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 2022

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2022 decreased by approximately 90.5% to approximately RMB4.1 million from approximately RMB43.1 million for the year ended 31 December 2021.
- Gross loss for the year ended 31 December 2022 increased by approximately 12,700.0% to gross loss of approximately RMB38.4 million from approximately RMB0.3 million for the year ended 31 December 2021.
- Net loss for the year ended 31 December 2022 increased by approximately 272.4% to loss of approximately RMB141.5 million from approximately RMB38.0 million for the year ended 31 December 2021.
- Basic and diluted loss per share for the year ended 31 December 2022 was approximately RMB(13.64) cents (2021: RMB(3.66) cents).
- The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2022.

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 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2021. The annual results of the Company for the year ended 31 December 2022 had been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**4,090**	43,137
Cost of sales	6	**(42,495)**	(43,389)
Gross loss		**(38,405)**	(252)
Other income and gains	5	**820**	1,515
Selling and distribution expenses		**(1,233)**	(1,233)
Administrative expenses		**(13,134)**	(14,648)
Impairment losses on financial assets, net		**(70,504)**	(27,542)
Finance costs	7	**(39)**	–
Other expenses		**(5,957)**	(100)
LOSS BEFORE TAX	6	**(128,452)**	(42,260)
Income tax (expense)/credit	8	**(13,036)**	4,290
LOSS FOR THE YEAR		**(141,488)**	(37,970)
Attributable to:			
Owners of the parent		**(141,488)**	(37,970)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	10	**(RMB13.64 cents)**	(RMB3.66 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
LOSS FOR THE YEAR	**(141,488)**	(37,970)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,870)**	1,067
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(4,870)**	1,067
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	**7,457**	(2,443)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**7,457**	(2,443)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**2,587**	(1,376)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(138,901)**	(39,346)
Attributable to:		
Owners of the parent	**(138,901)**	(39,346)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**159**	102
Prepayments, other receivables and other assets		**64**	74
Right-of-use assets		**1,017**	–
Investments in an associate		**7,000**	–
Deferred tax assets		**–**	14,124
Total non-current assets		**8,240**	14,300
CURRENT ASSETS			
Inventories	*11*	**135,063**	92,886
Trade and notes receivables	*12*	**39,464**	138,350
Prepayments, other receivables and other assets		**80,221**	43,654
Financial assets at fair value through profit or loss	*13*	**–**	28,025
Restricted cash		**–**	1,800
Cash and cash equivalents		**39,050**	117,989
Total current assets		**293,798**	422,704
CURRENT LIABILITIES			
Trade payables	*14*	**2,863**	4,810
Other payables and accruals		**15,106**	9,019
Tax payable		**7,606**	7,606
Lease liabilities		**883**	–
Total current liabilities		**26,458**	21,435
NET CURRENT ASSETS		**267,340**	401,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**275,580**	415,569
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	1,088
Total non-current liabilities		**–**	1,088
Net assets		**275,580**	414,481
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**36**	36
Reserves		**275,544**	414,445
Total equity		**275,580**	414,481

NOTES TO THE CONDENSED CONSOLIDATED 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 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. These financial statements 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.

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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group 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* (the "**Conceptual Framework**") 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 business combination during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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.

(d) *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 amendment that is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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:

	2022	2021
	RMB'000	*RMB'000*
Customer 1	**N/A***	23,400
Customer 2	**3,021**	14,430
Customer 3	**N/A***	5,158
Customer 4	**3,311**	N/A*
Customer 5	**827**	N/A*

* *The revenue of the corresponding 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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**3,174**	36,174
Revenue from other sources		
Net licence fee received from investments in TV series, web series and films as non-executive producer	**916**	6,963
	4,090	43,137

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Type of goods or service		
Licensing of broadcasting rights of TV series	**3,174**	36,174

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 National Radio and Television Administration of the PRC ("**NRTA**") or receipt of the licence for distribution of TV series from provincial counterpart of NRTA.

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

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**532**	134
After one year	**965**	965
	1,497	1,099

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to licensing of broadcasting rights, of which the performance obligations are to be satisfied within six years. All the other 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:

	2022	2021
	RMB'000	*RMB'000*
Other income and gains		
Government grants		
– related to income (a)	**126**	368
Bank interest income	**246**	967
Others	**448**	180
	820	1,515

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. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold*		**7,239**	40,522
Depreciation of property, plant and equipment		**87**	41
Depreciation of right-of-use assets		**727**	–
Auditor's remuneration		**1,319**	1,207
Minimum lease payments under lease exemption		**469**	1,243
Government grants	*5*	**(126)**	(368)
Bank interest income	*5*	**(246)**	(967)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**3,633**	3,461
Pension scheme contributions**		**404**	338
Staff welfare expenses		**260**	213
		4,297	4,012
Write-down of inventories to net realisable value*		**35,256**	2,867
Impairment of trade receivables	*12*	**70,504**	21,390
Impairment of prepayments under the co-investment arrangement with copyrights		**4,516**	–
Impairment of other receivables		**–**	6,152

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

** *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

7. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**39**	–

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/(credit) of the Group during the year are analysed as follows:

	2022 *RMB'000*	2021 *RMB'000*
Current – Mainland China		
Charge for the year	**–**	(10,047)
Overprovision in prior years	**–**	10
Deferred tax	**13,036**	5,747
Total tax charge/(credit) for the year	**13,036**	(4,290)

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. As stipulated in Cai Shui [2021] No. 27, The aforementioned policy had be extended by 2030. Xinjiang Values and Khorgas 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》. 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 the entitlement of EIT exemption from 1 January 2017 to 31 December 2021, Xinjiang Values registered with the PRC tax bureau for the entitlement of EIT exemption from 1 July 2018 to 31 December 2022, and Khorgas Ming Yao registered with the PRC tax bureau for the entitlement of EIT exemption from 1 October 2020 to 31 December 2024.

A reconciliation of the tax expense/(credit) applicable to loss before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Loss before tax	**(128,452)**	(42,260)
Tax at the statutory tax rate of 25% in Mainland China	**(32,113)**	(10,565)
Adjustment to current income taxes for previous periods	**–**	10
Effect of tax rate differences in other jurisdictions	**574**	649
Effect of expenses not deductible for tax	**665**	1,747
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(1,088)**	(353)
Deductible temporary difference and tax losses not recognised	**44,998**	4,222
Tax expense/(credit) at the Group's effective tax rate	**13,036**	(4,290)
Effective tax rate	**(10.15%)**	10.15%

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of RMB141,488,000 (2021: RMB37,970,000), and the weighted average number of ordinary shares of 1,037,500,000 (2021: 1,037,500,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(141,488)**	(37,970)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,037,500,000**	1,037,500,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

11. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**17,337**	25,051
Working in progress	**79,136**	6,583
Finished goods	**38,590**	61,252
	135,063	92,886

12. TRADE AND NOTES RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**149,807**	179,543
Notes receivable	**5,426**	4,072
Impairment	**(115,769)**	(45,265)
	39,464	138,350

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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**488**	7,911
3 to 6 months	**6,277**	24,933
6 to 12 months	**487**	5,804
1 to 2 years	**26,786**	74,104
2 to 3 years	**–**	21,526
	34,038	134,278

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**45,265**	23,875
Impairment losses, net *(note 6)*	**70,504**	21,390
At end of year	**115,769**	45,265

The increase in the loss allowance of RMB70,504,000 (2021: RMB21,390,000) was due to an increase of trade receivable which were aged over 1 year and past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing period and days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Less than 1 years	1 year to 2 years	2 year to 3 years	Over 3 years	Total
Expected credit loss rate	**7.17%**	**11.08%**	**100.00%**	**100.00%**	**77.28%**
Gross carrying amount *(RMB'000)*	**7,812**	**30,123**	**84,216**	**27,656**	**149,807**
Expected credit losses *(RMB'000)*	**560**	**3,337**	**84,216**	**27,656**	**115,769**

As at 31 December 2021

	Less than 1 years	1 year to 2 years	2 year to 3 years	Over 3 years	Total
Expected credit loss rate	0.92%	13.24%	32.33%	100.00%	25.21%
Gross carrying amount *(RMB'000)*	39,006	85,416	31,808	23,313	179,543
Expected credit losses *(RMB'000)*	358	11,312	10,282	23,313	45,265

The Group's notes receivable are all aged within one year and were neither past due nor impaired.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 *RMB'000*	2021 *RMB'000*
Other unlisted investments, at fair value	**–**	28,025

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at 31 December 2021 represent the Group's investments in productions of TV series which the Group is not entitled to copyrights. Instead, the Group is only entitled to share of income generated from such TV series productions based on percentages reflecting the Group's investment in accordance with the respective co-investment arrangements. They are 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.

14. 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:

	2022 *RMB'000*	2021 *RMB'000*
Within 3 months	**–**	238
3 to 6 months	**2,626**	–
6 to 12 months	**–**	–
1 to 2 years	**237**	259
2 to 3 years	**–**	325
Over 3 years	**–**	3,988
	2,863	4,810

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

15. SHARE CAPITAL

	2022	2021
Authorised:		
10,000,000,000 ordinary shares of US$0.000005 each		
US$'000	**50**	50
RMB'000	**336**	336
Issued and fully paid:		
1,037,500,000 ordinary shares of US$0.000005 each (2021: US$0.000005)		
US$'000	**5**	5
RMB'000	**36**	36

16. CONTINGENT LIABILITIES

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

17. COMMITMENTS

The Group had no commitments at the end of the reporting period (2021: Nil).

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) 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 production of web series and online films in view of their growing popularity.

During the Reporting Period, the Group recorded a total revenue of approximately RMB4.1 million, which decreased by approximately 90.5% as compared with approximately RMB43.1 million for the corresponding period last year, among which, revenue from licensing of broadcasting rights of TV series was approximately RMB3.2 million, which decreased by approximately 91.2% when compared with approximately RMB36.2 million for the corresponding period last year; revenue from net licence fee received from investments in TV series, web series and films as non-executive producer was approximately RMB0.9 million, a decrease of approximately 87.1% compared to approximately RMB7.0 million for the corresponding period last year.

During the Reporting Period, the adverse impact of COVID-19 pandemic caused to the Group: (i) the decrease in the recoverability of the trade receivables which led to the increase of the expected credit loss of trade receivables during the Reporting Period; (ii) the change of distribution plans of certain TV series which led to the decrease in the expected future distribution income. As a result, the Company wrote down inventories to net realizable value which led to an increase in cost; and (iii) the delay of the broadcasting schedule of our TV series and web series which led to the revenue generated during the Reporting Period less than the Company had expected. The Group's revenue and results in 2022 have accordingly been adversely affected.

Due to the adverse impact of COVID-19, there was disruption to production and fierce competition for broadcasting on TV stations. This led to the change of distribution plan of certain TV series and a film trilogy. Moreover, due to the prolonged process of obtaining the relevant government approvals, the broadcasting schedule of one of our TV series, that film trilogy as well as another web series has also been delayed. As a result, it was not feasible to arrange them to be broadcast in 2022. As at the date of this announcement, the Group is still in the process of obtaining the relevant government approvals for that TV series and film trilogy and it is estimated that such approvals will be granted in 2023, whereas that web series was broadcast in February 2023.

In addition to the impact of COVID-19, the broadcasting schedule of a web series, which was also originally expected to be broadcast in 2022, was disrupted due to prolonged negotiation on the broadcasting schedule with the online video platform caused by fierce competition. Moreover, the Group suspended the plan to purchase a TV series during the Reporting Period as the price offered by the seller is not acceptable to the Group.

Notwithstanding the challenges as mentioned above, during the Reporting Period and as at the date of this announcement, the Group continued developing its business of licensing of broadcasting rights of TV series and investing in TV series as non-executive producer. In particular, the Group has completed production of a self-produced TV series which is expected to be broadcast in 2023. Also, the Group completed shooting a self-produced TV series which is undergoing post-shooting production as at the date of this announcement. Moreover, a TV series which the Group acts as non-executive producer was broadcast for the second round during the Reporting Period and another TV series which the Group acts as non-executive producer had its post-shooting production completed and is obtaining governmental approval process as at the date of this announcement. In addition, the Group licensed the broadcasting rights of two purchased TV series during the Reporting Period.

As there has been a growing popularity of web series in the market, in order to keep up with the market trends, 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 announcement, one of these two web series has been undergoing post-shooting production and the other one was broadcast in March 2023. Regarding the four web series that the Group invested in as non-executive producer, one of them was broadcast in February 2023. Moreover, two of the four web series have obtained government approval and are expected to be broadcast in 2023. Regarding the remaining web series, it is undergoing the process of obtaining government approval and a broadcasting agreement has been entered into between the Group and the online video platform as at the date of this announcement.

Looking forward, we expect that the market situation will gradually improve in the coming year due to the relaxation of COVID-19 policies in the PRC. The Group is cautiously optimistic about the business of production of and investment in TV series and web series. The Group will closely monitor the market conditions, especially the opportunities of conducting business with first-tier TV stations and major online video platforms, as well as second-tier and third-tier TV stations, adhere to prudent financial management in project selection and cost control, resume more active business operation and explore opportunities mainly in the business of TV series and web series. The Group will continue to fulfill its responsibilities and hope to achieve better performance and return in year 2023.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2021 and 2022, all of our revenue was generated from customers located in the PRC. The following table sets forth a breakdown of our revenue by business segments for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Licensing of broadcasting rights of TV series	**3,174**	36,174
Revenue from other sources		
Net licence fee received from investment in TV series, web series and films as non-executive producer	**916**	6,963
	4,090	43,137

Our total revenue decreased by approximately 90.5% from approximately RMB43.1 million for the year ended 31 December 2021 to approximately RMB4.1 million for the year ended 31 December 2022, mainly due to the adverse impact of COVID-19 pandemic which led to (i) the change of distribution plans of certain TV series and (ii) the delay of broadcasting schedule of our TV series and web series.

Revenue by business segments

(i) Licensing of broadcasting rights of TV series

Revenue generated from licensing of broadcasting rights of TV series decreased by approximately 91.2% from approximately RMB36.2 million for the year ended 31 December 2021 to approximately RMB3.2 million for the year ended 31 December 2022, primarily due to the impact of COVID-19 which led to disruption to production and fierce competition for broadcasting on TV stations. This led to the change of distribution plan of certain self-produced TV series and film trilogy.

The following table sets forth a breakdown of our revenue from licensing of the broadcasting rights of TV series in which the Group acted as executive producer or purchased copyrights (or broadcasting rights) in absolute amounts and as percentages for the years ended 31 December 2021 and 2022:

	2022		2021	
	RMB'000	***%***	*RMB'000*	*%*
Acted as executive producer	**951**	**30.0**	24,508	67.8
Licensed purchased copyrights (or broadcasting rights)	**2,223**	**70.0**	11,666	32.2
	3,174	**100.0**	36,174	100.0

(ii) Net licence fee received from investment in TV series, web series and films as non-executive producer

During the year ended 31 December 2022, we mainly generated net licence fee received from investment in TV series, web series and films as non-executive producer from the TV series Me and My Three Sisters*（我和我的三個姐姐）.

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Licensing of broadcasting rights of TV series	**35,510**	38,297
Investment in TV series, web series and films as non-executive producer	**6,985**	5,092
	42,495	43,389

Our cost of sales decreased by approximately 2.1% from approximately RMB43.4 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022, primarily due to the decrease 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 decreased by approximately 7.3% from approximately RMB38.3 million for the year ended 31 December 2021 to approximately RMB35.5 million for the year ended 31 December 2022, primarily due to the decrease in revenue and the recognition of impairment loss of the TV series Love in the Mountains and Rivers*（愛在青山綠水間）and Yan Yang Chun*（燕陽春）.

For the business segment of investment in TV series, web series and films as non-executive producer, the cost of sales increased by approximately 37.3% from approximately RMB5.1 million for the year ended 31 December 2021 to approximately RMB7.0 million for the year ended 31 December 2022, primarily due to the impairment loss of Greater Pediatricians*（了不起兒科醫生）.

Gross profit and gross profit margin

Our gross loss increased by approximately 12,700.0% from gross loss of approximately RMB0.3 million for the year ended 31 December 2021 to gross loss of approximately RMB38.4 million for the year ended 31 December 2022, primarily due to the impairment loss of inventories.

Our gross loss margin increased from approximately (0.6%) for the year ended 31 December 2021 to approximately (939.0%) for the year ended 31 December 2022.

The following table sets forth a breakdown of our gross loss and gross loss margin by business segments for the years ended 31 December 2021 and 2022:

	2022		2021	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Licensing of broadcasting rights of TV series	**(32,336)**	**(1,018.8)**	(2,123)	(5.9)
Net licence fee received from investment in TV series, web series and films as non-executive producer	**(6,069)**	**(662.6)**	1,871	26.9
	(38,405)	**(939.0)**	(252)	(0.6)

(i) Licensing of broadcasting rights of TV series

The gross loss margin for the licensing of broadcasting rights of TV series segment increased from approximately (5.9%) for the year ended 31 December 2021 to approximately (1,018.8%) for the year ended 31 December 2022, primarily due to the impairment loss of Love in the Mountains and Rivers*（愛在青山綠水間）and Yan Yang Chun*（燕陽春）.

The following table sets forth a breakdown of our gross loss and gross loss margin of TV series in 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 years ended 31 December 2021 and 2022:

	2022		2021	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Acted as executive producer	**(28,086)**	**(2,953.3)**	1,776	7.2
Licensed purchased copyrights (or broadcasting rights)	**(4,250)**	**(191.2)**	(3,899)	(33.4)
	(32,336)	**(1,018.8)**	(2,123)	(5.9)

(ii) Net licence fee received from investment in TV series, web series and films as non-executive producer

The gross profit margin for the net licence fee received from investment in TV series, web series and films as non-executive producer for the year ended 31 December 2022 is approximately (662.6%), which decreased from approximately 26.9% for the year ended 31 December 2021, the decrease was mainly resulted from the impairment loss of Greater Pediatricians*（了不起兒科醫生）.

Other income and gains

The following table sets forth a breakdown of our other income and gain for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Government grants – related to income	**126**	368
Bank interest income	**246**	967
Others	**448**	180
	820	1,515

Our other income and gains decreased by approximately 46.7% from approximately RMB1.5 million for the year ended 31 December 2021 to approximately RMB0.8 million for the year ended 31 December 2022, mainly because decrease in bank interest income.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Advertising and marketing expenses	**52**	28
Staff costs	**1,059**	1,021
Entertainment and travelling expenses	**122**	184
	1,233	1,233

Our selling and distribution expenses had remained stable compared to last year.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Staff costs	**5,392**	5,278
Entertainment and travelling expenses	**1,161**	3,021
Auditor's remuneration	**1,319**	1,200
Professional service fees	**3,347**	3,387
Office related expenses	**1,646**	1,617
Others	**269**	145
	13,134	14,648

Our administrative expenses decreased by approximately 10.3% from approximately RMB14.6 million for the year ended 31 December 2021 to approximately RMB13.1 million for the year ended 31 December 2022, primarily due to decrease in the entertainment and travelling expenses.

Impairment losses on financial assets

We recorded impairment loss on financial assets amounting to approximately RMB70.5 million. The recognition of impairment provision was primarily due to the increase in long outstanding trade receivables by our certain customers as at 31 December 2022.

Finance costs

The following table sets forth a breakdown of our finance costs for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**39**	–
	39	–

Income tax expense/(credit)

The following table sets forth the major components of our income tax expense/(credit) for the years ended 31 December 2021 and 2022:

	2022	2021
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**–**	(10,047)
Current – Overprovision in prior years	**–**	10
Deferred Tax	**13,036**	5,747
Total tax charge/(credit) for the year	**13,036**	(4,290)

	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(128,452)**	(42,260)
Tax at the statutory tax rate of 25% in Mainland China	**(32,113)**	(10,565)
Adjustment to current income taxes for previous periods	**–**	10
Effect of tax rate differences in other jurisdiction	**574**	649
Effect of expenses not deductible for tax	**665**	1,747
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(1,088)**	(353)
Deductible temporary difference and tax losses not recognised	**44,998**	4,222
Tax charge/(credit) at the Group's effective tax rate	**13,036**	(4,290)

Loss for the year and net loss margin

As a result of the foregoing, our net loss increased by approximately 272.4% from loss of approximately RMB38.0 million for the year ended 31 December 2021 to loss of approximately RMB141.5 million for the year ended 31 December 2022. Our net loss margin increased from approximately negative 88.0% for the year ended 31 December 2021 to negative 3,459.4% for the year ended 31 December 2022.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2022 (2021: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2022, the number of issued shares of the Company was 1,037,500,000 (31 December 2021: 1,037,500,000).

Net Current Assets

As at 31 December 2022, the Group reported net current assets of approximately RMB267.3 million (2021: RMB401.3 million). As at 31 December 2022, the Group's cash and bank balances was approximately RMB39.1 million, representing a decrease of approximately RMB78.9 million as compared to approximately RMB118.0 million as at 31 December 2021.

Key Financial Ratios

Return on Equity

The return on equity decreased from approximately (8.7%) for the year ended 31 December 2021 to approximately (41.0%) for the year ended 31 December 2022.

Return on Total Assets

The return on total assets decreased from approximately (8.2%) for the year ended 31 December 2021 to approximately (38.3%) for the year ended 31 December 2022.

Current Ratio

The Group's current ratio decreased from approximately 19.7 times as at 31 December 2021 to approximately 11.1 times as at 31 December 2022.

Gearing Ratio

The Group's gearing ratio is 0.32% as at 31 December 2022 (2021: Nil).

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 2021 and 2022.

OTHER COMMITMENTS

At the end of the Reporting Period, the Group did not have any significant commitments (31 December 2021: Nil).

MAJOR ACQUISITIONS AND DISPOSALS

The Group did not have any major acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

CONTINGENT LIABILITY

As at 31 December 2022, 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.

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group did not have any immediate plans for material investment and capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no pledge of assets (2021: nil).

FOREIGN CURRENCY RISK

In the year ended 31 December 2022, 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 2022, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 22 full-time employees (2021: 28), excluding the Directors, 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 (the "**Retirement Benefit Scheme**") 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 believes that it maintain a positive working relationship with its employees.

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.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

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 the 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 Reporting Period.

AMENDMENT OF CONSTITUTIONAL DOCUMENTS

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 of the Company is available on the website of the Stock Exchange and the Company.

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

The Shares were listed on the Stock Exchange on the Listing Date and 250,000,000 new Shares were issued at the offer price of HK$0.50 per Share. On 7 February 2020, the over-allotment option was fully exercised to issue further 37,500,000 new Shares. After deducting the underwriting charges and relevant expenses, the net proceeds from the Listing and the issue of the Over-allotment Shares 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 further 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 31 December 2022, 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 the date of this announcement:

Use of Net Proceeds	**Original allocation of Net Proceeds as stated in the Prospectus** *HK$ million*	**Revised allocation of Net Proceeds as stated in the January 2022 Announcement** *HK$ million*	**Utilised Net Proceeds as at the date of this announcement** *HK$ million*	**Unutilised Net Proceeds as at the date of this announcement** *HK$ million*
Production of TV series *(Note)*	87.2	47.0	47.0	–
Purchasing of copyrights (or broadcasting rights) associated with the TV series	13.2	13.2	13.2	–
Production of web series	–	40.2	40.2	–
Total	100.4	100.4	100.4	–

Note:

As disclosed in the January 2022 Announcement, the Board resolved to suspend the production of the 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. 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. Family drama	First half year of 2022	Second half year of 2023 or first half year of 2024
2. Legend	Suspended	Suspended

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since 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.

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 applicable to the Company with effect from the Listing Date. Save as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2022 and up to the date of this announcement.

Code Provision C.1.6 of the CG Code

Pursuant to C.1.6 of the CG Code, non-executive Directors should attend the annual general meeting of the Company to gain and develop a balanced understanding of the views of the shareholders. The non-executive Director, Mr. Shao Hui, did not attend the annual general meeting of the Company held on 30 May 2022 due to other business engagements.

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 during the year ended 31 December 2022 and up to the date of this announcement.

The Company has also established written guidelines 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 year ended 31 December 2022, 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 2022 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 30 May 2023, 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.

PUBLICATION OF THE 2022 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.yuanshimedia.com). The Company's annual report for the year ended 31 December 2022 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company. 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 Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Branch Share Registrar.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 30 May 2023, the register of members of the Company will be closed from 24 May 2023 to 30 May 2023 (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, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2023.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group has established risk management procedures to address and handle the all significant risks associated with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business process or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party.

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the financial, operational and compliance controls, and the 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 2022. 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 has received a confirmation from management on the effectiveness of the risk management and internal control systems.

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 internal control systems of the Company are effective and adequate 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 D.2.1 to D.2.7 and D.3.3 of the CG Code relating to risk management and internal control.

To facilitate the management and standardization of internal operation, the Company has regulations in place that specify the responsibilities and scopes of anti-corruption works. Anti-corruption policy has been adopted and all employees of the Group have been required to strictly abide them. To encourage employees to report the improprieties they found or suspected, the Company has established appropriate whistleblowing procedures pursuant to its whistleblowing policy so as to provide a secure and fully confidential environment for employees to report the improprieties that they genuinely concerned.

SCOPE OF WORK OF THE AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises Mr. Liu Naiyue, Ms. Cai Xiaoxin, Ms. Li Fang, Mr. Qu Guohui, Mr. Xu Jun and Ms. Liu Peiyao as executive Directors; Mr. Shao Hui and Ms. Shen Yi as non-executive Directors; and Mr. Xian Guoming, Mr. Xu Zongzheng, Mr. Zhong Mingshan and Ms. Liu Jingping as independent non-executive Directors.

* *The English translations of terms or names in Chinese which are marked with "*" are for identification purpose only.*