Values Cultural Investment Limited
新石文化投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1740)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 increased by approximately 38.0% to approximately RMB212.6 million from approximately RMB154.1 million for the year ended 31 December 2018.
- Gross profit for the year ended 31 December 2019 decreased by approximately 23.3% to approximately RMB61.4 million from approximately RMB80.1 million for the year ended 31 December 2018.
- Net profit for the year ended 31 December 2019 decreased by approximately 61.5% to approximately RMB24.8 million from approximately RMB64.5 million for the year ended 31 December 2018. Excluding the effect of listing expense, our net profit for the year ended 31 December 2019 decreased by approximately 36.4% to approximately RMB41.0 million from approximately RMB64.5 million for the year ended 31 December 2018.
- Basic and diluted earnings per share for the year ended 31 December 2019 was approximately RMB3.31 cents. Our Company was incorporated on 11 March 2019. Therefore, the Directors are of the opinion that the earnings per share for the year ended 31 December 2018 is not applicable in this annual consolidated financial information.
- The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2019.

The board (the "**Board**") of directors (the "**Directors**") of Values Cultural Investment Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018. The annual results of the Company for the year ended 31 December 2019 had been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December

	Notes	**2019** **RMB'000**	2018 *RMB'000*
REVENUE	5	**212,637**	154,085
Cost of sales	6	**(151,214)**	(73,979)
Gross profit		**61,423**	80,106
Other income and gains	5	**1,335**	7,047
Selling and distribution expenses		**(5,476)**	(3,219)
Administrative expenses		**(25,571)**	(6,832)
Reversal of impairment losses/(impairment losses) on financial assets		**1,000**	(6,843)
Finance costs	7	**(4,648)**	(2,378)
Other expenses		**(85)**	(32)
PROFIT BEFORE TAX	6	**27,978**	67,849
Income tax expense	8	**(3,146)**	(3,366)
PROFIT FOR THE YEAR		**24,832**	64,483
Attributable to:			
Owners of the parent		**24,832**	64,483
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB3.31 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**24,832**	64,483
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**(192)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(192)**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**24,640**	64,483
Attributable to:		
Owners of the parent	**24,640**	64,483

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**103**	209
Right-of-use assets		**77**	542
Deferred tax assets		**16,212**	3,486
Total non-current assets		**16,392**	4,237
CURRENT ASSETS			
Inventories	11	**98,580**	203,918
Trade receivables	12	**191,594**	99,291
Prepayments, other receivables and other assets		**103,288**	88,619
Pledged deposit		**9,000**	—
Cash and cash equivalents		**5,466**	11,665
Total current assets		**407,928**	403,493
CURRENT LIABILITIES			
Trade payables	13	**28,501**	34,865
Other payables and accruals		**14,242**	5,846
Lease liabilities		**79**	444
Interest-bearing bank loans and other borrowings	14	**19,000**	43,000
Tax payable		**14,036**	—
Total current liabilities		**75,858**	84,155
NET CURRENT ASSETS		**332,070**	319,338
TOTAL ASSETS LESS CURRENT LIABILITIES		**348,462**	323,575
NON-CURRENT LIABILITIES			
Lease liabilities		**—**	102
Deferred tax liabilities		**1,405**	1,056
Total non-current liabilities		**1,405**	1,158
Net assets		**347,057**	322,417
EQUITY			
Equity attributable to owners of the parent			
Share capital		**—**	—
Reserves		**347,057**	322,417
Total equity		**347,057**	322,417

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 March 2019. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of television series ("**TV series**").

The Company's shares were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2020.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2019 have been early adopted by the Group in the preparation of these financial statements for the years ended 31 December 2019 and 2018. These financial statements have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRS 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9 HKAS 39, and HKFRS7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the year, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

	2019	2018
	RMB'000	*RMB'000*
Customer 1	**76,597**	22,182
Customer 2	**54,340**	N/A*
Customer 3	**26,233**	60,858
Customer 4	**N/A***	27,295

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the reporting periods.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**204,745**	151,557
Revenue from other sources		
Net license fee received from investment in TV series, web series and films as non-executive producer	**7,892**	2,528
	212,637	154,085

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 *RMB'000*	2018 *RMB'000*
Type of goods or service		
Licensing of broadcasting rights of TV series	**204,745**	138,618
Distribution of broadcasting rights of TV series	**—**	12,939
Total revenue from contract with customers	**204,745**	151,557

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the year.

Timing of revenue recognition

All of the Group's revenue was recognised at a point in time during the year.

(ii) Performance obligations

Licensing of broadcasting rights of TV series

The performance obligation of licensing of broadcasting rights of TV series is satisfied upon granting of the broadcasting rights of TV series to customers after the approval from NRTA or receipt of the license for distribution of TV series from provincial counterpart of NRTA.

Distribution of broadcasting rights of TV series

The performance obligation of distribution of broadcasting rights of TV series is satisfied upon services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Amounts expected to be recognized as revenue		
Within one year	**5,162**	1,439

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Government grants-related to income (a)	**227**	5,113
Bank interest income	**12**	39
Investment income from financial asset at fair value through profit or loss	**—**	32
Interest income from loans receivable	**—**	1,538
Penalty income	**—**	325
Others	**1,096**	—
	1,335	7,047

Note:

(a) The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**151,214**	73,979
Listing expense		**16,179**	—
Depreciation of property, plant and equipment		**106**	381
Depreciation of right-of-use assets		**465**	465
Auditor's remuneration		**1,150**	—
Minimum lease payments under leases exemption		**1,086**	324
Government grants	5	**(227)**	(5,113)
Interest income from loans receivable	5	**—**	(1,538)
Bank interest income	5	**(12)**	(39)
Investment income from financial assets at fair value through profit or loss	5	**—**	(32)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**3,006**	2,301
Pension scheme contributions		**209**	270
Staff welfare expenses		**141**	214
		3,356	2,785
Write-down of inventories to net realisable value*		**6,351**	4,087
Impairment/(reversal of impairment) of trade receivables	12	**(5,569)**	4,694
Impairment of other receivables		**4,569**	2,149

* Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**1,017**	1,231
Interest on other borrowings	**1,059**	3,062
Interest on borrowings from a director and related parties	**—**	67
Interest on discounted notes receivable	**190**	44
Interest on trade receivable factoring	**2,335**	—
Interest on trade receivable financing	**—**	23
Interest on lease liabilities	**47**	54
Total interest expense on financial liabilities not at fair value through profit or loss		
Less: Interest capitalised	**—**	(2,103)
	4,648	2,378

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of the income tax expense of the Group during the year are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**15,523**	4,089
Deferred tax	**(12,377)**	(723)
Total tax charge for the year	**3,146**	3,366

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Khorgas special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("**EIT**") exemption for five years starting from the year under which the first revenue was generated. Khorgas Values and Xinjiang Values enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》, which were entitled to such EIT exemption for the years ended 31 December 2017 and 2018. According to Preferential Filing Record of EIT《企業所得稅優惠事項備案表》, Khorgas Values obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2017 to 31 December 2020, and Xinjiang Values registered with the PRC tax bureau for entitlement of EIT exemption from 1 July 2018 to 31 December 2020.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**27,978**	67,849
Tax at the statutory tax rate of 25% in Mainland China	**6,995**	16,963
Tax effect of tax exemption granted to subsidiaries	**(7,949)**	(15,149)
Effect of tax rate differences in other jurisdiction	**2,770**	—
Effect of expenses not deductible for tax	**93**	253
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**349**	583
Tax losses not recognised	**888**	716
Tax charge at the Group's effective tax rate	**3,146**	3,366

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	2019
	RMB cents
Earnings	
Profit attributable to ordinary equity holders of the parent	
Basic and diluted earnings per share*	**3.31**

* The Company was incorporated on 11 March 2019. Therefore, directors are of the opinion that the earnings per share for the year ended 31 December 2018 was not applicable in this annual consolidated financial information.

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB24,832,000 (2018: 64,483,000), and the weighted average number of ordinary shares of 749,411,740 (2018: Nil) in issue during the year, as adjusted to reflect the rights issue during the year as follows:

The calculation of basic earnings per share is based on:

	2019
	RMB'000
Profit attributable to ordinary equity holders of the parent	**24,832**

The weighted average number of ordinary shares of approximately 749,411,740 comprises the weighted average number of shares issued during the year ended 31 December 2019 and 748,000,000 ordinary shares issued pursuant to the capitalisation issue after the reporting period as if these additional shares issued under the share subdivision and capitalisation issue had been completed throughout the year ended 31 December 2019.

	Number of shares	
	2019	2018
	approximately	approximately
Issue of shares on 11 March 2019	**8,665**	—
Issue of shares on 14 June 2019	**91,335**	—
Effect of share subdivision on 11 December 2019	**1,900,000**	—
Effect of capitalisation issue	**748,000,000**	—
Weighted average number of ordinary shares	**749,411,740**	—

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2019 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the year.

11. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**16,927**	9,810
Work in progress	**—**	87,131
Finished goods	**81,653**	106,977
	98,580	203,918

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**199,438**	112,704
Impairment	**(7,844)**	(13,413)
	191,594	99,291

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 365 days, depending on the specific payment terms in each contract.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
within 3 months	**41,983**	58,735
3 to 6 months	**18,465**	1,322
6 to 12 months	**96,458**	—
1 to 2 years	**27,102**	17,932
2 to 3 years	**7,586**	21,302
	191,594	99,291

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**13,413**	8,719
Impairment losses *(note 6)*	**(5,569)**	4,694
At end of year	**7,844**	13,413

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**1,192**	6,211
3 to 6 months	**2,502**	12,666
6 to 12 months	**14,022**	6,000
1 to 2 years	**6,797**	9,988
2 to 3 years	**3,988**	—
	28,501	34,865

The trade payables are non-interest-bearing and are normally settled on terms of 90 to 180 days.

14. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Effective interest rate	**Maturity**	**31 December 2019**
	(%)		***RMB'000***
Current			
Bank loans — secured	**5.22**	**2020**	**19,000**

	Effective interest rate	Maturity	31 December 2018
	(%)		*RMB'000*
Current			
Bank loans — secured	5.10–7.92	2019	25,000
Other borrowings — unsecured	10.00–15.00	2019	18,000
			43,000

	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**19,000**	25,000
Other borrowings repayable:		
Within one year	**—**	18,000

As at 31 December 2019, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB19,800,000 (2018: RMB16,674,000), and the pledged deposit amounting to RMB9,000,000 (2018: Nil) were pledged to secure the bank loans granted to the Group.

In addition, shareholders, namely Mr. Bai Yang, Mr. Wu Tao, Ms. Liu Peiyao, Mr. Liu Naiyue and Ms. Wei Xian, have guaranteed certain of the Group's bank loans up to RMB20,000,000 as at 31 December 2019 (31 December 2018: RMB20,000,000).

15. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

16. COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for the co-investment arrangement	**11,003**	40,050

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV series; (ii) investment in TV series as non-executive producer; and (iii) acting as distribution agent of TV series. For the year ended 31 December 2019, we had produced and licensed more than 20 TV series and our TV series are broadcast on well-known TV stations such as China Central Television General Channel* (中國中央電視台綜合頻道), Tianjin Radio & Television Station* (天津廣播電視台), Shandong Radio and Television* (山東廣播電視台), Heilongjiang Radio and Television* (黑龍江廣播電視台) and Jilin Radio and Television* (吉林廣播電視台).

On 16 January 2020, the shares in the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange (the "**Listing**"). The Listing marks an important milestone in the Company's history as it is a recognition of the Company's past effort in its business development.

Looking forward, the Company expects that the biggest challenge in 2020 will be the outbreak of COVID-19, the impact of which has already been reflected in the following aspects: (1) TV series planned to be filmed are temporarily halted and the completion time of production is expected to be delayed; (2) staff recruitment plans cannot be executed as scheduled and are forced to be postponed; (3) as new TV series cannot be produced and the relevant distribution licenses cannot be obtained this year, the income expected from such TV series cannot be included in the financial statements for the year ended 31 December 2020; (4) the Group's daily operation is affected in a certain degree.

Facing the said challenges, the Group will adopt the following measures and strategies: (1) revise and improve the scripts and, if circumstances permit, immediately start preparing for the filming of the relevant TV series and reduce the time of production cycle as much as possible; (2) reasonably organize and adjust staff work and start recruiting staff when appropriate; (3) optimize the promotion of TV series to be released, explore the reselling potential of series already broadcasted, and select suitable copyright transactions of TV series to increase financial income as much as possible; (4) ensure that the Group's daily operation functions normally through telephone contact, the internet and the arrangement of staff shifts.

Nevertheless, the Group will dedicate to implement the business strategies as set out in the prospectus of the Company dated 30 December 2019 (the "**Prospectus**").

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018 and 2019, all of our revenue were generated from customers located in the PRC. The following table sets forth a breakdown of our revenue by business segments for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Licensing of broadcasting rights of TV series	**204,745**	138,618
Distribution of broadcasting rights of TV series	**—**	12,939
Revenue from other sources		
Net license fee received from investment in TV series/ film/web series as non-executive producer	**7,892**	2,528
	212,637	154,085

Our total revenue increased by approximately 38.0% from approximately RMB154.1 million for the year ended 31 December 2018 to approximately RMB212.6 million for the year ended 31 December 2019, primarily due to the increase in revenue from licensing of broadcasting rights of TV series.

Revenue by business segments

(i) Licensing of broadcasting rights of TV series

Revenue generated from licensing of broadcasting rights of TV series increased by approximately 47.7% from approximately RMB138.6 million for the year ended 31 December 2018 to approximately RMB204.7 million for the year ended 31 December 2019, primarily due to (i) the increase in contribution from reruns of TV series, primarily from our purchased TV series Mother Relative Uncle* (娘親舅大), The Thunder* (破冰行動), Wild Roses* (紅薔薇) and Super Father-In-Law & Son-In-Law* (超級翁婿) and (ii) the higher average selling price of our self-produced TV series, namely National Spirit* (共和國血脈) and Yan Yang Chun* (燕陽春) which had their first-run and/or rerun broadcast in 2019.

The following table sets forth a breakdown of our revenue from licensing of the broadcasting rights of TV series of which the Group acted as executive producer or purchased copyrights (or broadcasting rights) in absolute amounts and as percentages for the year ended 31 December 2018 and 2019:

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Acted as executive producer	**122,653**	**59.9%**	8,862	6.4%
Licensed purchased copyrights (or broadcasting rights)	**82,092**	**40.1%**	129,756	93.6%
	204,745	**100.0%**	138,618	100.0%

(ii) Distribution of broadcasting rights of TV series

Revenue generated from distribution of broadcasting rights of TV series decreased by 100% from approximately RMB12.9 million for the year ended 31 December 2018 to nil for the year ended 31 December 2019. No distribution service was provided by our Group in the year ended 31 December 2019.

(iii) Net licence fee received from investment in TV series/film/web series as non-executive producer

Revenue generated from net licence fee received from investment in TV series/film/web series as non-executive producer increased by approximately 212.2% from approximately RMB2.5 million for the year ended 31 December 2018 to approximately RMB7.9 million for the year ended 31 December 2019, primarily due to our net license fee received from the web series Evil Nights* (罪夜無間).

Cost of Sales

The following table sets forth our cost of sales by business segment for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Licensing of broadcasting rights of TV series	**139,287**	71,099
Net license fee received from investment in TV series/film/web series as non-executive producer	**11,927**	2,880
	151,214	73,979

Our cost of sales increased by approximately 104.4% from approximately RMB74.0 million for the year ended 31 December 2018 to approximately RMB151.2 million for the year ended 31 December 2019, primarily due to the increase in cost of licensing of broadcasting rights of TV series.

For the business segment of licensing of broadcasting rights of TV series, the cost of sales increased by approximately 95.9% from approximately RMB71.1 million for the year ended 31 December 2018 to approximately RMB139.3 million for the year ended 31 December 2019, primarily due to (i) the increase in revenue from licensing of broadcasting rights of TV series and (ii) the high production costs of National Spirit* (共和國血脈) in order to satisfy the quality standard of our customer, being China Central Television (中國中央電視台) ("**CCTV**").

For the business segment of investment in TV series/film/web series as non-executive producer, the cost of sales increased by approximately 314.1% from approximately RMB2.9 million for the year ended 31 December 2018 to approximately RMB11.9 million for the year ended 31 December 2019, primarily due to the increase in the revenue.

Gross profit and gross profit margin

Our gross profit decreased by approximately 23.3% from approximately RMB80.1 million for the year ended 31 December 2018 to approximately RMB61.4 million for the year ended 31 December 2019, primarily due to the low gross profit margin of our self-produced TV series National Spirit* (共和國血脈), which was due to (i) the adjustment of the total number of episodes broadcast by our customer, CCTV, in accordance with its policy and broadcasting schedule and (ii) the high production costs incurred in National Spirit* (共和國血脈) to satisfy CCTV's quality standard.

Our gross profit margin decreased from approximately 52.0% for the year ended 31 December 2018 to approximately 28.9% for the year ended 31 December 2019.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the year ended 31 December 2018 and 2019:

	2019		2018	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Licensing of broadcasting rights of TV series	**65,458**	**32.0%**	67,519	48.7%
Distribution of broadcasting rights of TV series	**—**	**—**	12,939	100.0%
Net license fee received from investment in TV series/film/web series as non-executive producer	**(4,035)**	**(51.1%)**	(352)	(13.9%)
	61,423	**28.9%**	80,106	52.0%

(i) Licensing of broadcasting rights of TV series

The gross profit margin for the licensing of broadcasting rights of TV series segment decreased from approximately 48.7% for the year ended 31 December 2018 to approximately 32.0% for the year ended 31 December 2019, primarily due to the low gross profit margin of our self-produced TV series National Spirit* (共和國血脈).

The following table sets forth a breakdown of our gross profit and gross profit margin of TV series of which we acted as executive producer or purchased copyrights (or broadcasting rights) in the business segment of licensing of broadcasting rights of TV series for the year ended 31 December 2018 and 2019:

	2019		2018	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Acted as executive producer	**26,149**	**21.3%**	4,660	52.6%
Licensed purchased copyrights (or broadcasting rights)	**39,309**	**47.9%**	62,859	48.4%
	65,458	**32.0%**	67,519	48.7%

(ii) Distribution of broadcasting rights of TV series

The gross profit margin for the distribution of broadcasting rights of TV series segment was 100% for the year ended 31 December 2018 because revenue from provision of distribution services was recorded on a net basis. The Group did not distribute any broadcasting rights of TV series for the year ended 31 December 2019.

(iii) Investment in TV series/film/web series as non-executive producer

The gross profit margin for the investment in TV series/film/web series as non-executive producer segment decreased from approximately negative 13.9% for the year ended 31 December 2018 to approximately negative 51.1% for the year ended 31 December 2019. We recorded negative gross profit in 2019 from one film and one web series in which we made co-investment as non-executive producer. The unsatisfactory performance was mainly due to our lack of prior investment experiences in film and web series.

Other income and gains

The following table sets forth a breakdown of our other income and gain for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Government grants — related to income	**227**	5,113
Bank interest income	**12**	39
Investment income from financial asset at fair value through profit or loss	**—**	32
Interest income from loans receivable	**—**	1,538
Penalty income	**—**	325
Others	**1,096**	—
	1,335	7,047

Our other income and gains decreased by approximately 81.1% from approximately RMB7.0 million for the year ended 31 December 2018 to approximately RMB1.3 million for the year ended 31 December 2019, primarily due to the decrease in government grants.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Advertising and marketing expenses	**3,890**	1,890
Staff costs	**1,054**	615
Entertainment and travelling expenses	**438**	563
Others	**94**	151
	5,476	3,219

Our selling and distribution expenses increased by approximately 70.1% from approximately RMB3.2 million for the year ended 31 December 2018 to approximately RMB5.5 million for the year ended 31 December 2019, mainly attributable to more advertising and marketing activities required for promoting our self-produced TV series National Spirit* (共和國血脈) and Yan Yang Chun* (燕陽春) in 2019.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Listing expenses	**16,179**	—
Staff costs	**3,182**	2,853
Entertainment and travelling expenses	**1,875**	1,845
Auditor's remuneration	**1,150**	—
Professional service fees	**648**	439
Office related expenses	**1,865**	1,404
Miscellaneous taxes	**563**	197
Others	**109**	94
Total	**25,571**	6,832

Our administrative expenses increased by approximately 274.3% from approximately RMB6.8 million for the year ended 31 December 2018 to approximately RMB25.6 million for the year ended 31 December 2019, primarily due to the listing expenses amounting to approximately RMB16.2 million incurred for the Listing.

Impairment losses on financial assets

We recorded a reversal of impairment loss on financial assets amounting to approximately RMB1.0 million. The reversal in impairment provision was primarily due to the settlement of long outstanding trade receivables by our customers in the year ended 31 December 2019.

Finance costs

The following table sets forth a breakdown of our finance costs for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans	**1,017**	1,231
Interest on other borrowings	**1,059**	3,062
Interest on borrowings from a director and related parties	**—**	67
Interest on discounted notes receivable	**190**	44
Interest on trade receivable factoring	**2,335**	—
Interest on trade receivable financing	**—**	23
Interest on lease liabilities	**47**	54
Less: Interest capitalised	**—**	(2,103)
	4,648	2,378

Our finance costs increased by approximately 95.5% from approximately RMB2.4 million for the year ended 31 December 2018 to approximately RMB4.6 million for the year ended 31 December 2019, primarily due to our factoring of trade receivables in the year ended 31 December 2019 and the capitalisation of borrowing cost incurred from loans specifically for TV series production in the year ended 31 December 2018, whereas no borrowing cost was capitalised in the year ended 31 December 2019 upon the completion of production of such TV series.

Income tax expense

The following table sets forth the major components of our income tax expense for the year ended 31 December 2018 and 2019:

	2019	2018
	RMB'000	*RMB'000*
Current — Mainland China Charge for the year	**15,523**	4,089
Deferred	**12,377**	(723)
Total tax charge for the year	**3,146**	3,366

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**27,978**	67,849
Tax at the statutory tax rate of 25% in Mainland China	**6,995**	16,963
Tax effect of tax exemption granted to subsidiaries	**(7,949)**	(15,149)
Effect of tax rate differences in other jurisdiction	**2,770**	—
Effect of expenses not deductible for tax	**93**	253
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**349**	583
Tax losses not recognised	**888**	716
Tax charge at the Group's effective tax rate	**3,146**	3,366

Khorgas Values Culture Media Co., Ltd.* (霍爾果斯原石文化傳媒有限公司) ("**Khorgas Values**") and Xinjiang Values Culture Media Co., Ltd.* (新疆原石文化傳媒有限公司) ("**Xinjiang Values**"), the entities controlled by the Group through a series of contractual arrangements, enjoyed the preferential tax treatment under the Catalogue of Income Tax Preferences for Enterprises of Materially Encouraged Industries in Difficult Areas of Xinjiang. Khorgas Values and Xinjiang Values obtained the approval from the PRC tax bureau for entitlement of Enterprise Income Tax ("**EIT**") exemption from 1 July 2017 to 31 December 2020 and 1 July 2018 to 31 December 2020, respectively. Our effective tax rate ("**ETR**") were 11.2% for the year 31 December 2019, which increased by 6.2 basis point from 5.0% for the year ended 31 December 2018. Our expected ETR for the year 31 December 2019 is lower than the statutory tax rate of 25% in the PRC mainly due to the EIT exemption on profit generated from Khorgas Values and Xinjiang Values. The increase in ETR was mainly resulted from the listing expense, with certain portion of which was not tax deductible.

Profit for the year and net profit margin

As a result of the foregoing, our profit decreased by approximately 61.5% from approximately RMB64.5 million for the year ended 31 December 2018 to approximately RMB24.8 million for the year ended 31 December 2019. Our net profit margin decreased from approximately 41.8% for the year ended 31 December 2018 to approximately 11.7% for the year ended 31 December 2019.

DIVIDENDS

The Board does not recommend the payment of final dividends by the Company for the year ended 31 December 2019 (2018: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares were successfully listed on the Main Board of the Stock Exchange on 16 January 2020.

On 7 February 2020, the Over-allotment Option described in the Prospectus has been fully exercised by Zhongtai International Securities Limited (for itself and on behalf of the underwriters which entered into the International Underwriting Agreement as described in the Prospectus (the "**International Underwriters**")) in respect of an aggregate of 37,500,000 Shares (the "**Over-allotment Shares**"), representing 15% of the total number of the offer Shares initially available under the global offering (before any exercise of the Over-allotment Option). The issued share capital of the Company after the over-allotment was US$5,187.50 representing 1,037,500,000 Shares with a nominal value of US$0.000005 each. There has been no change in the capital structure of the Group since then.

The Group finances its liquidity and capital requirements primarily through bank loans and other borrowings, cash generated from our operations and equity contributions.

As at 31 December 2019, the Group reported net current assets of approximately RMB332.1 million (2018: RMB319.3 million). As at 31 December 2019, the Group's cash and bank balances was approximately RMB5.5 million, representing a decrease of approximately RMB6.2 million as compared to approximately RMB11.7 million as at 31 December 2018.

Key Financial Ratios

Return on Equity

The return on equity decreased from approximately 22.2% for the year ended 31 December 2018 to approximately 7.4% for the year ended 31 December 2019.

Return on Total Assets

The return on total assets decreased from approximately 18.4% for the year ended 31 December 2018 to approximately 6.0% for the year ended 31 December 2019.

Current Ratio

The Group's current ratio increased from approximately 4.8 times as at 31 December 2018 to approximately 5.4 times as at 31 December 2019.

Gearing Ratio

The Group's gearing ratio decreased from approximately 13.3% as at 31 December 2018 to approximately 5.5% as at 31 December 2019, primarily due to the repayment of other borrowings and bank loans.

CAPITAL EXPENDITURE

Our capital expenditures primarily consist of expenditures for purchases of electronic equipment, office equipment and leasehold improvements.

The Group did not have significant capital expenditure during the years ended 31 December 2018 and 2019.

OTHER COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for the co-investment arrangement	**11,003**	40,050

MAJOR INVESTMENT, ACQUISITIONS AND DISPOSALS

Save for the reorganisation (as defined in the Prospectus), the Group did not have any major investment, acquisitions, and disposals during the year ended 31 December 2019. There was no future plan for material investments or capital assets by the Group.

CONTINGENT LIABILITY

As at 31 December 2019, the Group did not have any material contingent liabilities.

SIGNIFICANT LITIGATION

As at the date of this announcement, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB19,800,000 (2018: RMB16,674,000), and the pledged deposit amounting to RMB9,000,000 (2018: nil) were pledged to secure the bank loans granted to the Group.

FOREIGN CURRENCY RISK

In the year ended 31 December 2019, all of our revenue were generated from customers located in the PRC, and were denominated in RMB. Therefore, the Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of RMB. In the year ended 31 December 2019, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

Since the Listing Date, there was no change to the information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") where applicable.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 22 employees who are all located in the PRC.

The Group offers employees competitive salaries, discretionary bonus and other incentives. Our recruitment policy is based on a number of factors including the level of knowledge and experience we require of our staff. The Group provides introductory training at the time when members of our staff first join us and thereafter regular on-the-job training, depending on his or her role. In addition, it is our policy to provide training to our staff on a needed basis to enhance their technical and industry knowledge. The Group believes such initiatives have contributed to the increased employee productivity. As required by the PRC regulations, we participate in various employee benefit plans that are organised by local governments, including housing, pension and social insurance. The Group is required under PRC laws to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time. The Group enters into a standard employment contract with all our employees which set out terms such as remuneration and confidentiality requirements. The Group believes that it maintain a positive working relationship with its employees.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Main Board of the Stock Exchange on 16 January 2020. As at the date of this announcement, the proceeds raised from the global offering of the Company had not been utilized. The Company intends to use such proceeds for the purpose as disclosed in the Prospectus.

CORPORATE GOVERNANCE PRACTICES

The Company's shares have been listed on the Stock Exchange since 16 January 2020 (the "**Listing Date**"). The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As the Company was not yet listed on the main board of the Stock Exchange until the Listing Date, the CG Code was not applicable to the Company for the year ended 31 December 2019. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with all the applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code since the Listing Date and up to the date of this announcement.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The annual results of the Company for the year ended 31 December 2019 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Zhong Mingshan, Mr. Xian Guoming and Mr. Xu Zongzheng, with Mr. Zhong Mingshan as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 May 2020, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 29 May 2020, the register of members of the Company will be closed from 26 May 2020 to 29 May 2020 (both days inclusive), during which no transfer of Shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates are lodged with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 May 2020.

PUBLICATION OF RESULTS AND THE 2019 ANNUAL REPORT

The Company's annual report for the year ended 31 December 2019 will be despatched to the Shareholders. Should the Shareholders have any difficulties in accessing the corporate communications electronically, please request the printed report, free of charge, at any time by writing to the Company or Tricor Investor Services Limited, the Company's Hong Kong share registrar.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal controls to safeguard our business and assets at all times.

The Group have established a set of investment policies and internal control measures which require us to continually monitor the return performance of our investments as well as the market risks, in order to achieve reasonable returns on our investments while mitigating our exposure to investment risks.

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems and reports the review results to the Board on an annual basis. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the year ended 31 December 2019. The scope and findings of the review had been reported to and reviewed by the Audit Committee. The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current monitoring systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance had been expressed by Ernst & Young on this announcement.

EVENTS AFTER THE REPORTING PERIOD

The Over-allotment Option

On 7 February 2020, the Over-allotment Option described in the Prospectus has been fully exercised by Zhongtai International Securities Limited (for itself and on behalf of the International Underwriters) in respect of an aggregate of 37,500,000 Shares, representing 15% of the total number of the offer Shares initially available under the global offering (before any exercise of the Over-allotment Option) to facilitate the return to BLW Investment Limited of the borrowed Shares under the stock borrowing agreement dated 9 January 2020 which were used to cover over-allocations under the placing by the International Underwriters. Such Over-allotment Shares are subject to a lock-up of six months from the Listing Date pursuant to the respective agreements, undertaking letter and rules as disclosed in the Prospectus. The Over-allotment Shares has been allotted and issued by the Company at HK$0.50 per Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), being the offer Price per Share under the global offering.

The over-allotment shares were listed and traded on the Main Board of Hong Kong Stock Exchange on 10 February 2019. The additional net proceeds from the issuance of over-allotment shares of the Bank were approximately HK$17.2 million (after deducting underwriting commissions, brokerage, transaction levy and transaction fee).

Save as disclosed above and in this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 and up to the date of this announcement.

By Order of the Board
Values Cultural Investment Limited
Liu Naiyue
Chairman and executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, the board comprises Mr. Liu Naiyue, Ms. Liu Peiyao, Ms. Wei Xian and Ms. Li Fang as executive Directors; Mr. Shao Hui and Ms. Shen Yi as non-executive Directors; and Mr. Xian Guoming, Mr. Xu Zongzheng and Mr. Zhong Mingshan as independent non-executive Directors.