Agreement**” and the “**China Handi Share Subscription Agreement**”, respectively) and 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 shares of the Company, respectively, on the terms of the Sunshine Life Share Subscription Agreement and the China Handi Share Subscription Agreement, respectively.

In respect of the Share Subscription by Water Lily, the relevant subscription shares will be allotted and issued under the specific mandate to be sought from the independent shareholders at the special general meeting to be convened.

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.

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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

This interim results announcement is also published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and the Company’s website (<https://www.ryholdings.com>). The interim report containing all information required by the Listing Rules will be dispatched to the Shareholders and will be available on websites of the Stock Exchange and the Company in due course.

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
Ke Liming
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the executive directors of the Company are Mr. KE Liming, Ms. Chen Xi, Mr. Wan Chao and Mr. Zhang Qiang; and the independent non-executive directors of the Company are Mr. Chau Shing Yim, David, Mr. Nie Zhixin, Mr. Chen Haiquan and Professor Shi Zhuomin.