

2022 INTERIM REPORT



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



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* The English translation of terms or names in Chinese which are marked with “*” is for identification purpose only

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Naiyue (*Chairman*)

Ms. CAI Xiaoxin

Ms. LI Fang

Mr. QU Guohui

Mr. XU Jun

Ms. LIU Peiyao

Non-Executive Directors

Mr. SHAO Hui

Ms. SHEN Yi

Independent Non-Executive Directors

Mr. XIAN Guoming

Mr. ZHONG Mingshan

Mr. XU Zongzheng

Ms. LIU Jingping

AUDIT COMMITTEE

Mr. ZHONG Mingshan (*Chairman*)

Mr. XIAN Guoming

Mr. XU Zongzheng

REMUNERATION COMMITTEE

Mr. XU Zongzheng (*Chairman*)

Mr. ZHONG Mingshan

Mr. XIAN Guoming

NOMINATION COMMITTEE

Mr. XIAN Guoming (*Chairman*)

Mr. XU Zongzheng

Mr. ZHONG Mingshan

JOINT COMPANY SECRETARIES

Mr. AU YEUNG Ming Yin Gordon

Ms. WANG Haiting

AUTHORISED REPRESENTATIVES

Mr. LIU Naiyue

Mr. AU YEUNG Ming Yin Gordon

AUDITOR

Ernst & Young

(*Certified Public Accountants*)

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Hastings & Co.

5/F, Gloucester Tower

The Landmark

11 Pedder Street

Central, Hong Kong

As to PRC law:

Jingtian & Gongcheng

34th Floor, Tower 3

China Central Place

77 Jianguo Road

Chaoyang District

Beijing, PRC

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 16, 28/F, One Midtown
11 Hoi Shing Road
Tsuen Wan
New Territories, Hong Kong

PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
China Zheshang Bank Company Limited
(Beijing Branch)

STOCK CODE

1740

COMPANY'S WEBSITE

www.yuanshimedia.com

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 increased by approximately 425.8% to approximately RMB2.6 million from approximately RMB0.5 million for the six months ended 30 June 2021.
- The Group recorded a gross loss of approximately RMB10.3 million for the six months ended 30 June 2022, as compared with a gross loss of approximately RMB5.6 million for the six months ended 30 June 2021.
- Net loss for the six months ended 30 June 2022 was approximately RMB13.7 million, as compared with the Group's net loss amounting to approximately RMB27.9 million for the six months ended 30 June 2021.
- The Board does not recommend the payment of interim dividends in respect of the six months ended 30 June 2022 (the six months ended 30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of Values Cultural Investment Limited (the “**Company**” or “**Values Cultural**”, together with its subsidiaries, the “**Group**”), is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 (the “**Reporting Period**”).

BUSINESS AND OPERATION REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV series; (ii) investing in TV series and web series as non-executive producer; and (iii) acting as distribution agent of TV series. The Group is also expanding its business in the production of web series and online films in view of their growing popularity. During the Reporting Period, the Company recorded a total revenue of approximately RMB2.6 million, which increased by approximately 425.8% as compared with approximately RMB0.5 million for the corresponding period of last year. During the Reporting Period, our revenue was primarily generated from licensing of broadcasting rights of purchased TV series, namely Below the Lion Rock* (獅子山下) and Remembrance of Things Past* (我在他鄉挺好的).

Loss for the Reporting Period was approximately RMB13.7 million as compared with the Group’s net loss amounting to approximately RMB27.9 million for the corresponding period of last year. The Board believes that the net loss was mainly due to the impact of the COVID-19 pandemic during the Reporting Period which led to the change of distribution plans of certain self-produced TV series. As a result, the expected future distribution income decreased and the Company wrote down inventories to net realisable value which led to an increase in cost. The significant decrease in net loss for the Reporting Period as compared with the corresponding period of last year was mainly due to (i) the increase in income resulting from the licensing of broadcasting rights of certain purchased TV series; and (ii) the decrease in impairment losses on financial assets due to the repayment of some long-aged trade receivables by customers during the Reporting Period.

During the Reporting Period, the Group completed shooting a self-produced TV series which is undergoing post-shooting production as at the date of this report. Moreover, as disclosed in the Group’s annual report dated 30 March 2022, the Group invested in two TV series as non-executive producer in 2021. Among these two TV series, one of them had its first-round broadcast in 2021 and is being broadcast for the second round as at the date of this report, whilst for the remaining TV series, its shooting process has been completed during the Reporting Period and it is undergoing post-shooting production as at the date of this report.

Moreover, during the Reporting Period, the Group continued with the production of two web series which the Group acts as the executive producer. As at the date of this report, one of these two web series has been undergoing shooting process and the other one has been undergoing post-shooting production. Regarding the four web series that the Group started to invest in as non-executive producer in 2021, they have been undergoing different post-shooting processes (such as completion of post-shooting production, obtaining post-shooting governmental approval and liaising with online platforms on broadcasting schedule) as at the date of this report. Further, for the two films that the Group has engaged in production since 2021, one of them has been filed for post-shooting governmental approval and the other one has been undergoing the process of obtaining pre-shooting governmental approval after revision of the script as at the date of this report.

Prospects and Future Plans

The Board is of the view that the general outlook of the industry and business environment in which the Group operates remains very challenging in the coming six months in view of the development of the COVID-19 in the People's Republic of China (the "PRC"). Looking forward, the Group will continue to adhere to prudent financial management in project selection and cost control. As competition in the TV series business intensifies and with the growing popularity of web series and online movies, the Group has been exploring and experimenting with the investment in and the production of web series and online movies. The Group will continue to strengthen its development in this area by establishing business ties with major online video platforms and widely collecting and evaluating scripts for web series and online movies to increase the Group's project reserve in this area. The Board believes that further expanding our business cooperation with new media channels could in the long run assist the Group in seizing future business opportunities and diversify our source of income, hence enabling the Group to achieve better performance and return. Nonetheless, the Group will continue to closely monitor the development in the TV series market and continue its business in the production and licensing of broadcasting rights of TV series.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately RMB2.6 million (30 June 2021: approximately RMB0.5 million), representing an increase of approximately 425.8% when compared with the corresponding period of last year. The increase in revenue was primarily due to the increase in revenue generated from licensing of broadcasting rights of purchased TV series. During the Reporting Period, our revenue was generated primarily from licensing of broadcasting rights of purchased TV series, namely *Below the Lion Rock** (獅子山下) and *Remembrance of Things** (我在他鄉挺好的).

Cost of Sales and Gross Profit

During the Reporting Period, the cost of sales of our operations increased from approximately RMB6.0 million for the six months ended 30 June 2021 to approximately RMB12.9 million for the six months ended 30 June 2022, representing an increase of 112.9%. The increase in the cost of sales was primarily due to the increase in impairment losses of TV series as the Group made provision for two self-produced TV series as a result of a decrease in the estimated selling price considering the current market condition. The Group carries out an inventory review on a project-by-project basis at the end of each reporting period and makes provision for obsolete projects accordingly.

During the Reporting Period, the Group recorded a gross loss of approximately RMB10.3 million, as compared with a gross loss of approximately RMB5.6 million for the corresponding period of last year. The increase in gross loss was due to the increase in impairment losses of TV series which led to a increase in cost.

Other Income and Gains

During the Reporting Period, the other income and gains were approximately RMB0.2 million (30 June 2021: approximately RMB0.8 million). The decrease in other income and gains was mainly due to the decrease in government grant received from the PRC government authorities.

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses remained relatively stable at approximately RMB0.7 million as compared to approximately RMB0.6 million for the six months ended 30 June 2021.

Administrative Expenses

During the Reporting Period, the administrative expenses were approximately RMB5.9 million, representing a decrease of approximately 19.8% as compared with approximately RMB7.4 million for the corresponding period of last year. The decrease in administrative expenses was mainly due to the decrease in entertainment and travelling expenses.

Impairment losses on financial assets

The impairment losses on financial assets represent the impairment provision on long ageing trade and other receivables. The reversal of impairment losses on financial assets for the Reporting Period was recognised as approximately RMB0.5 million as compared with the impairment losses on financial assets of approximately RMB21.3 million for the corresponding period of last year. The reversal was due to the recovery of long-aged trade receivables by certain customers during the Reporting Period.

Finance Costs

During the Reporting Period, our finance costs were nil, the same as the corresponding period of last year.

Loss for the Reporting Period

During the Reporting Period, the loss attributable to owners of the parent was approximately RMB13.7 million, as compared with approximately RMB27.9 million loss attributable to owners of the parent for the corresponding period of last year. The decrease in the loss for the Reporting Period was primarily due to increase in the revenue and the decrease in impairment losses on financial assets.

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and proceeds from the shares of the Company (the "**Shares**") were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the listing date (i.e. 16 January 2020) (the "**Listing Date**") and 250,000,000 new Shares were issued at the offer price of HK\$0.50 per Share (the "**Global Offering**"). On 7 February 2020, the over-allotment option was fully exercised to issue further 37,500,000 new Shares (the "**Over-Allotment Shares**").

As of 30 June 2022, the Group had total cash and cash equivalents (including bank deposits and cash) of approximately RMB55.1 million (31 December 2021: approximately RMB118.0 million), and total net current assets of approximately RMB386.3 million (31 December 2021: approximately RMB401.3 million). The Group monitors capital using a gearing ratio, which is total debt (of which debt is defined to include interest bearing payables) divided by total equity multiplied by 100% as at the date indicated. As at 30 June 2022, the gearing ratio of the Group was nil, the same as the end of 2021.

As at 30 June 2022, the equity attributable to the owners of the parent was approximately RMB402.2 million, of which share capital was approximately RMB36,000, the capital reserve was approximately RMB312.8 million, the statutory surplus reserve was approximately RMB15.2 million, exchange fluctuation reserve was approximately negative RMB1.8 million and retained earnings were approximately RMB75.9 million. The equity attributable to the owners of the parent decreased by approximately 3.0% from approximately RMB414.5 million as at the end of 2021, which was mainly attributable to the loss during the Reporting Period.

After taking into consideration of the available financial resources, including cash flow from operating activities, the Group has enough working capital to meet the capital demand for its business development.

Pledge of Assets and Contingent Liabilities

As at 30 June 2022, the Group did not have pledged assets.

As at 30 June 2022, the Group did not have material contingent liabilities.

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 30 June 2022, the Group had a total of 23 full-time employees, excluding the Directors, who are all located in the PRC.

For the Reporting Period, the cost of employees of the Group amounted to approximately RMB3.3 million.

The Group offers employees competitive salaries, discretionary bonus and other incentives (e.g. the share option scheme). 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 increased employee productivity. As required by the PRC regulations, we participate in various employee benefit plans (the “**Retirement Benefit Scheme**”) 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. Contributions to the Retirement Benefit Scheme vest immediately. The Group enters into a standard employment contract with all our employees which set out terms such as remuneration and confidentiality requirements.

The Group operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employee(s) employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

During the Reporting Period, the Group organised a series of trainings on licensing and producing of TV series.

The Group believes that it maintains a positive working relationship with its employees.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have material acquisition or disposals of subsidiaries and associated companies during the Reporting Period.

SIGNIFICANT INVESTMENTS DURING THE REPORTING PERIOD

During the Reporting Period, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2021: nil). The Company currently does not have other future plans for material investments or capital assets, nor any material acquisitions and disposals of subsidiaries, associates and joint ventures as at 30 June 2022.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with all of the transactions settled in RMB in the Reporting Period. 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. During the Reporting Period, the Group did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

SIGNIFICANT LITIGATION

As at the date of this report, 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.

RISK MANAGEMENT

During the Reporting Period, the Group regularly reviewed the risk and credit control systems of its profit centers in order to improve the overall controlling system and mitigate credit risk.

This also ensures that the Group is capable of effectively conducting business operations and facilitates further development. There have been no significant changes in the Group's risk management policy since the end of last year.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The Directors do not recommend the payment of an interim dividend for the Reporting Period (30 June 2021: nil).

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed its listed securities.

CORPORATE GOVERNANCE PRACTICES

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices enabling its shareholders to evaluate, and the CG Code has been applied to the Company with effect from the Listing Date on which the shares of the Company were listed (the “**Listing**”) on the Stock Exchange. The Company has complied with all the applicable code provisions set out in the CG Code during the Reporting Period and up to the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group 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 own code of conduct regarding the Directors’ securities transactions. Having made specific enquiries, all Directors confirmed that they have fully complied with the Model Code throughout the Reporting Period.

DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibility for preparing financial statements of the Company. The financial information set out in this report is unaudited.

SETTLEMENT OF LITIGATION

The Group received a Summons* (傳票) served by the Intermediate People's Court of Hangzhou City, Zhejiang Province* (浙江省杭州市中級人民法院) in February 2022. The Civil Complaint* (民事起訴狀) relating to the Summons* (傳票) relates to the recovery of outstanding proceeds arising from a joint investment agreement entered into between a joint investor and Values Culture Media Co., Ltd.* (海寧原石文化傳媒股份有限公司) ("**Values Culture**"), which is one of the Consolidated Affiliated Entities (the entities the Group controls through a series of contractual arrangements) of the Group, for the production of a TV series. According to the Civil Complaint* (民事起訴狀), the joint investor claimed for the payment of its share of the proceeds amounting to approximately RMB11,344,000 arising out of the jointly invested TV series and late payment penalty amounting to approximately RMB7,946,000.

In March 2022, Values Culture had reached an agreement with the joint investor to settle the outstanding proceeds arising from the joint investment agreement amounting to approximately RMB3,988,000. Further details of the above were made in the announcements of the Company dated 18 February 2022 and 18 March 2022. In March 2022, the Group also received a Civil Ruling* (民事裁定書) pursuant to which the Intermediate People's Court of Hangzhou City, Zhejiang Province* (浙江省杭州市中級人民法院) allowed the withdrawal of the above claim by the joint investor.

SUPPLEMENTAL AGREEMENTS WITH A CUSTOMER

The Group entered into supplemental agreements with one of its customers in January 2022 in relation to four purchased TV series the broadcasting rights of which were licensed to that customer by the Group. Pursuant to the supplemental agreements, (i) the Group agreed to give discount and reduce the outstanding balance of the licence fee by approximately RMB4,448,000 in total; and (ii) the customer agreed to settle the discounted balance of licence fee by 30 June 2022. The customer has settled the outstanding balance of licence fee during the six months ended 30 June 2022.

AMENDMENT OF CONSTITUTIONAL DOCUMENT

The second amended and restated articles of association of the Company was adopted by way of a special resolution passed by the shareholders of the Company at the annual general meeting held on 30 May 2022. The second amended and restated articles of association is available on the website of the Stock Exchange and the Company.

PROCEEDS FROM THE LISTING AND THE ISSUE OF THE OVER-ALLOTMENT SHARES

After deducting the underwriting charges and relevant expenses, the net proceeds from the Listing and the exercise of the over-allotment option amounted to approximately HK\$100.4 million (the “**Net Proceeds**”).

As disclosed in the announcement of the Company dated 12 January 2022 (the “**January 2022 Announcement**”), the Board has resolved to change the use of Net Proceeds by reallocating the Net Proceeds of approximately HK\$14.2 million from production of TV series to production of web series.

As at 30 June 2022, the Group utilised approximately HK\$95.2 million, representing approximately 94.8% of the Net Proceeds. As at the date of this report, the Group utilised approximately HK\$100.4 million, representing 100% of the Net Proceeds.

The table below sets out (i) the original allocation of Net Proceeds as stated in the Prospectus of the Company dated 30 December 2019 (the “**Prospectus**”); (ii) the revised allocation of Net Proceeds as stated in the January 2022 Announcement; and (iii) the amount of utilised and unutilised Net Proceeds as at 30 June 2022 and the date of this report:

Use of Net Proceeds	Original	Revised	Utilised Net Proceeds as at 30 June 2022	Unutilised Net Proceeds as at 30 June 2022	Utilised Net Proceeds as at the date of this report	Unutilised Net Proceeds as at the date of this report
	allocation of Net Proceeds as stated in the Prospectus	allocation of Net Proceeds as stated in the January 2022 Announcement				
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Production of TV series (<i>Note</i>)	87.2	47.0	47.0	–	47.0	–
Purchasing of copyrights (or broadcasting rights) associated with the TV series	13.2	13.2	13.2	–	13.2	–
Production of web series	–	40.2	35.0	5.2	40.2	–
Total	100.4	100.4	95.2	5.2	100.4	–

Note:

As disclosed in the January 2022 Announcement, the Board resolved to suspend the production of one of the three planned TV series under the genre “legend” and reallocated the Net Proceeds of approximately HK\$14.2 million to production of web series mainly due to changing market trend and customer preference as well as the fierce competition in the TV series business. Furthermore, as at the date of the annual report of the Company for the year ended 31 December 2021, the Board resolved to temporarily suspend the production of one of the remaining two planned TV series under the genre “revolution” in view of the uncertainties of the market reception and reallocate the Net Proceeds originally allocated to this TV series to the planned TV series under the genre “family drama”. Depending on the market trend and customer preferences, the Group intends to resume the production of this TV series at a later stage using its own internal resources. The shooting period and estimated time for first-run broadcast on satellite channel of the planned TV series are as follows:

Genre of the TV series	Shooting period	Estimated time for first-run broadcast on satellite channel
1. Revolution	Temporarily suspended	Temporarily suspended
2. Family drama	First half year of 2022	Second half year of 2023
3. Legend	Suspended	Suspended

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this report, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Directors	Nature of interest/capacity	As at the date of this report	
		Number of shares held (L) <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. Liu Naiyue	Interest of a controlled corporation <i>(Note 2)</i>	239,002,500	23.04%
Ms. Liu Peiyao	Interest of a controlled corporation <i>(Note 2)</i>	239,002,500	23.04%
Mr. Shao Hui	Interest of a controlled corporation <i>(Note 3)</i>	100,622,500	9.69%
Mr. Xu Jun	Interest of a controlled corporation <i>(Note 4)</i>	86,872,500	8.37%

Notes:

1. The letter "L" denotes long position in our Shares.
2. The issued shares of BLW Investment Limited are owned as to approximately 43.44%, 23.17%, 15.44%, 9.65% and 8.30% by Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian (the "**Core Shareholders**") respectively. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. Accordingly, each of Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian is deemed, or taken to be interested in the Shares beneficially owned by BLW Investment Limited.
3. The issued shares of SDJZ Investment Limited are owned as to approximately 91.00% by Mr. Shao Hui. Under the SFO, Mr. Shao Hui is deemed, or taken to be interested in the Shares beneficially owned by SDJZ Investment Limited.
4. The issued shares of JMJ Group Limited are owned as to approximately 97.84% by Mr. Xu Jun. Under the SFO, Mr. Xu Jun is deemed, or taken to be interested in the Shares beneficially owned by JMJ Group Limited.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the date of this report, so far as the Board are aware, the following persons/entities (other than the Directors or chief executive) had an interest or a short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity/Nature of interest	As at the date of this report	
		Number of Shares	Approximate percentage of shareholding
BLW Investment Limited (Note 1)	Beneficial owner	239,002,500	23.04%
Ms. Wei Xian (Note 1)	Interest of a controlled corporation	239,002,500	23.04%
Mr. Bai Yang (Note 1)	Interest of a controlled corporation	239,002,500	23.04%
Ms. Xie Jinhong (Note 2)	Interest of spouse	239,002,500	23.04%
Mr. Wu Tao (Note 1)	Interest of a controlled corporation	239,002,500	23.04%
Ms. Chen Ying (Note 3)	Interest of spouse	239,002,500	23.04%
Suiyong Int'l Co., Limited (Note 4)	Beneficial owner	110,010,000	10.60%

Name	Capacity/Nature of interest	As at the date of this report	
		Number of Shares	Approximate percentage of shareholding
Suiyong Holdings Company Limited (穗甬控股有限公司) (Note 4)	Interest of a controlled corporation	110,010,000	10.60%
SDJZ Investment Limited (Note 5)	Beneficial owner	100,622,500	9.69%
Hangzhou Baihuiquan Equity Investment Fund Partnership (Limited Partnership) (杭州百會全股權投資基金合夥企業(有限合夥)) (Note 5)	Interest of a party to an agreement regarding interest in the Company	100,622,500	9.69%
Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司) (Note 5)	Interest of a party to an agreement regarding interest in the Company	100,622,500	9.69%
Ms. Lu Min (Note 6)	Interest of spouse	100,622,500	9.69%
JMJ Group Limited	Beneficial owner	86,872,500	8.37%
Ms. Zhang Hui (Note 7)	Interest of spouse	86,872,500	8.37%
SYTY Investment Limited	Beneficial owner	70,002,500	6.74%
Mr. Sun Xianliang (Note 8)	Interest of a controlled corporation	70,002,500	6.74%
Ms. Yu Jinmei (Note 9)	Interest of spouse	70,002,500	6.74%
Jinping Holding Limited	Beneficial owner	54,997,500	5.30%
Ms. Jin Ping (Note 10)	Interest of a controlled corporation	54,997,500	5.30%
Mr. Yao Changhui (Note 11)	Interest of spouse	54,997,500	5.30%

Notes:

- (1) The issued shares of BLW Investment Limited are owned as to approximately 43.44%, 23.17%, 15.44%, 9.65% and 8.30% by Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian (the “**Core Shareholders**”) respectively. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. Accordingly, each of Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian is deemed, or taken to be interested in the Shares beneficially owned by BLW Investment Limited.
- (2) Ms. Xie Jinhong is the spouse of Mr. Bai Yang. Under the SFO, she is taken to be interested in the Shares in which Mr. Bai Yang is interested.
- (3) Ms. Chen Ying is the spouse of Mr. Wu Tao. Under the SFO, she is taken to be interested in the Shares in which Mr. Wu Tao is interested.
- (4) The issued shares of Suiyong Int’l Co., Limited are wholly owned by Suiyong Holdings Company Limited (穗甬控股有限公司). Under the SFO, Suiyong Holdings Company Limited (穗甬控股有限公司) is deemed, or taken to be interested in the Shares beneficially owned by Suiyong Int’l Co., Limited.
- (5) The issued shares of SDJZ Investment Limited are owned as to approximately 91.00%, 2.02%, 3.88% and 3.10% by Mr. Shao Hui, Mr. Dai Honggang, Mr. Jin Huiguang and Ms. Zhao Lijuan respectively. SDJZ Investment Limited was incorporated by Mr. Shao Hui, our non-executive Director, Mr. Jin Huiguang, Ms. Zhao Lijuan and Mr. Dai Honggang (the “**Selected Partners**”), each of them is the limited partner of Hangzhou Baihuiquan Equity Investment Fund Partnership (Limited Partnership) (杭州百會全股權投資基金合夥企業(有限合夥)) (“**Hangzhou Baihuiquan**”). Pursuant to an agreement dated 21 May 2019 between Hangzhou Baihuiquan and the Selected Partners, Hangzhou Baihuiquan made entrustment arrangements with the Selected Partners regarding the distribution of the earnings generated from SDJZ Investment Limited’s holding of the issued share capital in our Company. Furthermore, Hangzhou Baihuiquan is a limited equity investment fund partnership established in the PRC, the general partner of which is Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司). Accordingly, each of Mr. Shao Hui, Hangzhou Baihuiquan and Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司) is deemed to be interested in such number of Shares held by SDJZ Investment Limited.

- (6) Ms. Lu Min is the spouse of Mr. Shao Hui. Under the SFO, she is taken to be interested in the Shares in which Mr. Shao Hui is interested, which is disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 16 of this report.
- (7) Ms. Zhang Hui is the spouse of Mr. Xu Jun. Under the SFO, she is taken to be interested in the Shares in which Mr. Xu Jun is interested, which is disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 16 of this report.
- (8) The issued shares of SYYT Investment Limited are owned as to approximately 40.62% by Mr. Sun Xianliang. Under the SFO, Mr. Sun Xianliang is deemed, or taken to be interested in the Shares beneficially owned by SYYT Investment Limited.
- (9) Ms. Yu Jinmei is the spouse of Mr. Sun Xianliang. Under the SFO, she is taken to be interested in the Shares in which Mr. Sun Xianliang is interested.
- (10) Jinping Holding Limited is wholly owned by Ms. Jin Ping. Under the SFO, Ms. Jin Ping is deemed, or taken to be interested in the Shares beneficially owned by Jinping Holding Limited.
- (11) Mr. Yao Changhui is the spouse of Ms. Jin Ping. Under the SFO, he is taken to be interested in the Shares in which Ms. Jin Ping is interested.

Save as disclosed herein, as at the date of this report, the Board is not aware of any persons (other than the Directors or chief executive) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of Directors and chief executives of the Company during the Reporting Period and up to the date of this report are as follows:

Name of Directors	Particulars	Effective date
Mr. Au Yeung Ming Yin Gordon	Appointed as alternate to Mr. Liu Naiyue	23 May 2022
Mr. Au Yeung Ming Yin Gordon	Ceased as alternate to Mr. Liu Naiyue	30 May 2022
Ms. Wei Xian	Resigned as executive Director	17 June 2022
Ms. Cai Xiaoxin	Appointed as executive Director	17 June 2022

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 12 December 2019 (the “**Share Option Scheme**”), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to reward the contributions that the eligible participants (as defined in the Prospectus) (including but not limited to any employee, director, supplier, customer, adviser, consultant, shareholder, partner or joint-venture partner of the Group or any entity in which any member of the Group holds an equity interest) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 100,000,000 Shares) unless approved by the Shareholders and the total number of the Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless approved by the Shareholders. Subject to early termination

by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. The remaining life of the Share Option Scheme is approximately 7 years and 4 months. An option may be accepted by a participant within 21 days from the date of the offer of a grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share. Further details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Share Option Scheme as at the date of this report. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at the date of this report. The total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme was 100,000,000 Shares, representing approximately 9.64% of the issued share capital of the Company as at the date of this report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Zhong Mingshan (Chairman), Mr. Xu Zongzheng and Mr. Xian Guoming.

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

Hong Kong, 29 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
REVENUE	4	2,571	489
Cost of sales		(12,877)	(6,049)
Gross loss		(10,306)	(5,560)
Other income and gains		248	822
Selling and distribution expenses		(673)	(605)
Administrative expenses		(5,922)	(7,388)
Impairment losses on financial assets, net		465	(21,329)
Other expenses		(43)	(102)
LOSS BEFORE TAX	5	(16,231)	(34,162)
Income tax credit	6	2,557	6,220
LOSS FOR THE PERIOD		(13,674)	(27,942)
Attributable to:			
Owners of the parent		(13,674)	(27,942)
LOSS PER SHARE			
Basic and diluted	8	(RMB1.32 cents)	(RMB2.69 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
LOSS FOR THE PERIOD	(13,674)	(27,942)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	(2,340)	–
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	3,733	(559)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD NET OF TAX	1,393	(559)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(12,281)	(28,501)
Attributable to:		
Owners of the parent	(12,281)	(28,501)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	199	102
Prepayments, other receivables and other assets		64	74
Deferred tax assets		16,551	14,124
Total non-current assets		16,814	14,300
CURRENT ASSETS			
Inventories		143,116	92,886
Trade and notes receivables	10	114,500	138,350
Prepayments, other receivables and other assets		68,288	43,654
Financial assets at fair value through profit or loss	16	28,025	28,025
Restricted cash		–	1,800
Cash and cash equivalents		55,056	117,989
Total current assets		408,985	422,704
CURRENT LIABILITIES			
Trade payables	11	3,798	4,810
Other payables and accruals		11,205	9,019
Tax payable		7,638	7,606
Total current liabilities		22,641	21,435
NET CURRENT ASSETS		386,344	401,269
TOTAL ASSETS LESS CURRENT LIABILITIES		403,158	415,569

Interim Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		958	1,088
Total non-current liabilities		958	1,088
Net assets		402,200	414,481
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	36	36
Reserves		402,164	414,445
Total equity		402,200	414,481

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent					
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	36	312,834	15,233	(3,210)	89,588	414,481
Loss for the period (unaudited)	-	-	-	-	(13,674)	(13,674)
Other comprehensive income for the period:						
Exchange differences on translation of functional currency to presentation currency (unaudited)	-	-	-	1,393	-	1,393
Total comprehensive loss for the period (unaudited)	-	-	-	1,393	(13,674)	(12,281)
At 30 June 2022 (unaudited)	36	312,834	15,233	(1,817)	75,914	402,200

	Attributable to owners of the parent					
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	36	312,834	15,233	(1,834)	127,558	453,827
Loss for the period (unaudited)	-	-	-	-	(27,942)	(27,942)
Other comprehensive loss for the period:						
Exchange differences on translation of functional currency to presentation currency (unaudited)	-	-	-	(559)	-	(559)
Total comprehensive loss for the period (unaudited)	-	-	-	(559)	(27,942)	(28,501)
At 30 June 2021 (unaudited)	36	312,834	15,233	(2,393)	99,616	425,326

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(16,231)	(34,162)
Adjustments for:			
Write-down of inventories to net realisable value	5	6,407	5,956
Impairment of trade receivables	5	(465)	18,233
Impairment of other receivables	5	–	3,096
Depreciation of property, plant and equipment	9	39	19
		(10,250)	(6,858)
Decrease in trade and note receivables		24,315	7,022
Increase in prepayments, other receivables and other assets		(24,626)	(7,010)
Increase in inventories		(56,637)	(381)
Increase in contract liabilities		3,642	94
Decrease in trade payables		(1,012)	(1,861)
Decrease in other payables and accruals		(1,454)	(981)
Cash used in operations		(66,022)	(9,975)
Income tax paid		32	(530)
Net cash flows used in operating activities		(65,990)	(10,505)

Interim Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(136)	(28)
Investment in financial assets at fair value through profit or loss	–	(5,040)
Repayment of advances of loans to a third party	–	600
Net cash flows used in investing activities	(136)	(4,468)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(66,126)	(14,973)
Cash and cash equivalents at beginning of period	119,789	143,366
Effect of foreign exchange rate changes, net	1,393	(559)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	55,056	127,834
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	55,056	127,834
Cash and cash equivalents as stated in the consolidated statement of cash flows	55,056	127,834

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

The unaudited interim condensed consolidated financial information have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss 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.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3 *Reference to the Conceptual Framework*

Amendments to HKAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised HKFRS are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (c) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. 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 period, 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 period is set out below:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Customer 1	N/A*	113
Customer 2	6,333	N/A*
Customer 3	N/A*	79
Customer 4	N/A*	66

- * The corresponding revenue of the customers are not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the reporting period and corresponding period of last year.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<i>Revenue from contracts with customers</i>	2,484	489
<i>Revenue from other sources</i>		
Net licence fee received from investments in TV series, web series and films as non-executive producer	87	–
	2,571	489

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Type of goods or service		
Licensing of broadcasting rights of purchased TV series	2,136	113
Licensing of broadcasting rights of self-produced TV series	348	376
	2,484	489

Geographical markets

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

Timing of revenue recognition

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

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Cost of inventories sold	6,470	40
Depreciation of property, plant and equipment	39	19
Minimum lease payments under lease exemption	618	676
Government grants	(14)	(252)
Bank interest income	(233)	(520)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	2,091	1,931
Pension scheme contributions	243	178
Staff welfare expenses	111	130
	2,445	2,239
Write-down of inventories to net realisable value	6,407	6,009
Impairment/(reversal of impairment) of trade receivables	(465)	18,233
Impairment of other receivables	—	3,096

6. 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 Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statement of profit or loss are:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Deferred tax	(2,557)	(6,220)
Total tax charge for the period	(2,557)	(6,220)

7. DIVIDENDS

The Board did not declare any interim dividend for the Reporting Period (the six months ended 30 June 2021: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of approximately RMB13,674,000 (six months ended 30 June 2021: approximately RMB27,942,000), and the weighted average number of ordinary shares of 1,037,500,000 (30 June 2021: 1,037,500,000) shares in issue during the Reporting Period.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount at beginning of period/year	102	89
Additions	136	54
Depreciation provided during the period/year	(39)	(41)
Carrying amount at end of period/year	199	102

10. TRADE AND NOTES RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	156,800	179,543
Notes receivable	2,500	4,072
Impairment	(44,800)	(45,265)
	114,500	138,350

10. TRADE AND NOTES RECEIVABLES (continued)

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:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	6,811	7,911
3 to 6 months	–	24,933
6 to 12 months	28,278	5,804
1 to 2 years	76,684	74,104
2 to 3 years	227	21,526
	112,000	134,278

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
At beginning of year/period	45,265	23,875
Impairment losses (<i>note 5</i>)	(465)	21,390
At end of year/period	44,800	45,265

11. 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:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	2,976	238
3 to 6 months	–	–
6 to 12 months	238	–
1 to 2 years	113	259
2 to 3 years	471	325
Over 3 years	–	3,988
	3,798	4,810

12. SHARE CAPITAL

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Authorised: 10,000,000,000 ordinary shares of US\$0.000005 each	336	336
Issued and fully paid: 1,037,500,000 ordinary shares of US\$0.000005 each	36	36

12. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2021 and 31 December 2021 and 1 January 2022 and 30 June 2022	<u>1,037,500,000</u>	<u>36</u>

13. CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

14. COMMITMENTS

As at 30 June 2022, the Group had no commitments (31 December 2021: Nil).

15. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Short-term employee benefits	721	506
Pension scheme contributions	77	61
Total compensation paid to key management personnel	798	567

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee of the Company. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer of the Company. The valuation process and results are discussed with the audit committee of the Company twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group invests in unlisted investments, which represent investments under co-investment arrangements. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable input to the valuation of financial instruments as at 30 June 2022 and 31 December 2021:

30 June 2022

	Valuation technique	Significant unobservable input	Rate
Unlisted equity investments	Discounted cash flow	Discount rate	15%

31 December 2021

	Valuation technique	Significant unobservable input	Rate
Unlisted equity investments	Discounted cash flow	Discount rate	15%

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2022

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	–	28,025	28,025

As at 31 December 2021

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
Financial assets at fair value through profit or loss	–	–	28,025	28,025

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
At 1 January	28,025	4,260
Purchase	–	5,040
At 30 June	28,025	9,300

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impact on the Group since 30 June 2022.