

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

2024 ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Naiyue (*Chairman*)
Ms. CAI Xiaoxin (*Chief Executive Officer*)
Ms. LIU Peiyao
Ms. LI Fang
Mr. QU Guohui
Mr. LIU Tieqiang

Non-Executive Directors

Mr. SHAO Hui
Ms. SHEN Yi (resigned with effect from
23 September 2024)

Independent Non-Executive Directors

Mr. XIAN Guoming
Mr. ZHONG Mingshan
Mr. XU Zongzheng
Ms. LIU Jingping

BOARD COMMITTEES

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*)
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Hastings & Co.
11/F, Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

As to PRC law:
Beijing Dhh Law Firm
11-12/F., Tower C, Yintai Centre
No. 2 Jianguomenwai Avenue
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 1503, 15/F, Olympia Plaza,
255 King's Road,
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR

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

CORPORATE INFORMATION (continued)

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the **"Board"**) of Values Cultural Investment Limited (the **"Company"**), I am pleased to present to you the annual report of the Company, its subsidiaries and the consolidated affiliated entities (collectively, the **"Group"**) for the year ended 31 December 2024.

FINANCIAL RESULTS

For the year ended 31 December 2024, our Group recorded a total revenue of approximately RMB4.1 million, representing a decrease of approximately 93.4% as compared to approximately RMB62.9 million for the year ended 31 December 2023. Such decrease in revenue was mainly brought by the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the period from 1 January 2024 to 31 December 2024 (the **"Reporting Period"**). Our gross loss decreased by approximately 36.3% from gross loss of approximately RMB61.1 million for the year ended 31 December 2023 to gross loss of approximately RMB38.9 million for the year ended 31 December 2024. Our Group's net loss decreased by approximately 1.1% from net loss of approximately RMB99.4 million for the year ended 31 December 2023 to net loss of approximately RMB98.3 million during the Reporting Period. The net loss was mainly attributable to (i) the decrease in revenue due to the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the Reporting Period; (ii) the increase in the provisions for impairment of relevant assets after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales during the Reporting Period; and (iii) the increase in the impairment of trade receivables due to the increase in the long-aged trade receivables, as a result of slower collection of trade receivables during the Reporting Period.

PROSPECTS

The Board is of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult in the coming year. The Group will make due adjustments to business focus based on the changes in the film and television market situation and audience viewing habits and continue to explore opportunities in the business of production of and investment in TV series and web series. On one hand, the Group will continue to develop and strengthen business relationship with TV stations and online video platforms. It will evaluate and purchase scripts for TV series and web series to increase the Group's project reserve in this area. On the other hand, the Group will keep up with the market trends and seize the new opportunities presented in the market to continuously explore new sectors in the film and television industry, in a view to helping the Group capture new business in the future.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our gratitude to all our valued customers, business partners, associates and shareholders for their constant support. I would also like to deeply thank our employees for their dedication and outstanding performance all along.

Liu Naiyue

Chairman and Executive Director
Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV or web 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 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 93.4% as compared with approximately RMB62.9 million for the corresponding period last year, among which, revenue from licensing of broadcasting rights of TV or web series was approximately RMB3.1 million, which decreased by approximately 92.7% when compared with approximately RMB42.7 million for the corresponding period last year; revenue from net licence fee received from investments in TV or web series as non-executive producer was approximately RMB1.0 million, a decrease of approximately 93.4% compared to approximately RMB14.9 million for the corresponding period last year; revenue from net investment income received from investments in web series without share of copyrights was nil, compared to approximately RMB5.3 million for the corresponding period last year.

The decrease in revenue was mainly brought by the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the Reporting Period. The Group has recorded net loss during the Reporting Period mainly attributable to (i) the decrease in revenue due to the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the Reporting Period; (ii) the increase in the provisions for impairment of relevant assets after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales during the Reporting Period; and (iii) the increase in the impairment of trade receivables due to the increase in the long-aged trade receivables, as a result of slower collection of trade receivables during the Reporting Period.

During the Reporting Period, the Group has been continuing to negotiate with TV stations in relation to the broadcasting schedule of a self-produced TV series. Regarding a TV series that the Group has decided to invest as a non-executive producer, the shooting of this TV series has completed in April 2024 and the Group has obtained government approval for this TV series as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the Reporting Period, a number of web series that the Group either acted as an executive producer or non-executive producer have generated revenue for the Group. A total of six web series were broadcast in April 2024, January 2025, February 2025 and March 2025. Regarding another web series that the Group has invested in as non-executive producer, the Group has been obtaining government approval for it and has been continuing to negotiate with the online video platform for the broadcasting schedule. As at the date of this report, the Group has also invested in two other new web series as executive producer.

Regarding the film trilogy that the Group acts as executive producer, the Group has been continuing to negotiate with the movie channel of CCTV with respect to the terms of licensing.

Looking forward, we expect that the market situation will remain difficult due to the volatile market and economy. The Group will remain vigilant towards 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. The Group will also adhere to prudent financial management in project selection and cost control, resume more active business operation and explore opportunities mainly in the business of web series and TV series.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2023 and 2024, 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 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Licensing of broadcasting rights of TV or web series	3,133	42,682
Revenue from other sources		
Net licence fee received from investments in TV or web series as non-executive producer	990	14,917
Net investment income received from investments in web series without share of copyrights	–	5,315
	4,123	62,914

Our total revenue decreased by approximately 93.4% from approximately RMB62.9 million for the year ended 31 December 2023 to approximately RMB4.1 million for the year ended 31 December 2024, brought by the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Revenue by business segments

(i) *Licensing of broadcasting rights of TV or web series*

Revenue generated from licensing of broadcasting rights of TV or web series decreased by approximately 92.7% from approximately RMB42.7 million for the year ended 31 December 2023 to approximately RMB3.1 million for the year ended 31 December 2024, primarily due to the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule during the Reporting Period.

The following table sets forth a breakdown of our revenue from licensing of the broadcasting rights of TV or web 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 2023 and 2024:

	2024		2023	
	RMB'000	%	RMB'000	%
Acted as executive producer	3,133	100.0	42,682	100.0
Licensed purchased copyrights (or broadcasting rights)	–	–	–	–
	3,133	100.0	42,682	100.0

(ii) *Net licence fee received from investments in TV or web series as non-executive producer*

During the year ended 31 December 2024, we mainly generated net licence fee received from investments in TV or web series as non-executive producer from the web series Anti-Fraud Police* (反騙警察) and The Pearl River Family* (珠江人家).

(iii) *Net investment income received from investments in web series without share of copyrights*

During the year ended 31 December 2024, revenue from net investment income received from investments in web series without share of copyrights was nil, compared to approximately RMB5.3 million for the corresponding period last year.

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Licensing of broadcasting rights of TV or web series	34,540	86,820
Investments in TV or web series as non-executive producer	8,484	37,190
	43,024	124,010

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Our cost of sales decreased by approximately 65.3% from approximately RMB124.0 million for the year ended 31 December 2023 to approximately RMB43.0 million for the year ended 31 December 2024, primarily due to decrease in cost of licensing of broadcasting rights of TV series and increase in the write-down of inventories after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales.

For the business segment of licensing of broadcasting rights of TV or web series, the cost of sales decreased by approximately 60.2% from approximately RMB86.8 million for the year ended 31 December 2023 to approximately RMB34.5 million for the year ended 31 December 2024, primarily due to decrease in cost of licensing of broadcasting rights of TV series and increase in the write-down of inventories.

For the business segment of investments in TV or web series as non-executive producer, the cost of sales decreased by approximately 77.2% from approximately RMB37.2 million for the year ended 31 December 2023 to approximately RMB8.5 million for the year ended 31 December 2024, primarily due to decrease in revenue from investments in TV series, web series and films as non-executive producer.

Gross profit and gross profit margin

Our gross loss decreased by approximately 36.3% from gross loss of approximately RMB61.1 million for the year ended 31 December 2023 to gross loss of approximately RMB38.9 million for the year ended 31 December 2024, primarily due to the decrease in revenue due to the tightened procurement budgets of TV stations and online video platforms and the delay of broadcasting schedule and the increase in the provisions for impairment of relevant assets after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales during the Reporting Period.

Our gross loss margin increased from approximately (97.1%) for the year ended 31 December 2023 to approximately (943.5%) for the year ended 31 December 2024.

The following table sets forth a breakdown of our gross loss and gross loss margin by business segments for the years ended 31 December 2023 and 2024:

	2024		2023	
	RMB'000	Margin %	RMB'000	Margin %
Licensing of broadcasting rights of TV or web series	(31,407)	(1,002.5)	(44,138)	(103.4)
Net licence fee received from investments in TV or web series as non-executive producer	(7,494)	(757.0)	(22,273)	(149.3)
Net investment income received from investments in web series without share of copyrights	–	–	5,315	100.0
	(38,901)	(943.5)	(61,096)	(97.1)

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

(i) *Licensing of broadcasting rights of TV or web series*

The gross loss margin for the licensing of broadcasting rights of TV or web series segment increased from approximately (103.4%) for the year ended 31 December 2023 to approximately (1,002.5%) for the year ended 31 December 2024, primarily due to decrease in revenue generated from broadcasting rights of TV series.

The following table sets forth a breakdown of our gross loss and gross loss margin of TV or web 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 or web series for the years ended 31 December 2023 and 2024:

	2024		2023	
	RMB'000	Margin %	RMB'000	Margin %
Acted as executive producer	(31,407)	(1,002.5)	(44,138)	(103.4)
Licensed purchased copyrights (or broadcasting rights)	–	–	–	–
	(31,407)	(1,002.5)	(44,138)	(103.4)

(ii) *Net licence fee received from investments in TV or web series as non-executive producer*

The gross loss margin for the net licence fee received from investments in TV or web series as non-executive producer for the year ended 31 December 2024 is approximately (757.0%), which increased from approximately (149.3%) for the year ended 31 December 2023, the increase was mainly resulted from the decrease in revenue from investments in TV or web series as non-executive producer.

(iii) *Net investment income received from investments in web series without share of copyrights*

The gross profit margin for the net investment income received from investments in web series without share of copyrights for the year ended 31 December 2023 is 100%, which was mainly resulted from net investment income of You From the Future* (來自未來的你) .

Other income and gains

The following table sets forth a breakdown of our other income and gain for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Government grants – related to income	436	894
Bank interest income	42	45
Others	6	136
	484	1,075

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Our other income and gains decreased by approximately 55.0% from approximately RMB1.1 million for the year ended 31 December 2023 to approximately RMB0.5 million for the year ended 31 December 2024, mainly because of decrease in government grants.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Advertising and marketing expenses	50	3,070
Staff costs	1,072	1,087
Entertainment and travelling expenses	117	191
	1,239	4,348

Our selling and distribution expenses decreased by approximately 71.5% from approximately RMB4.3 million for the year ended 31 December 2023 to approximately RMB1.2 million for the year ended 31 December 2024, mainly because of decrease in advertising and marketing expenses.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Staff costs	5,431	5,374
Entertainment and travelling expenses	3,223	2,523
Auditor's remuneration	1,343	1,313
Professional service fees	3,095	3,424
Office related expenses	1,582	1,533
Others	67	207
	14,741	14,374

Our administrative expenses increased by approximately 2.6% from approximately RMB14.4 million for the year ended 31 December 2023 to approximately RMB14.7 million for the year ended 31 December 2024, primarily due to increase in the entertainment and travelling expenses.

Impairment losses on financial assets

We recorded impairment loss on financial assets amounting to approximately RMB31.0 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 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Finance costs

The following table sets forth a breakdown of our finance costs for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Interest on borrowings	212	329
Interest on lease liabilities	31	17
	243	346

Income tax expense

The following table sets forth the major components of our income tax expense for the years ended 31 December 2023 and 2024:

	2024 RMB'000	2023 RMB'000
Current – Mainland China Charge for the year	179	206
Current – Overprovision in prior years	–	76
Total tax charge for the year	179	282
	2024 RMB'000	2023 RMB'000
Loss before tax	(98,137)	(99,162)
Tax at the statutory tax rate of 25% in Mainland China	(24,534)	(24,791)
Adjustment in respect of current tax of previous periods	–	76
Effect of tax rate differences in other jurisdiction	410	397
Expenses not deductible for tax	1,648	717
Losses attributable to an associate	577	286
Deductible temporary difference and tax losses not recognised	22,078	23,597
Tax charge at the Group's effective tax rate	179	282

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Loss for the year and net loss margin

As a result of the foregoing, our net loss decreased by approximately 1.1% from loss of approximately RMB99.4 million for the year ended 31 December 2023 to loss of approximately RMB98.3 million for the year ended 31 December 2024. Our net loss margin increased from approximately negative 158.1% for the year ended 31 December 2023 to approximately negative 2,384.6% for the year ended 31 December 2024.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2024 (2023: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2024, the number of issued shares of the Company was 1,037,500,000 (31 December 2023: 1,037,500,000).

Net Current Assets

As at 31 December 2024, the Group reported net current assets of approximately RMB80.2 million (2023: RMB172.1 million). As at 31 December 2024, the Group's cash and bank balances was approximately RMB20.7 million, representing a decrease of approximately RMB22.0 million as compared to approximately RMB42.7 million as at 31 December 2023.

Key Financial Ratios

Return on Equity

The return on equity decreased from approximately (44.0%) for the year ended 31 December 2023 to approximately (77.2%) for the year ended 31 December 2024.

Return on Total Assets

The return on total assets decreased from approximately (39.3%) for the year ended 31 December 2023 to approximately (64.5%) for the year ended 31 December 2024.

Current Ratio

The Group's current ratio decreased from approximately 7.6 times as at 31 December 2023 to approximately 5.2 times as at 31 December 2024.

Gearing Ratio

The Group's gearing ratio is 0.98% as at 31 December 2024 (2023: 1.41%).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 2023 and 2024.

OTHER COMMITMENTS

The Group did not have significant commitments at the end of the Reporting Period (31 December 2023: 73.0 million).

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 2024.

CONTINGENT LIABILITY

As at 31 December 2024, the Group did not have any material contingent liabilities.

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.

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 report.

PLEDGE OF ASSETS

As at 31 December 2024, the Group had no pledge of assets (2023: nil).

FOREIGN CURRENCY RISK

In the year ended 31 December 2024, 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 2024, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group had a total of 22 (2023: 22) full-time employees, 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. There was no outstanding contribution to the MPF Scheme and Retirement Benefit Scheme at 31 December 2024 and 2023.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Naiyue (“Mr. Liu”) (劉乃岳), aged 60, was appointed as a Director in June 2019 and was appointed as the chairman of the Board and redesignated as an executive Director in the same month. Mr. Liu is also one of the substantial shareholders of the Company. He is responsible for overseeing the overall management, strategic and business planning of the Group and making decisions in material business operations. Mr. Liu is the father of Ms. Liu Peiyao. Mr. Liu joined the Group and has been a director of Values Culture Media Co., Ltd.* (海寧原石文化傳媒股份有限公司) (“**Values Culture**”) since November 2013 and has been responsible for overseeing the overall management, operations and business development. Mr. Liu is also a director of Haining Fanning Television Planning Company Limited* (海寧泛寧影視策劃有限公司) (“**Haining Fanning**”) a wholly-owned subsidiary of the Company.

Mr. Liu has around 20 years of experience in securities industry. From October 1994 to September 1997, he acted as a manager of the Qingdao branch Shandong Securities Co., Ltd.* (山東證券有限責任公司), the principal business of which was trading of securities. His roles and responsibilities were managing daily operations. From September 2000 to September 2004, he acted as a general manager at the Dongbei headquarter of Tiantong Securities Co., Ltd.* (天同證券有限公司), the principal business of which was trading of securities. His roles and responsibilities were managing the company’s operations in the northeastern region of the PRC. Mr. Liu was subsequently transferred to Capital Bridge Securities Joint Stock Company Limited* (健橋證券股份有限公司) in September 2004. From September 2004 to June 2007, he acted as a vice president at Capital Bridge Securities Joint Stock Company Limited* (健橋證券股份有限公司), the principal business of which was trading of securities. His roles and responsibilities were in charge of financial asset management and legal department. From November 2007 to August 2011, he acted as an investment consultant at Qingdao Fuhe Investment Company Limited* (青島富和投資有限公司) (“**Qingdao Fuhe**”), the principal business of which was investments business. His roles and responsibilities were evaluate and analyse investment projects. Prior to joining the Group, he worked in Suzhou Funa Culture Science and Technology Co., Ltd* (蘇州福納文化科技股份有限公司) from September 2011 to September 2013, which the principal business of which was production and distribution of film and television series, with the last position as a vice president.

Mr. Liu obtained a bachelor’s degree in management engineering from Northeastern University* (東北工學院) in Liaoning, PRC in July 1985. He also obtained a master’s degree in economics and a doctoral degree in economics from Nankai University* (南開大學) in June 1991 and June 2002 respectively.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Ms. Cai Xiaoxin (“Ms. Cai”) (蔡曉昕), aged 48, was appointed as the chief executive officer of the Group and the general manager of Haining Fanning in August 2021 and an executive Director in June 2022 respectively. She is responsible for overseeing the daily management and operations and has over 20 years of experience in the legal and capital markets industry. Ms. Cai worked as a court clerk of the People’s Procuratorate of Shenzhen Municipality, Guangdong Province* (廣東省深圳市人民檢察院) from 1999 to 2003. Ms. Cai continued to progress with her career in China Securities Regulatory Commission* (中國證監會) and was assigned to work in Shenzhen Supervision Bureau of China Securities Regulatory Commission* (中國證監會深圳監管局) as an application examiner from 2004 to 2008. Ms. Cai then worked in Essence Securities Co., Ltd.* (安信證券股份有限公司) as the general manager of the compliance department, the general manager of the risk control department and the general manager of the human resources department from 2008 to 2013. Ms. Cai worked as the compliance director and the chief risk control officer of Founder Securities Financing Services Company Limited* (方正證券承銷保薦有限責任公司) (formerly known as China Minzu Securities Co., Ltd.* (中國民族證券有限責任公司)) from 2013 to 2016. Currently, Ms. Cai has served as the president of Suiyong Holdings Company Limited* (穗甬控股有限公司) (“**Suiyong Holdings**”) and the chairman of Shenzhen Suiyong Huizhi Investment Management Co., Ltd.* (深圳穗甬匯智投資管理有限公司) concurrently.

Ms. Cai obtained a bachelor’s degree in laws from the China University of Political Science and Law in 1999, and a master’s degree in laws from Peking University in 2003. She also obtained an Executive Master of Business Administration (EMBA) degree from Cheung Kong Graduate School of Business in 2019.

Ms. Liu Peiyao (“Ms. Liu”) (劉佩瑤), aged 32, was appointed as a Director in March 2019 and was redesignated as an executive Director in June 2019. She is responsible for overseeing the financial affairs and assisting in the overall management and operations of the Group. Ms. Liu is the daughter of Mr. Liu.

Ms. Liu joined the Group as a director of Values Culture since June 2015, responsible for overseeing the financial affairs and assisting in the overall management. In addition, Ms. Liu has been the director and manager of two wholly-owned subsidiaries of the Company, YS Cultural Investment Limited (“**YS Cultural**”) and Fanta Culture Co., Limited (泛泰文化有限公司) since March 2019 and April 2019 respectively.

Ms. Liu obtained a bachelor’s degree in finance from Michigan State University in the United States of America in December 2014.

Ms. Li Fang (“Ms. Li”) (李芳), aged 43, was appointed as a Director in June 2019 and was redesignated as an executive Director in the same month. She is responsible for the Group’s production project planning and management.

Ms. Li joined the Group and has been a deputy general manager of Values Culture since February 2014 and has later been appointed as a Director and a director of Values Culture in June 2019. Prior to joining the Group, Ms. Li acted as deputy general manager of the project planning centre at Suzhou Funa Culture Science and Technology Co., Ltd* (蘇州福納文化科技股份有限公司) from April 2007 to April 2014, the principal business of which was production and distribution of film and television series, which her roles and responsibilities were project planning for the department.

Ms. Li obtained a bachelor’s degree in Chinese language and literature from Nanjing Normal University* (南京師範大學) in Nanjing, PRC in July 2004, and a master’s degree in film production from the same school in June 2007. Ms. Li obtained a doctoral degree in film and television studies from Nanjing Normal University* (南京師範大學) in July 2020.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Qu Guohui (“Mr. Qu”) (曲國輝), aged 53, was appointed as an executive Director in June 2020. Mr. Qu has numerous experience in different roles in various securities companies in China.

Mr. Qu obtained a bachelor’s degree in economics and a master’s degree in business administration from Peking University.

Mr. Liu Tieqiang (“Mr. Liu”) (劉鐵強), aged 46, was appointed as an executive Director in April 2023. Mr. Liu is qualified as a lawyer and a registered accountant in the PRC and has over 18 years of experience in the capital market and the corporate finance industry. From October 2006 to the present, Mr. Liu has been in the managerial positions in various investment banks in the PRC.

Mr. Liu obtained a bachelor’s degree in economics from Jilin University (吉林大學) in 2001 and a master’s degree in laws from East China University of Political Science and Law (華東政法大學) in 2008.

NON-EXECUTIVE DIRECTOR

Mr. Shao Hui (“Mr. Shao”) (邵輝), aged 46, was appointed as a Director in March 2019 and was redesignated as a non-executive Director in June 2019. He is responsible for supervising the overall management and strategic planning of the Group. Mr. Shao joined the Group and has been a director of Values Culture since October 2017, responsible for supervising the overall management. In addition, Mr. Shao has been a director of YS Cultural since March 2019.

From August 1999 to September 2004, Mr. Shao acted as deputy department head at Hangzhou Jihua Chemical Co., Ltd. (杭州吉華化工有限公司), the principal business of which was research and development, production and sales of colour dye. His roles and responsibilities were managing the Company’s procurement, production and sales. From November 2004 to December 2011, he acted as a general manager at Hangzhou Jihua Trading Co., Ltd.* (杭州吉華貿易有限公司), the principal business of which was import and export of chemical products. His roles and responsibilities were managing procurement and sales of products. From December 2005 to present, he acts as a director and chairman at Zhejiang Jihua Group Co., Ltd.* (浙江吉華集團股份有限公司) (603980.SH), the shares of which are listed on the Shanghai Stock Exchange and the principal business of which is production and sales of colour dye. His roles and responsibilities are deciding major corporate affairs.

DIRECTORS AND SENIOR MANAGEMENT (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xian Guoming (“Mr. Xian”) (冼國明), aged 70, was appointed as an independent non-executive Director in December 2019. He is a chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Xian has over 38 years of experience in the field of economics and finance. From July 1985 to present, Mr. Xian has worked in the Faculty of Economics in Nankai University* (南開大學), during which he acted as a deputy professor in the Faculty of Economics from December 1991 to December 1993 and has been a professor since December 1993; he was promoted and acted as a deputy director and subsequently a director of the Institute for International Economics of Nankai University* (南開大學國際經濟研究所) from December 1993 to June 2003, responsible for overall management; from December 1999 to present, he has acted as a director of The Research Center on Multinational Corporations of Nankai University* (南開大學跨國公司研究中心), responsible for overall management; from March 2000 to December 2013, he acted as the director of Nankai University TEDA College (南開大學泰達學院); from December 2005 to December 2013, he acted as the assistant to principal of Nankai University* (南開大學); from November 2006 to December 2021, he also acted as a vice president of China Society of World Economics (CSWE)* (中國世界經濟學會); and from December 2010 to July 2023, he also acted as the vice director of the Academic Committee of Nankai University* (南開大學校學術委員會).

Mr. Xian obtained a bachelor’s degree in economics from the Nankai University* (南開大學) in Tianjin, PRC in January 1982. He also obtained a master’s degree and a doctorate degree in Economics from Nankai University* (南開大學) in July 1985 and December 1991 respectively.

Mr. Zhong Mingshan (“Mr. Zhong”) (鐘明山), aged 73, was appointed as an independent non-executive Director in December 2019. He is a chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Zhong has over 30 years of experience in the field of accounting and finance. From March 1990 to June 1995, he acted as a deputy head of Shandong Qingdao Certified Public Accountants* (山東青島會計師事務所). His roles and responsibilities were reviewing audit reports. From June 1995 to September 1999, he acted as a deputy head of the management office of the Municipal Finance Bureau of Qingdao* (青島市財政局駐廠員管理處). His roles and responsibilities were managing accountants based in Qingdao and responsible for administrative and operational matters. From September 1999 to October 2007, he acted as a chief accountant in Shandong Desheng Certified Public Accountants Firm Co., Ltd.* (山東德盛會計師事務所). His roles and responsibilities were managing administrative and operational matters of the firm. From October 2007 to June 2014, he acted as a partner in Shinewing Certified Public Accountants LLP* (信永中和會計師事務所(特殊普通合伙)). His roles and responsibilities were managing administrative and operational matters in the Qingdao office.

Mr. Zhong obtained a professional diploma in finance and accounting from the Qingdao Institute of Architecture and Engineering* (青島建築工程學院) in Qingdao, PRC in June 1987. Mr. Zhong has been registered as a certified public accountant with the Chinese Institute of Certified Public Accountants* (中國註冊會計師協會) since February 1992.

DIRECTORS AND SENIOR MANAGEMENT (continued)

Mr. Xu Zongzheng (“Mr. Xu”) (徐宗政), aged 51, was appointed as an independent non-executive Director in December 2019. He is a chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Xu has around 20 years of experience in the field of film and television production industry. Mr. Xu has produced and directed over 20 productions since 2004, including the award winning production Where have all the flowers gone (那時花開) in 2006, Red Dawn (紅色黎明) in 2011, Ordinary Person Character (凡人的品格) in 2017 and Mr. Nanny (月嫂先生) in 2018.

Mr. Xu obtained a diploma in performing arts from the People’s Liberation Army Arts College* (人民解放軍藝術學校) in July 1998. He has been a member of the China Television Director Committee* (中國聯合會電視劇導演委員會) since 2011.

Ms. Liu Jingping (“Ms. JP Liu”) (劉京平), aged 63, was appointed as an independent non-executive Director in June 2020. Ms. JP Liu has extensive experience in field of film and television production and investment industry in China. She currently is a chief executive officer of Beijing Film Yango Development Company Limited* (北影陽光產業發展有限公司) since July 2017. She was a chairman of the board of Beijing Guoli Huaye International Culture Media Company Limited* (北京國利華業國際文化傳媒有限公司) from March 2005 to June 2017.

Ms. JP Liu obtained a master’s degree in business management from Capital University of Economics and Business, a master’s degree in business administration from Asia International Open University (Macau), a master’s degree in business administration from Guanghua School of Management, Peking University and a doctorate degree in business administration from University of Hong Kong.

SENIOR MANAGEMENT

Ms. Wang Haiting (“Ms. Wang”) (王海婷), aged 36, is the chief financial officer and one of the joint company secretaries of the Group (the “**Joint Company Secretaries**”), responsible for monitoring daily financial operation management of the Group, including internal control and company secretarial affairs of the Group.

Before joining the Group in August 2014, Ms. Wang acted a deputy head of the finance department at Baili Sifang Smart Grid Technology Co., Ltd.* (百利四方智能電網科技有限公司), which the principal business of which was development, manufacturing and sales of smart electrical equipment. Ms. Wang was responsible for organising and implementing the Company’s financial and auditing matters.

Ms. Wang obtained a bachelor’s degree in global economy and trade from Hunan University in June 2009, and a master’s degree in global economics from Tianjin Normal University* (天津師範大學) in Tianjin, PRC in June 2012.

Ms. Yan Bei (“Ms. Yan”) (閔蓓), aged 40, is the chief publicity and marketing officer of Values Culture. She joined the Group in February 2014 with the said position and has been responsible for overseeing the sales and managing the publicity and marketing activities of the Group.

Before joining the Group, Ms. Yan acted as deputy general manager of the distribution department at Suzhou Funa Culture Science and Technology Co., Ltd* (蘇州福納文化科技股份有限公司), the principal business of which was production, introduction, distribution of film and television and the development of film and television culture. Her roles and responsibilities were publicity, distribution and marketing matters regarding television series.

Ms. Yan obtained a bachelor degree in media and management from Wuhan Conservatory of Music* (武漢音樂學院) in Wuhan, PRC in June 2007.

DIRECTORS AND SENIOR MANAGEMENT (continued)

JOINT COMPANY SECRETARIES

Mr. Au Yeung Ming Yin Gordon (“Mr. Au Yeung”) (歐陽銘賢), he has over 20 years of experience in auditing, financing, company secretarial and accounting. Before serving the Company, Mr. Au Yeung served as director, company secretary and chief financial officer of various companies listed on the GEM and the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Ms. Wang, please refer to the section headed “Directors and Senior Management – Senior Management” for Ms. Wang’s biographical details.



CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2024.

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 C1 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 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 2024 and up to the date of this report.

Code Provision C.1.6 of the CG Code

Pursuant to C.1.6 of the CG Code, independent non-executive Directors and 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, the independent non-executive Director, Mr. Xu Zongzheng and Ms. Liu Jinping and the executive Directors, Ms. Liu Peiyao and Mr. Qu Guohui, did not attend the annual general meeting of the Company held on 30 May 2024 due to other business engagements.

CULTURES AND VALUES

A healthy corporate culture across the Group is integral to attain its vision and strategy. It is the Board’s role to foster a corporate culture with the following core principles and to ensure that the Company’s vision, values and business strategies are aligned to it.

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all our activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group’s employee handbook (including therein the Group’s code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group’s mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company’s strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

CORPORATE GOVERNANCE REPORT (continued)

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 C3 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 2024 and up to the date of this report.

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.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established three Board committees, namely the audit committee, the remuneration committee and the nomination committee (the “**Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Board is responsible for leadership and control of the Company and oversees the Group’s businesses, strategic decisions and performance, and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

CORPORATE GOVERNANCE REPORT (continued)

Composition

As at the date of this annual report, the Board is comprised of eleven Directors, with six executive Directors, namely Mr. Liu Naiyue (chairman of the Board), Ms. Cai Xiaoxin (chief executive officer of the Company), Ms. Liu Peiyao, Ms. Li Fang, Mr. Qu Guohui and Mr. Liu Tieqiang, one non-executive Director, Mr. Shao Hui, and four independent non-executive Directors, namely Mr. Xian Guoming, Mr. Zhong Mingshan, Mr. Xu Zongzheng and Ms. Liu Jingping. During the year ended 31 December 2024 and up to the date of this annual report, the changes to the composition of the Board were as follows:

- Mr. Au Yeung Ming Yin Gordon was appointed as an alternate director to Mr. Liu Naiyue, an executive Director and the chairman of the Board, with effect from 24 May 2024 and ceased to be his alternate with effect from the conclusion of the annual general meeting of the Company held on 30 May 2024; and
- Ms. Shen Yi resigned as the non-executive Director with effect from 23 September 2024.

A list of Directors and their respective biographies are set out in the section headed “Directors and Senior Management” of this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Board, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

The Board’s composition is in compliance with the requirement under Rule 3.10A and Rule 3.10 of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board and at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board believes that the balance between the executive Directors and the independent non-executive Directors is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors’ independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company’s affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

With regards to gender diversity on the Board, the Group recognises the particular importance of gender diversity. As at 31 December 2024, the Board comprised eleven Directors, including four female Directors. The Group has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company. The Group will also ensure that there is gender diversity when recruiting staff at mid to senior level so that it will have

CORPORATE GOVERNANCE REPORT (continued)

a pipeline of female senior management and potential successors to the Board going forward. It is the Group's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

As at 31 December 2024, the employees of the Group (including senior management and Directors) comprise about 43.3% male and 56.7% female. The Company targets to avoid a single gender senior workforce and will timely review the gender diversity of the senior workforce in accordance with the business development of the Group.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out under Rule 3.13 of the Listing Rules.

According to the code provision C.2.1 of Part 2 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established set out in writing. The Chairman and chief executive officer of the Company are not related to each other and there are clear divisions among their responsibilities with a view to achieving a balance of power and authority. Mr. Liu Naiyue currently assumes the role of chairman of the Board as specified in the CG Code on overall strategic planning and development of the Group and effective functioning of the Board while Ms. Cai Xiaoxin has assumed the role of chief executive officer since 27 August 2021, before that Mr. Wu Tao was as the chief executive officer till 26 August 2021. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

During the Reporting Period, the chairman of the Board had held a meeting with the independent non-executive Directors without the presence of the other executive Directors and non-executive Directors.

Each executive Director has entered into a service agreement with the Company for an initial term of three years commencing from the date of appointment which may be terminated by either party giving not less than three months' or one month's prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of our Company in accordance with the Memorandum and Articles of Association (the "**Articles of Association**") of the Company or any other applicable laws from time to time whereby he/she shall vacate his office.

Each of our non-executive Director and independent non-executive Director has entered into a letter of appointment with the Company for an initial term of three years. Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

In accordance with the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years and any new director appointed to fill a causal vacancy or as an addition to the existing board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The nomination committee of the Company ("**Nomination Committee**") is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT (continued)

Training and Continuous Professional Development

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. Prior to the Listing, each of Directors has attended the training courses conducted by the Hong Kong legal adviser of the Company regarding the on-going obligations and duties of directors of a publicly listed company.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

All the Directors confirmed that they had complied with code provision C.1.4 of the CG Code during the year ended 31 December 2024, that all Directors had participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminar to develop professional skills. The Joint Company Secretaries are responsible for maintaining and updating records for the Directors' training sessions.

	Reading regulatory updates	Attending expert briefings/ seminars/conferences relevant to the business or Directors' duties
Executive Directors		
Liu Naiyue	✓	✓
Cai Xiaoxin	✓	✓
Liu Peiyao	✓	✓
Li Fang	✓	✓
Qu Guohui	✓	✓
Liu Tieqiang	✓	✓
Non-executive Directors		
Shao Hui	✓	✓
Shen Yi (resigned with from 23 September 2024)	✓	✓
Independent Non-executive Directors		
Xian Guoming	✓	✓
Zhong Mingshan	✓	✓
Xu Zongzheng	✓	✓
Liu Jingping	✓	✓

CORPORATE GOVERNANCE REPORT (continued)

Board Meetings and General Meeting

The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision C.5.1 of the CG Code. Notices for all regular Board meetings and the agenda and accompanying Board paper will be given to all Directors at least 14 days before the meetings in order that they have sufficient time to review the papers.

The Board will hold other Board meetings from time to time whenever necessary. Reasonable notice will be given to all Directors and they can include matters for discussion in the agenda as they think fit.

Minutes of meetings are kept by the Joint Company Secretaries with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

The Joint Company Secretaries are responsible for taking and keeping minutes of all Board meetings and Board Committee meetings. In compliance with the code provision C.5.5 of the CG Code, minutes of Board meetings and meetings of Board Committees were recorded in sufficient detail covering the matters considered by the Board and decisions reached, including any concerns raised by the Directors, or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Every Board member has full access to the advice and services of the Joint Company Secretaries with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

The Board has established procedure to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

CORPORATE GOVERNANCE REPORT (continued)

During the year ended 31 December 2024, the Board held four regular Board meetings, due notice and Board papers of regular Board meetings were given to all Directors prior to the meeting in accordance with the Articles of Association and the CG Code. Details of individual attendance of Directors at regular Board meetings in 2024 are set out below:

	No. of regular Board Meeting attended/No. of regular Board Meeting held
Executive Directors	
Liu Naiyue	3/4
Cai Xiaoxin	3/4
Liu Peiyao	0/4
Li Fang	3/4
Qu Guohui	0/4
Liu Tieqiang	1/4
Non-executive Directors	
Shao Hui	0/4
Shen Yi (<i>resigned with effect from 23 September 2024</i>)	0/3
Independent Non-executive Directors	
Xian Guoming	2/4
Zhong Mingshan	4/4
Xu Zongzheng	1/4
Liu Jingping	1/4

At the annual general meeting held on 30 May 2024 ("**2024 AGM**"), a separate resolution was proposed in respect of each separate issue, including re-election of retiring Directors. The chairman of the Board and the chairman and members of Audit Committee, Nomination Committee, and Remuneration Committee of the Board and representatives of Ernst & Young attended the 2024 AGM to answer questions of Shareholders. Procedure for conducting a poll were explained by the chairman of 2024 AGM at the 2024 AGM.

CORPORATE GOVERNANCE REPORT (continued)

The attendance of individual Directors at general meeting(s) in 2024:

2024 AGM

Executive Directors

Liu Naiyue	✓ (Note)
Cai Xiaoxin	✓
Liu Peiyao	X
Li Fang	✓
Qu Guohui	X
Liu Tieqiang	✓
Au Yeung Ming Yin Gordon (Alternate Director to Liu Naiyue)	✓

Non-executive Directors

Shao Hui	X
Shen Yi (<i>resigned with effect from 23 September 2024</i>)	✓

Independent Non-executive Directors

Xian Guoming	✓
Zhong Mingshan	✓
Xu Zongzheng	X
Liu Jingping	X

Note:

Mr. Liu Naiyue attended the 2024 AGM by an alternate director Mr. Au Yeung Ming Yin Gordon.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The major roles and functions of the Board in respect of the corporate governance are:

- to develop and review the Company's policy and practices on corporate governance; and
- to review and monitor the training and continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees and Directors and the Company's compliance with the CG Code.

CORPORATE GOVERNANCE REPORT (continued)

The Board had considered the following corporate governance matters during the year ended 31 December 2024 and up to the date of this annual report:

- review of the policy and practices adopted by the Company and training for Directors, etc.
- review of usage of annual caps on the continuing connected transactions of the Group
- review of compliance with the CG Code and disclosure of Corporate Governance Report
- review of the effectiveness of the risk management and internal control systems of the Company and its subsidiaries as set out in code provision D.2.1 of the CG Code

BOARD COMMITTEES

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established by our Company pursuant to a resolution of the Board on 12 December 2019 with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhong Mingshan, Mr. Xian Guoming and Mr. Xu Zongzheng. Mr. Zhong Mingshan, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise our financial reporting process, to nominate and monitor our external auditors, and to oversee the risk management, internal control procedures and the effectiveness of internal control procedures of our Company.

During the year ended 31 December 2024, two Audit Committee meetings were held to review the annual financial results and report, interim financial results and report and major internal audit issues, re-appointment of external auditor and relevant scope of works and continuing connected transactions.

Attendance of individual Directors at Audit Committee meetings in 2024:

Names	No. of meeting attended/No. of meeting held
Xian Guoming	2/2
Zhong Mingshan	2/2
Xu Zongzheng	1/2

The Audit Committee also reviewed the financial reporting system, compliance procedures, internal audit function and risk management systems and processes. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT (continued)

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) was established by the Company pursuant to a resolution of the Board on 12 December 2019 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and the CG Code as set out in Appendix C1 to the Listing Rules. In December 2022, the Company updated its written terms of reference of the Remuneration Committee, which has taken effect since 1 January 2023, to extend the duty of the Remuneration Committee to include reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. The latest terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Xu Zongzheng, Mr. Xian Guoming and Mr. Zhong Mingshan. Mr. Xu Zongzheng is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company and to make recommendation to the Board to approve the management’s remuneration proposals with reference to the Board’s corporate goals objectives, to ensure that none of the Board members determine their own remuneration to assess performances of executive Directors and to approve the terms of executive Directors’ service contracts. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2024, one Remuneration Committee meeting was held for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters. During the Reporting Period, there were no material matters relating to the share option scheme of the Company which required review or approval by the Remuneration Committee.

Attendance of individual Directors at Remuneration Committee meeting in 2024:

Names	No. of meeting attended/No. of meeting held
Xu Zongzheng	0/1
Xian Guoming	1/1
Zhong Mingshan	1/1

The remuneration of Directors is determined with reference to the qualification, experience, responsibility, performance of the individual, performance of the Group and the market practices.

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid as set out in code provision E.1.2 (c) of the CG Code.

Details of the remuneration by band of the members of senior management of the Company, whose biographies are set out on page 15 to page 20 of this annual report, for the year ended 31 December 2024 are set out on page 114 to page 117 of this annual report.

CORPORATE GOVERNANCE REPORT (continued)

Nomination Committee

The Nomination Committee was established by our Company pursuant to a resolution of the Board on 12 December 2019 with written terms of reference in compliance with the CG Code as set out in Appendix C1 to the Listing Rules.

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Xian Guoming, Mr. Zhong Mingshan and Mr. Xu Zongzheng. Mr. Xian Guoming is the chairman of the Nomination Committee. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of our Board and our board diversity policy (the “**Board Diversity Policy**”), to identify individuals suitably qualified to become members of the Board, to assess the independence of our independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to appointments of Directors.

During the year ended 31 December 2024, one Nomination Committee meeting was held to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors, review the Board Diversity Policy and make recommendation to the Board on the re-election of the retiring Directors.

Attendance of individual Directors at Nomination Committee meeting in 2024:

Names	No. of meetings attended/No. of meetings held
Xian Guoming	1/1
Xu Zongzheng	0/1
Zhong Mingshan	1/1

The Nomination Committee has conducted an annual review and considered that all independent non-executive Directors are independent, taking into account of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Set out below is the summary of work of the Nomination Committee done in 2024:

- made recommendation to the Board on matters relating to, inter alia, re-election of retiring Directors;
- review of the Board Diversity Policy;
- review of the nomination policy;
- conducted an annual review of the independence of the independent non-executive Directors; and
- reviewed the Board composition and structure.

In considering the nomination of appointment and/or re-appointment of Directors, the Nomination Committee assessed the relevant candidates on criteria such as integrity, experience, skill, professional qualifications, independent mind and ability to commit time etc, and made recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT (continued)

According to the Articles of Association, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, the Nomination Committee also nominated and the Board recommended Ms. Liu Peiyao, Mr. Xu Zongzheng, Ms. Cai Xiaoxin and Mr. Liu Tieqiang to retire by rotation and, being eligible, to offer themselves for re-election by shareholders of the Company at the 2025 AGM.

NOMINATION POLICY

In evaluating and selecting any candidate for directorship, the Nomination Committee would consider the criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board Committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

BOARD DIVERSITY POLICY

The Board has adopted the Board Diversity Policy aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company seeks to achieve the diversity of the Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. All Board appointments will be based on merit while taking into account diversity. The Company endeavours to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. The Nomination Committee will review this Board Diversity Policy annually to ensure the continued effectiveness of this Board Diversity Policy.

CORPORATE GOVERNANCE REPORT (continued)

REMUNERATION POLICY

The remuneration of Directors and senior executives is determined with reference to benchmarking of relevant competitors in geographical areas where the Group carry on its businesses, career progressions of the individual, economic trend in geographical areas where the Group carry on its businesses, recognition of experience, role contribution; performance of the Group and the individual's performance.

The Directors' fees and all other emoluments paid or payable to the Directors during the year are set out on an individual and named basis in note 8 to the consolidated financial statements.

JOINT COMPANY SECRETARIES

The Company has appointed Mr. Au Yeung who is a representative from an external secretarial services provider as one of the Joint Company Secretaries. The primary contact person of the Company in relation to company secretarial matters with Mr. Au Yeung is Ms. Wang, the chief financial officer and one of Joint Company Secretaries of the Group. In order to enhance effective communications among the Directors, Shareholders and management of the Company and uphold good corporate governance, the Company has appointed Ms. Wang as one of the Joint Company Secretaries to assist Mr. Au Yeung to discharge his duties as Joint Company Secretaries on 9 April 2020. The role of the Joint Company Secretaries are to ensure effective information flows and communication among Directors, as well as between shareholders and management of the Company. The Joint Company Secretaries are also responsible for advising the Board on governance matters. All Directors have access to the advice and services of the Joint Company Secretaries. For the year ended 31 December 2024, Mr. Au Yeung and Ms. Wang have confirmed that each of them has taken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

DIVERSITY OF WORKFORCE

As at 31 December 2024, the Company comprises seventeen female employees and thirteen male full-time employees. The Company would continue to maintain at least one female employee.

AUDITOR'S REMUNERATION

The Group's consolidated financial statements for the year ended 31 December 2024 have been audited by Ernst & Young, Certified Public Accountants. Service fees which shall be paid by the Company to Ernst & Young for the year ended 31 December 2024 amounted to approximately RMB1.3 million.

Service rendered	Fees Payable (RMB)
Audit service	1,300,000
Non-audit services	—
Total	1,300,000

CORPORATE GOVERNANCE REPORT (continued)

DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company and its subsidiaries for the financial year ended 31 December 2024.

The Directors are responsible for overseeing the preparation of financial statements of the Company and its subsidiaries with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2024 have been audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The unqualified auditor's report is set out on pages 70 to 75. The financial statements of the Company and its subsidiaries for the year ended 31 December 2024 have also been reviewed by the Audit Committee.

DIVIDEND POLICY

The Company has adopted dividend policy, the dividend policy does not have any pre-determined dividend payout ratio. In considering any dividend, the Board shall consider the actual and expected financial performance of the Group, retained earnings and distributable reserves of the Company and each of the members of the Group, the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants, any restrictions on payment of dividends that may be imposed by the Group's lenders or other contractual restrictions, the Group's expected working capital requirements and future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group, and any other factors that the Board deems appropriate. The Board has the absolute discretion to recommend any dividends.

CORPORATE GOVERNANCE REPORT (continued)

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 2024. 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.

CORPORATE GOVERNANCE REPORT (continued)

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.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution will be proposed for each issue at general meeting, including the election of individual Director(s). All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting. Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings ("EGM"). Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary(ies) of the Company, to require an EGM to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM as follows: – At least fourteen (14) clear days' notice in writing. Such requisition shall be made in writing to the Board or the secretary(ies) of the Company to the principal place of business of the Company in Hong Kong or by email to valuescultural@163.com for the attention of the Board or the Joint Company Secretaries.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Procedures for Shareholders to propose a person for election as a Director

If a Shareholder duly qualified to attend and vote at the general meeting convened to deal with appointment/ election of Director(s) wishes to propose another person ("**Candidate**") for election as a Director at a general meeting, he/she should deposit (i) a written notice ("**Proposal Notice**") signed by the Shareholder of his/her intention to propose the Candidate for election as a Director; and (ii) a written notice ("**Consent Notice**") signed by the Candidate of his/her willingness to be elected, at either of the Hong Kong branch share registrar and transfer office or the principal place of business of the Company in Hong Kong during a period, which shall be at least seven days, and if submitted after despatch of the notice of the general meeting appointed for such election, commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than seven days before the date of such general meeting.

To enable the Shareholders to make an informed decision on their election at a general meeting, the Company shall publish an announcement or issue a supplementary circular as soon as practicable after the receipt of the Proposal Notice and the Consent Notice. The Company shall include particulars of the Candidate in the announcement or the supplementary circular. The Company shall assess whether or not it is necessary to adjourn the meeting for the election to give Shareholders at least 10 business days to consider the relevant information disclosed in the announcement or the supplementary circular.

Shareholders' inquiries

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public.

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividends to the Company's branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong
Email: hkinfo@computershare.com.hk
Tel: (852) 2862 8555
Fax: (852) 2865 0990

Shareholders may, at any time, direct enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email to valuescultural@163.com for the attention of the Board and the Joint Company Secretaries.

CORPORATE GOVERNANCE REPORT (continued)

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company recognises the importance of communications with the Shareholders as well as potential investors. This shareholders communication policy is reviewed by Audit Committee on an annual basis which aims to set out the provisions with the objective of ensuring that the Shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company. The Directors consider that the shareholders communication policy of the Company is satisfactory in terms of its implementation and effectiveness.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. There include annual and extraordinary meeting, annual report, interim report, various notices, announcement and circulars. Via the Company's website at <http://www.yuanshimedia.com>, Shareholders can obtain updated and key information on the major developments of the Group. Information, such as financial statements, results announcements, circulars, notices of general meetings and all announcements, released by the Company on the Stock Exchange's at www.hkex.com.hk is also posted on the Company's website immediately thereafter.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

MANAGEMENT OF INSIDE INFORMATION

In order to promote transparency, accountability and responsibility in respect of the operation of a listed company, and for the maintenance of good corporate governance, the Company, assisted by legal advisers and financial advisers, would notify the Stock Exchange and make relevant disclosure to the public as soon as practicable of any inside information of the Company pursuant to the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CONSTITUTIONAL DOCUMENTS

The second amended and restated articles of association of the Company was amended by way of a special resolution passed by the shareholders of the Company at the annual general meeting held on 30 May 2024. The latest second amended and restated articles of association of the Company is available on the website of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Report Introduction

This is the annual Environmental, Social and Governance (“**ESG**”) Report of Values Cultural Investment Limited (“**the Company**”, “**Values Cultural**” or “**we**”, and with its subsidiaries collectively referred to as the “**Group**”), which comprehensively explains the Group’s management policies and performance regarding ESG from 1 January 2024 to 31 December 2024, and collectively discusses matters of interest to stakeholders and ways to contribute to the sustainable development of the economy, environment and society of the Group. Unless otherwise stated, the information presented in the Report represents data performance in 2024.

The ESG Report are derived from the archived documents, records and statistics of the Group. The contents and data disclosed in the ESG Report have been considered and approved by the Board of the Company.

Preparation Principles of the Report

This report is prepared in accordance with the following reporting principles:

- | | |
|---------------|---|
| Materiality: | Key ESG issues are identified through materiality assessment and relevant information are disclosed in the ESG report; |
| Quantitative: | Quantitative information in environmental and social areas is presented in the ESG report, accompanied by a narrative, explaining its purpose and impacts. The comparative data will be provided in the future ESG reports; |
| Consistency: | This is our third ESG report and we will use consistent methodologies to disclose ESG information in the following years for meaningful comparison. |

Scope of the Report

Upon materiality assessment, the Group decided that the Report mainly covers the overall performance of the Group in three key areas, namely the environment, society and governance, and such scope has no significant change as compared to that of 2021.

Basis of Reporting

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under the Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”).

Access and Response to the Report

The English and Chinese versions of the Report can be downloaded from the website of the HKEX (<http://www.hkexnews.hk>) and the Company’s website. The Report is published in both Chinese and English. In case of any inconsistency, the Chinese version shall prevail. For any comments or suggestions on the environmental, social and governance performance of the Group, please email us at valuescultural@163.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

I. STRENGTHENING ESG RESPONSIBILITY MANAGEMENT

Representation of the Board

The Board of Directors of the Group assume full responsibility for the ESG strategy and reporting and are responsible for assessing and determining the Group's ESG risks and ensuring that the Group has an appropriate and effective ESG risk management and internal control system in place. The Board of Directors and all Directors affirm that this report contains no false or misleading statements or material omissions and that they are severally and jointly responsible for the truthfulness, accuracy, and integrity of its content.

The Board of Directors of the Group acts as the highest decision-making body for ESG management, guiding the Group's sustainable development direction, formulating the overall vision, goals, and management strategies for sustainable development of the Group, and reviewing the Group's annual ESG report. During the Reporting Period, through conducting survey on stakeholders, we have identified the following key ESG issues: quality of product, protection of intellectual property right, customer relationship management, employee management, development and training, diversity and equal opportunity, commercial ethics, information and data security, advertisement compliance, risk and crisis management and policy influence. We will prioritize the review on the above issues in our daily work, and correspondingly conduct management by objectives. In the future, based on the expectations of stakeholders and the Group's actual operations, we will continuously adjust management strategies and implementation methods of sustainable development, thereby unceasingly improving the level of sustainable development.

ESG Management Vision

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. Since its establishment, the Group has been committed to common development of economy, society and the environment, promoting sustainable business practices and performing its corporate social responsibilities in order to better capture the opportunities from the development of the industry.

Values Cultural aspires to ensure sustainable business development and operate in an environment-friendly manner and bring shareholders stable and long-term returns while protecting the environment. Although the film and television industry that the Group operates in is not a highly polluting industry, we strive to integrate environmental, social and governance initiatives into our business strategy and management model. By upholding our commitment to corporate social responsibility, we strive to forge ourselves into an environmentally friendly enterprise that cares about our employees' development and protects their rights and interests. We adhere to the principle of equality and integrity for our operation and comply with business regulations and ethic codes.

The Group always keeps corporate social responsibility in mind and infiltrates the concept of sustainable development into every aspect of corporate governance and operations with commitment to concurrently achieving economic, social and environmental benefits. We always believe that we will definitely create more value and continuously contribute to the society under the guidance of the concept of sustainable development.

Identification of Substantive Issues

Under the requirements of the ESG Reporting Guide issued by HKEX and with reference to the procedures for substantive analysis formulated by the Global Reporting Initiative ("GRI"), the Group collects the issues concerned by major stakeholders through multiple channels, and conducts materiality analysis and priority of such issues, to finalise the material issues in the environmental, social and governance aspects and make disclosure thereof in the Report.

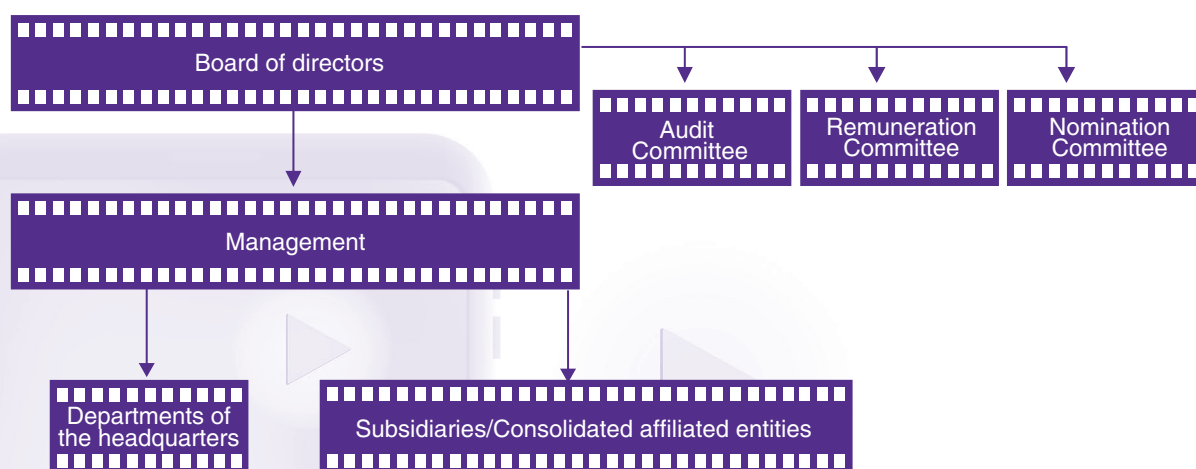
The identification process of substantive issues is divided into four steps:

- Identify relevant ESG issues with reference to the ESG Reporting Guide published by HKEX, GRI Sustainability Reporting Guidelines (GRI Standards version) and those disclosed by our peers at home and abroad;
- Prioritise the substantive issues. The major considerations for materiality assessment by internal stakeholders include the impacts on our corporate strategies, policies, procedures and commitments, impacts on the Company's competitive edges and management excellence, and current and future financial impacts on the Company; and major considerations for such assessment by external stakeholders include the impacts on the Company's evaluation and decision-making, and on their own interests;
- Verification. The Company's management reviews and approves the identified issues and their priorities;
- Review. After this Reporting Period, the Company will seek feedback from internal and external stakeholders on the contents of the report for the current period to prepare for the report for the next period.

We have fully considered the importance of each key performance indicator to the operation and the stakeholders. After comprehensive evaluation, we have selected the following indicators as the major influential aspects of the Group's sustainable development. While taking all environmental and social responsibilities into consideration, the Group has paid more attention to the following areas: quality of product, protection of intellectual property right, customer relationship management, employee management, development and training, diversity and equal opportunity, commercial ethics, advertisement compliance, risk and crisis management and policy influence.

II. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE MANAGEMENT SYSTEM

On 16 January 2020, the Shares of the Group were successfully listed on the Main Board of the Stock Exchange. Subject to the requirements of The Stock Exchange of Hong Kong Limited on compliant disclosure of environmental, social and corporate governance information, the Group continues to deepen its environmental, social and corporate governance management philosophy and actively promotes its performance in this regard taking into account its own business development strategy. In the process of fulfilling its corporate social responsibility, the Group strives to move towards the goal of achieving sustainable development of TV series and web series investment industry. In order to actively strengthen the overall environmental, social and corporate governance management of the Group and effectively implement the principal responsibilities of each department, the Group has established relevant departments such as the Board, management and functional departments.



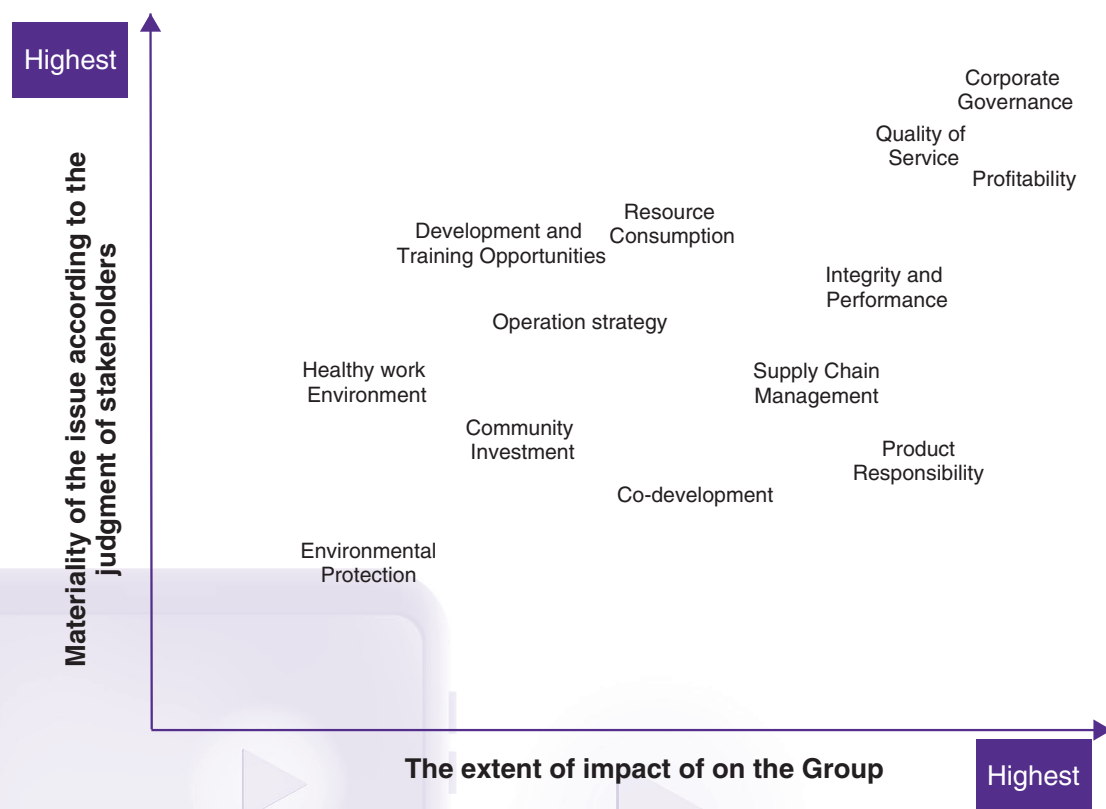
Organizational structure of the Group for environmental, social and corporate governance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

In the process of formulating the environmental, social and corporate governance management system and fulfilling environmental, social and corporate governance responsibilities, the Group realises the necessity of maintaining good communication with its stakeholders. To this end, the Group has determined the communication channels for six groups of stakeholders to ensure the effective conveyance of expectations and demands between the Group and its stakeholders. In addition, the Group has also evaluated the concerns of various stakeholders of environmental, social and corporate governance during actual business operations.

Stakeholder	Communication channel and action	Requirement and expectation	Response of the Group
Government and regulatory authorities	Major meetings, policy consultations, incident reports, official correspondence and information disclosure	Compliant operation Corporate governance	<ul style="list-style-type: none"> Strictly observe relevant laws and regulations, continuously enhance corporate compliance management, and respond to national policies
Shareholders and investors	Shareholders' meetings, the Company's annual reports, information disclosure, investor visits and other exchange activities	Profitability Operation strategy Environmental protection Transparency of information disclosure	<ul style="list-style-type: none"> Release periodic reports, disclose information in a truthful and comprehensive manner, endeavour to improve results and generate profits Advance corporate governance and risk management level, convene general meetings, enhance investor relations management and strive to improve environmental and social responsibility management
Employees	Employee satisfaction survey, employee training	Employee remuneration and benefits Development and training opportunities Healthy work environment	<ul style="list-style-type: none"> Strictly abide by the items of labour contracts, improve remuneration and benefit system Offer safe and healthy working environment Offer development paths for both position and function, and organise staff training Offer equal communication channel and implement negotiation
Suppliers	Supplier inspection, conference communication, tendering and bidding	Cooperation on fair terms Integrity and performance	<ul style="list-style-type: none"> Actively perform the contracts and agreements by adhering to public and transparent business principles, adopt public and transparent procurement model, and develop an accountable supply chain
Customers	Customer visits, visits to relevant TV and film festivals	Quality of service Privacy protection Co-development	<ul style="list-style-type: none"> Provide high quality products and services Establish a complete customer service system and customer feedback and complaint mechanism
Community and the public	Charitable activities, pairing assistance, corporate recruitment promotion, internship opportunities	Corporate social responsibilities Community relations Community investment and charitable activities Promotion of employment	<ul style="list-style-type: none"> Strengthen exchanges and cooperation with community and the public to jointly create a healthy and orderly environment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)



III. ENVIRONMENT

The Group operates in the TV series and web series investment industry with low energy consumption and insignificant pollution. The main impacts on the environment in the ordinary course of business of the Group are the consumption of paper, electricity, etc.

A1 Emissions

In the daily operations, the Group strictly abides by relevant state environmental protection laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Air Pollution and Control Law of Atmospheric Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》). The Group actively promotes environmental protection concepts and puts them into action. During the Reporting Period, there was no environmental protection issue and related litigation.

The business nature of the Group does not involve direct or significant emission of air and greenhouse gases from industrial or combustion process. In our daily operation activities, the Group is not involved in any waste gas and waste water Emission. The Group's air emissions are mainly greenhouse gases generated from energy consumption as well as nonhazardous wastes generated from daily office operation. Among which, greenhouse gas emissions are primarily the result of carbon dioxide emissions from (i) gasoline combustion by business cars, and (ii) use of purchased electricity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The sources of waste involved in the Group include hazardous solid wastes such as used toner cartridges and non-hazardous solid wastes such as waste paper generated during the office process.

Direct greenhouse gas emissions are calculated as greenhouse gas emissions directly generated by the combustion of fuel by mobile sources controlled by the Group (e.g. vehicles), while indirect greenhouse gas emissions are calculated as greenhouse gas emissions indirectly generated by purchasing power from power companies.

During the year, the Group generated 1.2 kg of hazardous waste toner cartridges with a density of 2.9 g/RMB10,000 in revenue, and produced 82 kg of non-hazardous waste paper with a density of 200.0 g/RMB10,000 in revenue. The total amount of indirect greenhouse gas emissions is 8.2 tons of carbon dioxide equivalent, and the intensity of greenhouse gas emissions is 20.0 kg of carbon dioxide equivalent per RMB10,000 in revenue.

As the Group is mainly engaged in the business of films and TV series, relevant emissions are all consumed and discharged by normal office operations, with no excessive emission. The Group promotes energy conservation and emission reduction. For example, the Group reduces direct greenhouse gas emissions by managing business vehicles. The Group generally adopts double-sided printing for internal documents and requires staff to recycle used paper to minimize paper waste. The Group implements an OA system to create a paperless office environment to reduce paper consumption. The Group minimizes the use of disposable cups. For hazardous waste and non-hazardous waste, the Company will strengthen its management in the future through centralized treatment by waste collecting stations in relevant regions, so as to reduce environmental pollution and improve recycling of materials.

The Group's goal in energy and water resources management: to improve the effective utilization of energy and water resources, and to maximize the environmental and economic benefits of energy and water resources on the premise of satisfying business activities. In order to save energy and ensure efficient utilization, the Group has actively adopted energy-saving measures. We adopted LED lights with excellent energy saving in the office area, saving more than half of energy compared with the original fluorescent lamps; strictly controlled the power consumption of the office building, adjusted the air conditioner switch in time according to the weather changes, and closed the doors and windows when the air conditioners operated and actively responded to the national call to carry out environmental protection promotion and other environmental protection activities.

In the future, we plan to further promote energy conservation within the Group, continue to uphold the concept of green development and the requirements of green and low-carbon development, and effectively reduce unreasonable consumption behaviors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

A2 Resource Consumption

Unlike traditional manufacturing enterprises, the Group is mainly engaged in the business of TV series and web series investment industry. Therefore, relevant regulations and key performance indicators for packaging materials used in finished products are not applicable to the Group.

The Company sourced water solely from the municipal pipe network, therefore, in 2024, the Company had no difficulty in water use. As the Company's business involves TV series and web series, its water consumption is relatively small. However, the Company actively advocates water conservation. As water charges have been included in the management fees charged by the landlord, the relevant consumption data is not accessible. Meanwhile, the Group does not encounter a shortage of water supply, and the Group encourages its employees to turn off unnecessary lightings, computers and air conditioners. The Group also makes good use of teleconferencing and videoconferencing facilities, so as to reduce unnecessary business trips.

The Group meets the energy requirement in the course of operation with purchased electricity.

Electricity consumption primarily arises from equipment, lightings, cooling and heating systems within the scope of our daily management. In addition, the Group is not involved in the use of packaging materials as it is a film and television company. During the Reporting Period, the consumption of electricity purchased by the Group was 3,816 kWh, with an intensity of 9.3 kWh/RMB10,000 in revenue and the consumption of gasoline purchased by the Group was 2,680 litres, with an intensity of 6.5 litres/RMB10,000 in revenue.

A3 Response to climate change

The Group actively advocates and practices environmental protection and green development concepts. During the Reporting Period, the Group actively created a paperless office environment and implemented an office automation management system to reduce operating costs and avoid printing numerous office documents. It is the requirements of the Group to choose nationally certified energy efficient appliances; reduce lighting as much as possible; fully promote a system for air-conditioner use where the temperature is set at 26°C in summer and 24°C in winter; and replace paper cups with glass cups as much as possible.

During the Reporting Period, the Company did not have any environmental service incidents and did not receive any complaints, penalties and sanctions due to environmental pollution.

Although the Group's impact on the environment is negligible and the Group seldom uses natural resources directly, the Group encourages employees to reduce the use of natural resources and recycle them as much as possible.

We actively respond to the national "3060" target and promote the emission reduction of greenhouse gas, mainly carbon dioxide, in terms of climate change. We have taken relevant measures to save energy, improve the ecological environment, and enhance emission management, and make unremitting efforts to achieve the "3060" target.

The Group actively undertakes the corporate social responsibility of addressing climate change, takes effective measures to address the challenges brought by climate change, and seizes the historical opportunity of developing a low-carbon economy, expecting to occupy the strategic commanding heights in the future competition, so as to achieve its own sustainable development. Besides, the Group will also regularly provide induction training or courses related to emergency response plans and procedures for all employees in the future.

IV. SOCIAL

B1 Employment

The Group handles termination of employment in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China(《中華人民共和國勞動合同法》) and the relevant provisions of labor contract and applicable labor regulations. The Group has established standardized employee recruitment and resignation procedures. The Group adheres to the principle of "equal opportunities, fair competition, comprehensive assessment and merit-based hiring" during the recruitment procedures, and has established a comprehensive internal assessment and performance appraisal mechanism to ensure fair promotion opportunities for employees. Employees enter into a labor contract with the Group upon induction, and the working hours of the Group's employees are in compliance with relevant requirements. The Group prohibits child labor and forced labor. In the event of resignation due to personal reason, employees may submit an application of resignation and are allowed to leave the Group upon completion of the resignation procedures. In the event that the Group takes the initiative to terminate or suspend labor relationship with employees, the Group fulfills the obligation of prior notice in accordance with the requirements of relevant laws and regulations. As at 31 December 2023, the Group had a total of 22 full-time employees, who are all located in the PRC. Total workforce by gender and age group is as follows:

1. Composition of employees

		Number of employees in 2023	
	Indicator	Unit	
Total number of employees			26
By gender	Male	person	10
	Female	person	16
By employment type	Contract employees	person	26
	Other types	person	0
By age group	Under 30 years	person	3
	31–35 years	person	2
	36–40 years	person	7
	41–45 years	person	3
	Over 45 years	person	11

The Group pay attention to the turnover of employees, thus constantly optimizing its culture and working environment for reduction of the employee turnover rate. During the Reporting Period, the overall employee turnover rate of the Group was nil.

The Group strictly abides by national laws and regulations, and resolutely eliminates the employment of child labor and forced labor; the Group strictly controls the recruitment process, and the candidates entering the interview process are not less than 18 years old, and the original personal ID card is required for the interview. The candidates must provide the original ID card, the original graduation certificate and other documents to go through the admission procedures.

In 2024, the Group did not have any labor disputes due to violations of laws and regulations, nor the employment of child labor or forced labor, nor any violations of social insurance or default in payment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

2. *Remuneration and benefits*

Employee remuneration of the Group comprises basic salary, position-based salary, tenure-based (seniority-based) salary, bonus, special rewards and insurance benefits. In particular, basic salary is determined based on a combination of factors such as job duties, responsibilities, operation scale, salary offered by peers, the area where the business of the Group is located, as well as knowledge and experience of the employee. Position-based salary is determined based on the grade of post. Tenure-based (seniority-based) salary is determined based on the length of service for the Group and time commitment of work. Bonus is determined based on the Group's annual operating performance, employees' performance and contribution.

The Group and its employees made contributions to various social insurance plans and housing provident funds in accordance with relevant provisions of the PRC. The relevant social insurance plans and housing provident fund are managed in accordance with local regulations. In particular, the social insurance plans shall cover all five types of insurance and shall be paid in full according to the actual wage base of employees in the previous year and the proportion stipulated by the State. Housing provident fund shall be paid in full in an amount representing 12% of the actual wage base of employees.

The Group adopts a five-day work week arrangement. Employees are entitled to annual leaves and other paid leaves, such as maternity leave, paternity leave, compensatory leave, marriage leave and examination leave. According to the Group's policies, employees enjoy medical benefits, provident fund schemes and other benefits.

3. *Equal opportunity, diversity, anti-discrimination*

The Company emphasizes the introduction of talents, and explores a variety of recruitment cooperation methods to boost the introduction. The Company recruited one employee during the Reporting Period. However, the Company actively communicated with intermediaries such as 51job.com and deepened the cooperation with universities. During the Reporting Period, it participated in the campus recruitment organized by the Municipal Talent Service Bureaus of Haining and Beijing. According to the social needs of combining production, studies and research, the Company, together with certain universities, actively admitted tertiary institution students for training and internship to enhance their practical ability and strengthen their competitiveness for employment.

The Group implements an equal employment opportunity system, in accordance with applicable laws, candidates and employees will be given equal employment opportunities regardless of their ethnic background, color, gender, sexual orientation, origin, age, disability, religion, nationality, familial or marital status, civil rights, military or veteran status, gender identity, genetics, pregnancy and other legally guaranteed class or characteristics.

4. *Employee termination*

The Group strictly complies with the "Labor Contract Law" and any relevant labor laws and regulations. If there is a serious violation of the code of conduct, the Group has the right to terminate their employment relationship. Employees may also voluntarily terminate their contracts and must complete handover during the notice period and comply with resignation arrangements. During the Reporting Period, no employment contracts were terminated between employees and the Group.

B2 Health and safety

The Group adheres to a people-oriented approach and demonstrates its care for employees' health and safety by optimizing employee health protection mechanisms and earnestly implementing safety drills and educational training.

1. *Caring for employees*

The Group arranges annual medical examinations in Grade III Class A hospitals for its employees, providing supplementary medical protection for all employees and ensuring the health of employees. The Group strictly implements the provisions of relevant laws and regulations and maintains various social insurance for employees, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance and maternity insurance, etc. At the same time, the Group maintains housing provident funds for employees. The Group fully protects the legitimate rights and interests of employees and strictly abides by the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and relevant laws and regulations in respect of statutory holidays and vacations, including paid annual leave, leave of absence, sick leave, work injury leave, marriage leave, bereavement leave, maternity leave and paternity leave.

2. *Safeguarding the health and safety of employees*

The Group earnestly implements the legal instructions of safety production regulations and fully implements the principal responsibilities of safety. It has strengthened internal enterprise management and carried out safety and health work to provide employees with a safe and healthy working environment. It has earnestly implemented the work approach on fire-fighting of **"precaution comes first with a combination of prevention and fighting"**, and strengthened training to all staff on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has also enhanced security and fire safety awareness of employees through means of organizing staff safety training.

During the Reporting Period, the Group did not have any violations related to providing a safe working environment and protecting employees from occupational disease hazards, and there was no employee death due to work relations, and the number of working days lost due to work-related injuries was 0 days. In 2020, 2021, 2022 and 2023, there were no employee deaths due to work-related reasons.

3. *Organizing various cultural and sports activities*

The Company attaches great importance to employees' cultural activities and leisure lives and hopes to organize a variety of cultural activities to strengthen team cohesion. During the Reporting Period, the Company organized one team-building and outreach activity and two annual gatherings. The Company organized two film premiere watching activities for employees. During our daily operation, the Company organizes fitness activities with employees, such as planks and yoga, and encourages employees to exercise at a nearby gym through jogging and weight lifting.

During the period, the Group had no violations related to the provision of a safe working environment and the protection of employees from occupational hazards, and no deaths of employees due to the work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

4. Health and safety

The Group pays close attention to the safety and health of the employee. The Group strictly abide by relevant laws and regulations and has adopted a series of measures to fully ensure the health and safety of its employees. During the Reporting Period, there was no the lost work day due to work injury.

B3 Development and training

The Group attaches great importance to the diversified development of employees, actively promotes daily communication, and promotes the development of employees through the formulation of strict training plans, so as to make full use of their strengths. The Group focuses on the leadership and management function training for senior staff to expand their international vision and improve their change management ability, strategic analysis ability, operation and management ability, business collaboration ability, risk prevention ability, comprehensive humanistic quality, etc., in an effort to cultivate high-quality enterprise operation managers. The Group focuses on the executive ability and professional skills training of middle-level staff, and strives to improve their professional theoretical level, business executive ability, organizational openness ability, business innovation ability, etc. The Group focuses on professional and general skills training for entry level employees, strengthens the training in business operation, working process and rules and regulations, and improves their professional communication ability, customer service ability, team cooperation ability, office operation ability, etc. During the Reporting Period, the Company held more than 20 internal trainings, including sales of TV series, screening of scripts, production of new TV series, client maintenance, supplier selection, capital market and induction training for new employees. The training centered on the work requirements of employees and the needs for business development. Certain staff were selected by the Company to participate in more than 20 external trainings organized by industry associations, the television and film base in Haining, Zhejiang Province, etc. The training mainly focused on the following aspects: TV series and film production, film and television festival, current development and trend of short videos, “**Belt and Road Initiative**” film and television co-operation, capital market and film and television enterprises, analysis on new policies by radio and television administration, seminar with TV screenwriters, etc.

	Classification	%/hour in 2023
Percentage of trained employees by gender	Male	50%
	Female	50%
Percentage of trained employees by employee category	Senior management	40%
	Middle management	30%
	Entry level employees	30%
Average training hours per employees by gender	Male	35 hours/person
	Female	35 hours/person
Average training hours per employees by employee category	Senior management	40 hours/person
	Middle management	35 hours/person
	Entry level employees	25 hours/person

B4 Labor standards

The Group has formulated the Employee Recruitment Management System, which is applicable to the recruitment of all employees of the Company.

In accordance with the requirements of this system, the recruitment of the Group shall follow the principle of fairness. For any position of the Group, promotion from within the Group shall be considered first, and then open recruitment to the society shall be considered. In the process of recruitment assessment, depending on the demand of the positions, the candidates with the knowledge, experience and skills of relevant positions will be recruited on a selective basis, which focuses on their educational background, work experience and comprehensive quality.

When applying for a position, employees should submit their resumes, copies of ID cards and other documents to the human resources department for filing. The human resources department will also contact the former employers of the candidates for reference. After the successful recruitment, the employee shall sign the labor contract, employee confidentiality agreement, employee integrity guarantee and other documents with the Group. The labor contract, the employee confidentiality agreement and the employee integrity guarantee shall be signed by the Company and the employee on the basis of voluntary equality and consensus through consultation and shall have legal effect. Both the Company and the employee shall abide by the terms provided therein.

The Group is in strict compliance with the labor regulatory requirements to prohibit child labor and forced labor and provide employees with reasonable holidays. The Group prohibits child labor by taking measures to prevent it from occurring by examining identity documents during the recruitment process and onboarding process. During the Reporting Period, the Group was not aware of any incidents of non-compliance with labor standards such as hiring child labor and forced labor.

B5 Supply chain management

Due to its business nature, the Group has no fixed supplier in respect of its business. In the selection of partners, the Group would fully consider the business reputation of suppliers and whether they had any illegal acts, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on suppliers against specific standards such as their ability, experience, qualification, reputation, financial condition and quality assurance system.

During the Reporting Period, the Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.

The Group encourages and expects business partners to adhere to the same ethical standards shared by the Group. Before the formal start of cooperation, the Group makes a comprehensive evaluation of business partners according to various criteria.

Currently, the Group is primarily engaged in the business of licensing the broadcasting rights of self-produced and outright-purchased drama series. Purchases made by the Group consist of three main categories, namely, raw materials (i.e., outright-purchased scripts), fixed assets (including those used in production and office equipment) and office supplies (including those for department use and individual use).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

During the Reporting Period, the Group had a total of 66 suppliers, all located in Mainland China.

B6 Product responsibility

The Group has actively performed its society responsibility as an enterprise citizen, maintained legal rights and interests, done well in investor education and service, continuously improved the construction of customer service system, improved customer service capacity and attached importance to customer information security. The Group respects and protects intellectual property rights and uses authorized products, such as scripts, within the stipulated scope of the contract. The Group strictly abides by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》). The product promotion and publicity of the Group are in compliance with relevant regulations. The Group also takes advantage of relevant laws to safeguard its legitimate rights and interests.

The Group is engaged in investment in the film and TV series and other related business, and thus highly values the maintenance and protection of intellectual property, including confidentiality and information sharing management. The Group includes certain terms in media investment agreements and other relevant cooperation agreements to protect the Group's rights in the TV series and/or web series in which we invest, including the income right, distribution right and copyrights in the relevant works.

The Group insists on meeting customers' demands, improving the construction of customer service system and enhancing customer service ability. Having customer demand as the direction of film and television investment and production, the Group increases innovation efforts to provide customers with diversified TV series products. As the Group's primary business is drama series distribution, we do not involve recalling products for safety and health reasons.

In 2024, the Company proactively addressed customers' problems in a timely manner by carrying out major daily works, such as customer consultation, customer response, customer complaint etc. Meanwhile, through communication with customers, we timely discovered problems in the service process and system and reflected them to the relevant departments. In 2024, the Company responded to customers for over 20 times, and the satisfaction rate of customers was almost 100%. As to minor matters with which customers are not satisfied, the Company carried out follow-up inspection, timely corrected the problems occurred during the services provided for customers and prevented the reoccurrence of such problems. Meanwhile, based on the problems raised by customers, the Company analyzed the behavioral habits of customers, sorted out the common problems among customers and serviced our customers even before they need.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to products and intellectual property rights that had a significant impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

The Group is committed to protecting the privacy of its customers in every aspect of our operation. In compliance with the laws, regulations and ordinances, such as the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), we avoid the risk of privacy leakage and build a safe and orderly operating environment by continuously improving the Group's internal relevant systems and taking multiple measures to effectively fulfil our due confidentiality responsibilities. A project manager in each department is responsible for protecting the privacy of its customers to ensure effective protection of customer information.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to privacy protection.

B7 Anti-corruption

Pursuant to relevant provisions on bribery, blackmail, fraud and money laundering under the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), the Group has established a specific anti-corruption policy with systemic anti-corruption documents such as the application form of conflict of interests. The Group focuses on enhancing supervision and improves system construction.

In particular, the Group has continued to enhance the regulations on management personnel, strictly implemented the responsibility for building Party's moral integrity, and strengthened clean and honest operation and management for all levels of employees. The Group has particularly strengthened the supervision and inspection on key areas such as fees and expenditure. The Company has strengthened the moral integrity supervision mechanism, developed and improved the series of work systems for party's integrity, improved the work process of supervision and discipline, and expanded the channels for receiving letters and visits.

In order to raise the awareness of anti-corruption among the Group's employees, the management of the Group has actively promoted the anti-fraud policy and related measures, and provides training for employees on laws and regulations, which mainly include: 1. strict compliance with laws and regulations and related requirements of the Group by directors, supervisors and management of the Group; and 2. promoting anti-fraud policy through employee manual, promotion or networking to ensure all employees receive training on laws and regulations as well as standards of occupational ethics. In 2023, the Group did not provide anti-corruption training to its directors and employees. In the future, we will continue to strengthen internal anti-corruption management and gradually expand it to the board of directors.

During the Reporting Period, there has been no case of non-compliance with respect to corruption that had a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (continued)

B8 Community investment

The Group is actively committed to corporate social responsibilities. The Group encourages the employees to participate in beneficial activities to make contribution to society.

In the future, the Group will also adhere to carry out diversified public welfare activities through multiple channels.

V. REGULATORY COMPLIANCE

The Group observes closely the laws and regulations relevant to our businesses and makes efforts to meeting regulatory compliance. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly. Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group. During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas including environmental protection, employment and labour practices and operating practices.

VI. CONCLUSION

The Group has conducted the ESG report in accordance with the Environmental, Social, Governmental Reporting Guide (Appendix C2 of the Listing Rules), all the information available for the Reporting Period are included in this ESG report. The Group strives to continue the ESG reporting on an annual basis and to improve on policies and procedures to the management, measurement and monitoring system of the ESG related strategies that will facilitate a more sustainable business growth.

REPORT OF THE DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

GLOBAL OFFERING

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 11 March 2019. The Company carried out the global offering, comprising 250,000,000 Shares at HK\$0.50 per Share and the Shares were listed on the Stock Exchange on the Listing Date.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the Group is principally engaged in the business of (i) licensing of broadcasting rights of TV or web series; (ii) investments in TV or 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 in view of their growing popularity.

RESULTS

The consolidated results of the Group for the year ended 31 December 2024 are set out on pages 76 to 82 of this annual report.

DIVIDENDS

As set out under the paragraph headed “Final Dividend” in the section headed “Management Discussion and Analysis” of this annual report, the Board does not recommend the payment of final dividends by the Company for the year ended 31 December 2024 (2023: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2024 and the discussion regarding the future business development of the Group are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

FINANCIAL SUMMARY

The summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from our Company’s audited consolidated financial statements and the Prospectus, is set out on page 144 of this annual report. This summary does not form part of the audited consolidated financial statements.

RISKS AND UNCERTAINTIES

An analysis of the Group’s financial risk management (including credit risk, interest rate risk and liquidity risk) is provided in note 30 to the consolidated financial statements. Other risks facing the Group are set out in the section headed “Risk Factors” of the Prospectus.

REPORT OF THE DIRECTORS (continued)

ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

The analysis of the Group's performance for the year ended 31 December 2024 with key financial performance indicators is set out under the paragraphs headed "Financial Review" and "Capital Structure, Liquidity and Financial Resources" in the section headed "Management Discussion and Analysis" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to contributing to the sustainability of the environment and is committed to becoming an environmentally-friendly corporation. Details of environmental policies and performance are set out in the section of "Environmental, Social and Governance Report" on page 39 to 54 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2024, sales to the Group's five largest customers accounted for 82.7% of the total sales for the year and sales to the largest customer included therein amounted to 58.2%. During the year ended 31 December 2024, purchases from the Group's five largest suppliers accounted for 99.6% of the total purchases for the year and purchase from the largest supplier included therein amounted to 47.6%. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers during the year ended 31 December 2024.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 December 2024 are set out in note 4 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVE

Accumulated losses of the Group amounted to RMB249.7 million for the year ended 31 December 2024 (for the year ended 31 December 2023: accumulated losses of RMB151.3 million).

Details of the movements in reserves during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended 31 December 2024 and details of the shares issued during the year ended 31 December 2024 are set out in note 22 to the consolidated financial statements.

REPORT OF THE DIRECTORS (continued)

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed “Share Option Scheme” on page 64 of this annual report, the Company has not entered into any equity-linked agreement for the year ended 31 December 2024.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2024 are set out in note 13 to the consolidated financial statements.

BORROWINGS

The Group did not have borrowings at the end of the Reporting Period (31 December 2023: 0.2 million).

DIRECTORS

The composition of the Board during the year ended 31 December 2024 and up to the date of this annual report is as follows:

Executive Directors

Mr. LIU Naiyue (*Chairman*)
Ms. CAI Xiaoxin (*Chief Executive Officer*)
Ms. LIU Peiyao
Ms. LI Fang
Mr. QU Guohui
Mr. LIU Tieqiang

Non-Executive Directors

Mr. SHAO Hui
Ms. SHEN Yi (*resigned with effect from 23 September 2024*)

Independent Non-Executive Directors

Mr. XIAN Guoming
Mr. ZHONG Mingshan
Mr. XU Zongzheng
Ms. LIU Jingping

REPORT OF THE DIRECTORS (continued)

According to article 84(1) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, according to article 83(3) of the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the next following annual general meeting of the Company. All retiring Directors shall then be eligible for re-election at the annual general meeting.

Accordingly, Ms. Liu Peiyao, Mr. Xu Zongzheng, Ms. Cai Xiaoxin and Mr. Liu Tieqiang would be subject to re-election at the forthcoming annual general meeting in accordance with the article 84(1) of the Articles of Association of the Company respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years commencing from the date of appointment. Any executive Directors or the Company may terminate the contract by a prior written notice of at least three months or one month. The appointment of an executive Director shall be in accordance with the requirements on directors' retirement by rotation under the Articles of Association of the Company. Each of the non-executive Directors and the independent non-executive Directors has signed a letter of appointment with the Company with an initial term of three years commencing from the date of appointment. In accordance with their respective letters of appointment, the independent non-executive Directors are entitled to receive a fixed amount of director's emoluments. Relevant appointment shall be in accordance with the requirements on directors' retirement by rotation under the Articles of Association of the Company and applicable Listing Rules. Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Following the expiration of the letter of appointment dated 27 August 2021 entered into between Ms. Cai Xiaoxin ("**Ms. Cai**") and the Company, under which Ms. Cai was appointed as the chief executive officer of the Company, Ms. Cai and the Company entered into another letter of appointment dated 27 August 2024 for a term of three years commencing on 27 August 2024. The other terms of the letter of appointment dated 27 August 2024 are the same as the letter of appointment dated 27 August 2021.

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

During the year ended 31 December 2024, save as disclosed on page 23 and the sections headed "Directors and Senior Management" and "Directors' Service Contracts and Letters of Appointment" of this annual report, there was no change to the information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules where applicable.

REPORT OF THE DIRECTORS (continued)

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that, amongst others, the Directors and other officers of the Company acting or who have acted in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2024 and remained in force as of the date of this annual report. The insurance coverage will be reviewed on an annual basis.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Other than disclosed in the section headed "Related Party Transactions" in note 27 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2024.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements.

EMOLUMENT POLICY

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out below in the section headed "Share Option Scheme".

Details of the retirement benefits scheme are set out below in the section headed "Retirement Benefits Scheme".

RETIREMENT BENEFITS SCHEME

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Group are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

REPORT OF THE DIRECTORS (continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 December 2024, 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 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 Director	Nature of interest/Capacity	As at 31 December 2024	
		Number of shares held (L) (Note 1)	Approximate percentage of shareholding
Mr. Liu Naiyue	Interest of a controlled corporation (Note 2)	239,002,500	23.04%
Ms. Liu Peiyao	Interest of a controlled corporation (Note 2)	239,002,500	23.04%
Mr. Shao Hui	Interest of a controlled corporation (Note 3)	100,622,500	9.69%

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.

REPORT OF THE DIRECTORS (continued)

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2024, 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 of 31 December 2024, 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 31 December 2024	
		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%
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%

REPORT OF THE DIRECTORS (continued)

Name	Capacity/Nature of interest	As at 31 December 2024	
		Number of Shares	Approximate percentage of shareholding
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%
Mr. Xu Jun (Note 7)	Interest of a controlled corporation	86,872,500	8.37%
Ms. Zhang Hui (Note 8)	Interest of spouse	86,872,500	8.37%
SYT Investment Limited	Beneficial owner	70,002,500	6.74%
Mr. Sun Xianliang (Note 9)	Interest of a controlled corporation	70,002,500	6.74%
Ms. Yu Jinmei (Note 10)	Interest of spouse	70,002,500	6.74%
Jinping Holding Limited	Beneficial owner	54,997,500	5.30%
Ms. Jin Ping (Note 11)	Interest of a controlled corporation	54,997,500	5.30%
Mr. Yao Changhui (Note 12)	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.

REPORT OF THE DIRECTORS (continued)

- (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 60 of this annual report.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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 31 December 2024, 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.

REPORT OF THE DIRECTORS (continued)

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed “Related Party Transactions” stated in note 27 to the consolidated financial statements, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling Shareholder of the Company, or any of its subsidiaries, during the year ended 31 December 2024.

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 4 years and 8 months. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. 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 “4. Share Option Scheme” in Appendix IV to the Prospectus.

No share options had been granted or agreed to be granted, exercised, cancelled, expired or lapsed under the Share Option Scheme as at the date of this annual report. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at the date of this annual 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 annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

REPORT OF THE DIRECTORS (continued)

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Contractual Arrangements

Background

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV or web series; (ii) investments in TV or 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 in view of their growing popularity. The Group conducts its business and investment through its Consolidated Affiliated Entities (as defined below), which hold the requisite permit and approval required for our business, including the Licence to Produce and Distribute Radio or Television Programmes. Under the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in any enterprise conducting the production and operation (including distribution of TV series) of TV series or any enterprise conducting the film production business. As a result, the Company is not able to acquire and hold the equity interest in the Consolidated Affiliated Entities under the applicable PRC laws and regulations. As a result of the foregoing, on 26 June 2019, the Company entered into a series of Contractual Arrangements (as defined below) with Values Culture and the Relevant Shareholders (as defined below) through WFOE (as defined below) to conduct the business of production and distribution of and investment in TV series and films in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of, the Consolidated Affiliated Entities. The agreements underlying such Contractual Arrangements which were in place during the year ended 31 December 2024 include:

- (a) the exclusive business co-operation agreement (獨家業務合作協議) dated 26 June 2019 entered into between WFOE and Values Culture, pursuant to which Values Culture agreed to engage WFOE as its exclusive provider of technical support, consultation and other services. The details of the agreement is described in the paragraph headed "Contractual Arrangements – Details of the Contractual Arrangements – Exclusive Business Co-operation Agreement" in the Prospectus;
- (b) the exclusive option agreement (獨家購買權協議) dated 26 June 2019 entered into among WFOE, Values Culture and the Relevant Shareholders, pursuant to which the Relevant Shareholders and Values Culture jointly and severally granted irrevocably to WFOE the rights to require the Relevant Shareholders to transfer any or all their equity interests and/or assets in Values Culture to WFOE and/or its nominee(s), in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The details of the agreement is described in the paragraph headed "Contractual Arrangements – Details of the Contractual Arrangements – Exclusive Option Agreement" in the Prospectus;

REPORT OF THE DIRECTORS (continued)

- (c) the equity pledge agreement (股權質押協議) dated 26 June 2019 entered into among WFOE, Values Culture and the Relevant Shareholders, pursuant to which each of the Relevant Shareholders agreed to pledge all of their respective equity interests in Values Culture to WFOE as a security interest to guarantee (i) the payment of service fee and interest under the Contractual Arrangements; (ii) performance of all other obligations under the Contractual Arrangements; and (iii) other payment obligations arising from or in connection with the Contractual Arrangements, including but not limited to liquidated damages, compensations and each expense for the realisation of the pledge. The details of the agreement is described in the paragraph headed "Contractual Arrangements – Details of the Contractual Arrangements – Equity Pledge Agreement" in the Prospectus;
- (d) the shareholders' rights proxy agreement (股東權利委託協議) dated 26 June 2019 entered into among WFOE, Values Culture and the Relevant Shareholders, pursuant to which each Relevant Shareholder irrevocably appoints WFOE and/or its nominee(s) to exercise such shareholder's rights in Values Culture. The details of the agreement is described in the paragraph headed "Contractual Arrangements – Details of the Contractual Arrangements – Shareholders' Rights Proxy Agreement" in the Prospectus;

"Consolidated Affiliated Entities" means the entities we control through the Contractual Arrangements, namely Values Culture and its subsidiaries.

"Contractual Arrangements" means a series of contractual arrangements entered into among Values Culture, WFOE and the registered shareholders of Values Culture.

"WFOE" means Haining Fanning, a company established in the PRC with limited liability on 27 May 2019 and an indirect wholly-owned subsidiary of our Company.

"Relevant Shareholders" means the registered shareholders of Values Culture consisting of the following persons and entities: Bai Yang (白陽), Suiyong Holdings Company Limited* (穗甬控股有限公司), Xu Jun (許軍), 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)), Liu Peiyao (劉佩瑤), Jin Ping (金萍), Wu Tao (吳濤), Sun Xianliang (孫賢亮), Liu Naiyue (劉乃岳), Yang Yanli (楊豔麗), Wei Xian (魏賢), Liu Wenqing (劉文清), Xie Ting (謝婷), Yu Fenghui (于鳳輝), Lin Xin (林欣), Hu Wangdong (胡望東), Wang Jianlin (王建林), Zhang Dongying (張東影), Tan Xu (譚栩), Li Yan (李岩), Sun Fuqiu (孫福秋), Liu Jinglei (劉驚雷), Li Zhongyin (李忠銀), Zhu Hui (朱卉), Lu Ying (魯瑩), Zhang Hui (張輝) and Wang Haiting (王海婷).

No service fee was paid by Values Culture to WFOE pursuant to the exclusive business co-operation agreement for the year ended 31 December 2024.

The revenue and net loss of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB4.1 million and RMB98.3 million for the year ended 31 December 2024, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB100.0 million and RMB21.8 million as at 31 December 2024, respectively.

REPORT OF THE DIRECTORS (continued)

Risks associated with the Contractual Arrangements and measures taken to mitigate the risks

For risks associated with the Contractual Arrangements, please see the section headed “Risk Factors – Risks Relating to the Contractual Arrangements” in the Prospectus for details. For measures taken by the Group to mitigate the risks associated with the Contractual Arrangements, please see the section headed “Contractual Arrangements – Compliance with the Contractual Arrangements” in the Prospectus for details.

Material change in relation to the Contractual Arrangements

During the year ended 31 December 2024, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of the Consolidated Affiliated Entities to be operated without the Contractual Arrangements. However, for the year ended 31 December 2024, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted waivers to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements and the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by Values Culture and any member of the Group. For details, please refer to the section “Waivers from strict compliance with the Listing Rules” in the Prospectus.

Save as disclosed above and/or otherwise waived by the Stock Exchange, during the year ended 31 December 2024, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

ANNUAL REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS AND THE AUDITOR

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2024 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group;

REPORT OF THE DIRECTORS (continued)

- (c) no new contracts had been entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The Auditors has reviewed and advised the Board in writing that the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period has nothing come to their attention that causes them to believe (i) the transactions have not been approved by the Board; (ii) the transactions had not been entered into, in all material respects, in accordance with the relevant Contractual Arrangements, and (iii) that dividends or other distributions had been made by the Consolidated Affiliated Entities to the holders of the equity interests which were not otherwise subsequently assigned or transferred to the Group.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2024 are set out in note 27 to the consolidated financial statements contained herein. None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the year.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

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 2025, the register of members of the Company will be closed from 27 May 2025 to 30 May 2025 (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 26 May 2025.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share as at the latest practicable date prior to the issue of this annual report.

REPORT OF THE DIRECTORS (continued)

CORPORATE GOVERNANCE

The details of the Company's corporate governance practices are set out in the section headed "Corporate Government Report" on pages 21 to 38 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in the section headed "Management Discussion and Analysis" of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2024 and up to the date of this annual report.

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 2024 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.

AUDITOR

The consolidated financial statements have been audited by Ernst & Young, Certified Public Accountants, who will retire and, being eligible, offered themselves for re-appointment as auditors of the Company at the forthcoming annual general meeting. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Liu Naiyue
Chairman and Executive Director
Hong Kong, 28 March 2025

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road,
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Values Cultural Investment Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Values Cultural Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 143, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories to net realisable value <p>As at 31 December 2024, the book value of the Group's inventories amounted to RMB47,470,000, and inventory provision of RMB37,125,000 was recognised during the year ended 31 December 2024.</p> <p>The Group's management reviewed the conditions of inventories of the Group and made provision for obsolete and slow-moving inventory items. The Group carried out an inventory review on a project-by-project basis at the end of each reporting period.</p> <p>Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing TV series of a similar nature.</p> <p>The Group applied significant judgement in determining the appropriate revenues and forecasted costs/expenses of the TV series. In making such assessment, management considered factors such as future market conditions, latest regulatory and other conditions which may affect the future production and distribution plans.</p> <p>The Group's disclosures regarding the write-down of inventories are included in note 2.4 <i>Material accounting policies</i>, note 3 <i>Significant accounting judgements and estimates</i> and note 16 <i>Inventories</i> to the financial statements.</p>	<p>Our audit procedures to assess impairment provision of inventories included:</p> <ul style="list-style-type: none">– obtaining an understanding of and evaluating the design and operating effectiveness of the internal controls over the impairment assessment of inventories;– evaluating the appropriateness of the methodology used by management to determine the net realisable value of inventories with reference to the requirements of the applicable accounting standards;– comparing the expected revenue to be generated by the TV series through inspection of the preliminary agreements or related business communications with potential customers, such as television channels, or the available revenue of similar TV series;– comparing the forecasted costs/expenses during the production and promotion of TV series with historical information; and– evaluating the historical accuracy of impairment assessment of inventories to assess the effectiveness of management's estimation process by comparing the carrying amounts in the prior period against the actual performance during the year.

INDEPENDENT AUDITOR'S REPORT (continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of trade receivables</p> <p>As at 31 December 2024, the net carrying value of the Group's trade receivables amounted to RMB10,108,000, after netting off with an impairment provision of RMB157,579,000, representing 10.1% of the Group's total assets.</p> <p>The impairment of trade receivables was assessed based on the expected credit loss model. The assessment of expected credit losses for trade receivables was performed at 31 December 2024 using the simplified approach which involved significant management's judgement and estimation including the assessment of expected credit loss rate of peer companies, customers' current financial positions and forward-looking information. The assessment was highly judgmental.</p> <p>The Group's disclosures about trade receivables are included in note 2.4 <i>Material accounting policies</i>, note 3 <i>Significant accounting judgements and estimates</i> and note 17 <i>Trade receivables to the financial statements</i>, which specifically explain the accounting policies, management's estimates, the overdue receivables and the related provision.</p>	<p>Our audit procedures to assess impairment of trade receivables included:</p> <ul style="list-style-type: none">– evaluating the Group's provision policy to assess whether the provision methodology was in accordance with HKFRS 9;– evaluating management's assessment of the recoverability of the receivables by reviewing the reasonable analyses of the ageing of the receivables, the cash collection records during the year and whether collections had been received subsequent to the year end to obtain the understanding of the current condition of the receivables and any long outstanding amounts;– reviewing historical payment patterns and historical provisions along with other macroeconomic information of the receivables, any disputes between the parties involved and the correspondence with customers on expected settlement dates;– discussing with management to obtain the understanding of the nature and the judgement involved in estimating the expected credit loss provision for trade receivables;– reviewing the estimates used to determine the expected credit losses by considering cash collection performance against historical trends and the forward-looking adjustments used in the simplified approach and checking the mathematical accuracy of the calculations; and– reviewing the related disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Report of Directors, the Corporate Governance Report and the Environmental, Social and Governance Report which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Chairman's Statement, the Report of Directors, the Corporate Governance Report and the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	4,123	62,914
Cost of sales		(43,024)	(124,010)
Gross loss		(38,901)	(61,096)
Other income and gains	5	484	1,075
Selling and distribution expenses		(1,239)	(4,348)
Administrative expenses		(14,741)	(14,374)
Impairment losses on financial assets		(31,019)	(12,396)
Finance costs	7	(243)	(346)
Share of losses of an associate		(2,308)	(1,142)
Other expenses		(10,170)	(6,535)
LOSS BEFORE TAX	6	(98,137)	(99,162)
Income tax expense	10	(179)	(282)
LOSS FOR THE YEAR		(98,316)	(99,444)
Attributable to:			
Owners of the parent		(98,316)	(99,444)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	12	(RMB9.48 cents)	(RMB9.58 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
LOSS FOR THE YEAR	(98,316)	(99,444)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,714)	(955)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(1,714)	(955)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	1,872	1,250
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	1,872	1,250
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	158	295
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(98,158)	(99,149)
Attributable to:		
Owners of the parent	(98,158)	(99,149)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	72	163
Prepayments, other receivables and other assets	18	19	38
Right-of-use assets	14	884	145
Investments in an associate	15	–	5,858
Total non-current assets		975	6,204
CURRENT ASSETS			
Inventories	16	47,470	72,412
Trade receivables	17	10,108	52,845
Prepayments, other receivables and other assets	18	20,772	30,466
Cash and cash equivalents	19	20,705	42,673
Total current assets		99,055	198,396
CURRENT LIABILITIES			
Trade payables	20	2,829	8,078
Other payables and accruals	21	7,384	7,580
Interest-bearing borrowings		–	2,480
Tax payable		7,900	7,838
Financial liabilities at fair value through profit or loss		–	290
Lease liabilities	14	766	–
Total current liabilities		18,879	26,266
NET CURRENT ASSETS		80,176	172,130
TOTAL ASSETS LESS CURRENT LIABILITIES		81,151	178,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals	21	2,878	1,903
Total non-current liabilities		2,878	1,903
Net assets		78,273	176,431
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	36	36
Reserves	23	78,237	176,395
Total equity		78,273	176,431

Liu Naiyue
Director

Cai Xiaoxin
Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent					Total equity RMB'000
	Share capital RMB'000 (note 22)	Capital reserve* RMB'000 (note 23)	Statutory surplus reserve* RMB'000 (note 23)	Exchange fluctuation reserve* RMB'000 (note 23)	Accumulated losses* RMB'000	
At 1 January 2023	36	312,834	15,233	(623)	(51,900)	275,580
Loss for the year	–	–	–	–	(99,444)	(99,444)
Other comprehensive income for the year:						
Exchange differences on translation of functional currency to presentation currency	–	–	–	295	–	295
Total comprehensive loss for the year	–	–	–	295	(99,444)	(99,149)
At 31 December 2023	36	312,834	15,233	(328)	(151,344)	176,431
At 1 January 2024	36	312,834	15,233	(328)	(151,344)	176,431
Loss for the year	–	–	–	–	(98,316)	(98,316)
Other comprehensive income for the year:						
Exchange differences on translation of functional currency to presentation currency	–	–	–	158	–	158
Total comprehensive loss for the year	–	–	–	158	(98,316)	(98,158)
At 31 December 2024	36	312,834	15,233	(170)	(249,660)	78,273

* These reserve accounts comprise the consolidated reserves of RMB78,237,000 (2023: RMB176,395,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(98,137)	(99,162)
Adjustments for:			
Share of losses of an associate		2,308	1,142
Depreciation of property, plant and equipment	13	91	97
Depreciation of right-of-use assets	14(a)	776	872
Amortisation of long-term deferred expenses		19	26
Finance costs	7	243	346
Write-down of inventories to net realisable value		37,125	17,665
Impairment of trade receivables	17	31,019	12,396
Impairment of prepayments under the co-investment arrangement with copyrights	18	6,608	6,490
Impairment of an investment in an associate	15	3,550	–
		(16,398)	(60,128)
(Increase)/decrease in inventories		(4,182)	47,465
Decrease/(increase) in trade receivables		11,718	(25,777)
(Increase)/decrease in prepayments, other receivables and deposits		(4,414)	43,292
(Decrease)/increase in financial liabilities at fair value through profit or loss		(290)	290
Increase/(decrease) in contract liabilities		1,001	(9,273)
(Decrease)/increase in trade payables		(5,249)	5,215
(Decrease)/increase in other payables and accruals		(222)	3,321
Cash (used in)/generated from operations		(18,036)	4,405
Income tax paid		(118)	(76)
Net cash flows (used in)/generated from operating activities		(18,154)	4,329
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		–	(101)
Advances of a loan to a third party		(500)	–
Net cash flows used in investing activities		(500)	(101)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings from a third party		(2,000)	–
Interest paid		(723)	(17)
Principal portion of lease payments	25(b)	(749)	(883)
Net cash flows used in financing activities		(3,472)	(900)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		42,673	39,050
Effect of foreign exchange rate changes, net		158	295
CASH AND CASH EQUIVALENTS AT END OF YEAR		20,705	42,673
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	20,705	42,673
Cash and cash equivalents as stated in the consolidated statement of cash flows		20,705	42,673

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2024

1. CORPORATE AND GROUP 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the		Principal activities
			Company Direct	Indirect	
YS Cultural Investment Limited	British Virgin Islands 20 March 2019	US\$1	100%	–	Investment holding
Haining Fanning Television Planning Company Limited* ("WFOE") (海寧泛寧影視策劃有限公司) (note (a))	People's Republic of China ("PRC")/Mainland China 27 May 2019	HK\$150,000,000	–	100%	Investment holding
Values Culture Media Co., Ltd. *^ ("Values Culture") (海寧原石文化傳媒股份有限公司)	PRC/Mainland China 14 November 2013	RMB150,000,000	–	100%	Investments in and production, distribution and licensing of TV series and web series
Beijing Values Culture Media Co., Ltd. *^ ("Beijing Values") (北京原石文化傳媒有限公司)	PRC/Mainland China 3 April 2014	RMB3,000,000	–	100%	Investments in and production, distribution and licensing of TV series
Khorgas Values Culture Media Co., Ltd. *^ ("Khorgas Values") (霍爾果斯原石文化傳媒有限公司)	PRC/Mainland China 29 December 2016	RMB6,000,000	–	100%	Investments in and production and distribution and licensing of TV series
Khorgas Ming Yao Television Culture Media Co., Ltd. *^ ("Khorgas Ming Yao") (霍爾果斯銘耀影視文化傳媒有限公司)	PRC/Mainland China 7 September 2020	RMB5,000,000	–	100%	Investments in and distribution and licensing of TV series

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Note:

- (a) This entity is registered as a wholly-foreign-owned enterprise under PRC law.
- * The English names of these entities registered in the PRC represent the best efforts made by management of the Company to directly translate their Chinese names as they did not register any official English names.
- ^ Due to regulatory prohibitions on foreign ownership in the production, distribution and licensing of TV series business in the Mainland China, the principal business carried out by Values Culture, Beijing Values, Khorgas Values and Khorgas Ming Yao (the "Consolidated Affiliated Entities") was prohibited or restricted from foreign ownership. The wholly-owned subsidiary of the Company, WFOE, has entered into a series of Contractual Arrangements (the "Contractual Arrangements") with the Consolidated Affiliated Entities and their respective equity holders (hereafter referred to as the "Registered Shareholders"). The Contractual Arrangements enable WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and consolidated the assets, liabilities and results of operations of Consolidated Affiliated Entities in the financial statements of the Group. The Consolidated Affiliated Entities are owned through Contractual Arrangements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for financial liabilities 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.

Going concern assumption

During the year ended 31 December 2024, the Group recorded a total loss of RMB98,316,000 and a net cash outflow from operating of RMB18,154,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due.

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period and a controlling shareholder has confirmed to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Going concern assumption (Continued)

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

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 2024. 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 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 the related assets (including goodwill), any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing HKFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing HKFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its financial instruments at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Electronic equipment	3 years
Office equipment	5 years
Leasehold improvements	2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office room

2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

- (c) Short-term lease and lease of low-value assets

The Group applies the short-term lease recognition exemption (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group is mainly involved in the licensing of broadcasting rights of TV series and web series. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Licensing of broadcasting rights of TV series and web series

Revenue from the licensing of broadcasting rights of TV series and web series is recognised at the point in time when the series are available to the licences, generally on delivery of the TV series after the approval from the National Radio and Television Administration of the PRC ("NRTA") when a customer is provided with a right to use the TV or web series as it exists at the point in time at which the licence is granted. The Group does not expect to have any contracts where the period between the transfer of the licenced series to the customer and the payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from other sources

Net licence fee received from investment in TV or web series as non-executive producer is recognised when the investors' right to receive payment has been established, it is probable that the economic benefits associated with the investment income will flow to the Group and the amount can be measured reliably.

The Group invests in certain web series where the Group is only entitled to the right for revenue sharing and some third-party investors invest in certain web series of the Group for the entitlement of the right for revenue sharing. The Group accounts for these arrangements as financial assets and financial liabilities at fair value through profit or loss respectively. Revenue of these arrangements is measured at the changes in fair values of the financial assets and financial liabilities.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for certain of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" above.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- | | | |
|---------|---|--|
| Stage 1 | – | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing borrowings and financial liabilities at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Inventories

Inventories include the cost of completed TV series, TV series in production and undeveloped scripts and purchased copyrights or broadcasting rights of TV series. Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses.

The amount of inventories recognised as cost of sales for a given period is determined using the TV series forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the TV series' revenues recognised for such period to the TV series' estimated ultimate revenues (i.e., the total revenue to be received throughout the life cycle of the TV series).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories (Continued)

Co-investment arrangements

The Group participates in co-investment arrangements. Details of which are disclosed as follows:

Under the co-investment arrangements, where the Group acts as an executive producer, the Group and all other co-investors share the copyrights and interests of the TV series based on the investment portion and each party bears the risk for its own shares of copyrights and interests. The amounts received from such co-investors are recognised as reductions of the costs of the TV series.

The Group also participates in co-investment arrangements led by other parties. If the Group obtains shares of the copyrights and interests of the TV series based on the investment portion, the amount paid by the Group is recognised as “prepayments under the co-investment arrangements” and reclassified as “inventories” upon the receipt of the license for distribution of TV series.

For co-investment arrangements where the Group is not entitled to the share of copyrights but is only entitled to the share of the licensing revenue based on the investment portion, the amount paid is recognised as financial assets with subsequent changes in fair value recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Foreign currencies

These financial statements are presented in RMB, which is different than the Company’s functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and an overseas subsidiary are currencies other than the RMB. As at the end of the year, the assets and liabilities of the Company and an overseas subsidiary are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transaction.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB95,427,000(2023: RMB81,477,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the loss and equity would have decreased and increased respectively by RMB86,372,000.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision and write-down of inventories to net realisable value

The Group's management reviews the conditions of inventories of the Group and make provision for obsolete and slow-moving inventory items. 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. Net realisable value of inventories is the estimated selling price in the ordinary business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of producing and distributing TV series of a similar nature. The Group's management reassesses the estimation at the end of each reporting period.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical expected default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as the debtors and the economic environment. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statement.

Provision for expected credit losses on other receivables

The Group has applied the general approach to provide for expected credit losses for other receivables and considered the default event, historical loss rate and adjusted for forward looking macroeconomic data in calculating the expected credit loss rate, details of which are set out in note 18 to the financial statement.

The amortisation of inventories

The amount of inventories recognised as costs of sales for a given period is determined using the television forecast computation method. Under this method, the amortisation of inventories and the accrual of participations and residuals are based on the proportion of the TV series' revenues recognised for such period to the TV series' estimated revenues (i.e., the total revenue to be received throughout the life cycle of the TV series).

Management regularly reviews the basis of the amortisation and will adjust the amortisation method when the expected changes in the TV series' estimated revenues arise.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

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:

	2024 RMB'000	2023 RMB'000
Customer 1	2,399	14,997
Customer 2	593	N/A*
Customer 3	N/A*	14,119
Customer 4	N/A*	9,340
Customer 5	N/A*	7,800

* 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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
<i>Revenue from contracts with customers</i>	3,133	42,682
<i>Revenue from other sources</i>		
Net licence fee received from investments in TV or web series as non-executive producer	990	14,917
Net investment income from investments in web series without share of copyrights	–	5,315
Subtotal	990	20,232
Total	4,123	62,914

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Type of service		
Licensing of broadcasting rights of TV or web series	3,133	42,682

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.

(b) Performance obligations

Licensing of broadcasting rights of TV or web series

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

Licensing of broadcasting rights of TV or web series (Continued)

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

	2024 RMB'000	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	309	395
After one year	2,878	2,878
Total	3,187	3,273

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 ten 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:

	2024 RMB'000	2023 RMB'000
Other income and gains		
Government grants		
– related to income (note (a))	436	894
Bank interest income	42	45
Others	6	136
Total other income and gains	484	1,075

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

6. LOSS BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold*		5,899	106,345
Depreciation of property, plant and equipment	13	91	97
Depreciation of right-of-use assets	14(a)	776	872
Auditor's remuneration		1,343	1,313
Lease payments not included in the measurement of lease liabilities	14(c)	256	276
Government grants	5	(436)	(894)
Bank interest income	5	(42)	(45)
Share of losses of an associate		2,308	1,142
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		3,747	3,670
Pension scheme contributions **		381	650
Staff welfare expenses		545	308
Total		4,673	4,628
Write-down of inventories to net realisable value*		37,125	17,665
Impairment of trade receivables	17	31,019	12,396
Impairment of prepayments under the co-investment arrangement with copyrights	18	6,608	6,490
Impairment of an investment in an associate***	15	3,550	–

* 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.

*** The impairment of an investment in an associate is included in "Other expenses" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on other borrowings	212	329
Interest on lease liabilities	31	17
Total	243	346

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees	389	381
Other emoluments:		
Salaries, allowances and benefit in kind	1,354	1,359
Performance related bonuses	–	–
Pension scheme contributions	86	94
Subtotal	1,440	1,453
Total	1,829	1,834

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024 RMB'000	2023 RMB'000
Mr. Xian Guoming	56	54
Mr. Xu Zongzheng	111	109
Ms. Liu Jingping	111	109
Mr. Zhong Mingshan	111	109
Total	389	381

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive

2024	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Mr. Liu Naiyue	538	54	592
Ms. Li Fang	277	17	294
Ms. Liu Peiyao	119	15	134
Mr. Qu Guohui	–	–	–
Mr. Liu Tieqiang	–	–	–
Subtotal	934	86	1,020
Non-executive directors:			
Mr. Shao Hui	–	–	–
Ms. Shen Yi*	–	–	–
Subtotal	–	–	–
Chief executive:			
Ms. Cai Xiaoxin	420	–	420
Total	1,354	86	1,440

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

2023	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Mr. Liu Naiyue	536	54	590
Ms. Li Fang	284	25	309
Ms. Liu Peiyao	119	15	134
Mr. Qu Guohui	–	–	–
Mr. Xu Jun	–	–	–
Mr. Liu Tieqiang	–	–	–
Subtotal	939	94	1,033
Non-executive directors:			
Mr. Shao Hui	–	–	–
Ms. Shen Yi*	–	–	–
Subtotal	–	–	–
Chief executive:			
Ms. Cai Xiaoxin	420	–	420
Total	1,359	94	1,453

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

* Ms. Shen Yi has resigned as a non-executive director of the Group with effect from 23 September 2024.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included the chief executive and one director (2023: the chief executive and one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	1,278	1,294
Pension scheme contributions	108	190
Total	1,386	1,484

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2024	2023
Nil to HK\$1,000,000	3	3

During the year, no remuneration was paid by the Group to the non-director and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX EXPENSE

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

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

	2024 RMB'000	2023 RMB'000
Current – Mainland China		
Charge for the year	179	206
Overprovision in prior years	–	76
Total tax charge for the year	179	282

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.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

10. INCOME TAX EXPENSE (Continued)

The statutory tax rate for the subsidiary in Hong Kong is 16.5% (2023: 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. Khorgas Ming Yao 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 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 applicable to loss before tax at the statutory tax rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	(98,137)	(99,162)
Tax at the statutory tax rate of 25% in Mainland China	(24,534)	(24,791)
Effect of tax rate differences in other jurisdictions	410	397
Adjustment in respect of current tax of previous periods	—	76
Expenses not deductible for tax	1,648	717
Losses attributable to an associate	577	286
Deductible temporary difference and tax losses not recognised	22,078	23,597
Tax charge at the Group's effective tax rate	179	282

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2023: Nil).

12. 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 RMB98,316,000 (2023: RMB99,444,000), and the weighted average number of ordinary shares of 1,037,500,000 (2023: 1,037,500,000) outstanding during the year.

The calculation of basic loss per share is based on:

	2024 RMB'000	2023 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(98,316)	(99,444)
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss 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 2024 and 2023.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2024

	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2024:				
Cost	471	175	654	1,300
Accumulated depreciation	(342)	(141)	(654)	(1,137)
Net carrying amount	129	34	–	163
At 1 January 2024, net of accumulated depreciation	129	34	–	163
Depreciation provided during the year (note 6)	(79)	(12)	–	(91)
At 31 December 2024, net of accumulated depreciation	50	22	–	72
At 31 December 2024:				
Cost	471	175	654	1,300
Accumulated depreciation	(421)	(153)	(654)	(1,228)
Net carrying amount	50	22	–	72

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2023

	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023:				
Cost	409	136	654	1,199
Accumulated depreciation	(254)	(132)	(654)	(1,040)
Net carrying amount	155	4	–	159
At 1 January 2023, net of accumulated depreciation	155	4	–	159
Additions	62	39	–	101
Depreciation provided during the year (<i>note 6</i>)	(88)	(9)	–	(97)
At 31 December 2023, net of accumulated depreciation	129	34	–	163
At 31 December 2023:				
Cost	471	175	654	1,300
Accumulated depreciation	(342)	(141)	(654)	(1,137)
Net carrying amount	129	34	–	163

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

14. LEASES

The Group as a lessee

The Group has lease contracts for office room, which generally have lease terms of 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office room RMB'000
As at 1 January 2023	1,017
Depreciation charge	(872)
As at 31 December 2023 and 1 January 2024	145
Additions	1,515
Depreciation charge	(776)
As at 31 December 2024	884

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	–	883
New leases	1,515	–
Accretion of interest recognised during the year	31	17
Payments	(780)	(900)
Carrying amount at 31 December	766	–
Analysed into:		
Current portion	766	–

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	31	17
Depreciation charge of right-of-use assets	776	872
Expense relating to short-term leases (included in administrative expenses)	256	276
Total amount recognised in profit or loss	1,063	1,165

The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 25 and note 30, respectively, to the financial statements.

15. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Share of net assets	–	2,308
Goodwill on acquisition	3,550	3,550
Total share of net assets and goodwill on acquisition	3,550	5,858
Impairment	(3,550)	–
Total	–	5,858

Particulars of the material associate are as follows:

Company	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Tongxiang Wuzhen Youxi Xinshi Cultural Innovation Park Management Co., Ltd. ("Tongxiang Wuzhen")	Ordinary shares	Mainland China	20%	20%	20%	Cultural and creative park management, cultural and artistic creative services

Investments in associates are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In view that the financial performance of an associate did not meet the expectation of the management and this associate recorded accumulated losses in the prior years, the Group performed an impairment assessment on the investment in an associate, which is identified as a single cash-generating unit.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

15. INVESTMENT IN AN ASSOCIATE (Continued)

The recoverable amount of the investment in an associate has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The post-tax discount rate applied to the cash flow projections is 15% and cash flows beyond the five-year period are extrapolated using a growth rate of 2.0%. Based on the impairment assessment, the recoverable amount of the investment in an associate amounting to nil was lower than its carrying amount as at 31 December 2024. Accordingly, the Group recognised an impairment loss on the investment in an associate of RMB3,550,000 during the year.

The following table illustrates the summarised financial information in respect of Tongxiang Wuzhen adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2024 RMB'000	2023 RMB'000
Current assets	3,697	6,183
Non-current assets	21,428	32,716
Current liabilities	(2,106)	(1,180)
Non-current liabilities	(27,306)	(26,180)
Net (liabilities)/assets	(4,287)	11,539
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	20%	20%
Group's share of net assets of the associate, excluding goodwill	—	2,308
Goodwill on acquisition	—	3,550
Carrying amount of the investment	—	5,858
Revenue	1,436	940
Loss for the year	(15,826)	(5,713)

16. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	12,945	9,030
Finished goods	34,525	63,382
Total	47,470	72,412

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

17. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	167,687	179,505
Impairment	(157,579)	(126,660)
Net carrying amount	10,108	52,845

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 receivables 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:

	2024 RMB'000	2023 RMB'000
Within 3 months	142	30,328
3 to 6 months	–	768
6 to 12 months	–	–
1 to 2 years	7,603	4,989
2 to 3 years	2,363	16,760
Total	10,108	52,845

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

	2024 RMB'000	2023 RMB'000
At beginning of year	126,660	115,769
Impairment losses, net (<i>note 6</i>)	31,019	12,396
Amount written off as uncollectible	(100)	(1,505)
At end of year	157,579	126,660

The increase in the loss allowance of RMB30,919,000 (2023: RMB10,891,000) was due to an increase of trade receivables which were aged over 3 years and past due.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

17. TRADE RECEIVABLES (Continued)

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 2024

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	51.86%	71.03%	62.57%	100.00%	93.97%
Gross carrying amount (RMB'000)	295	26,240	6,313	134,839	167,687
Expected credit losses (RMB'000)	153	18,637	3,950	134,839	157,579

As at 31 December 2023

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	10.23%	25.12%	43.21%	100.00%	70.56%
Gross carrying amount (RMB'000)	34,640	6,663	29,513	108,689	179,505
Expected credit losses (RMB'000)	3,544	1,674	12,753	108,689	126,660

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Prepayments under the co-investment arrangement with copyrights	33,774	38,000
Prepayments	3,161	3,184
Long term deferred expense	19	38
Deposits and other receivables	1,451	288
	38,405	41,510
Impairment of prepayments under the co-investment arrangement with copyrights (<i>note (a)</i>)	(17,614)	(11,006)
Total	20,791	30,504
Current	20,772	30,466
Non-current	19	38

Deposits and other receivables mainly represent rental deposits and advance to a third party. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

Note:

- (a) During the year ended 31 December 2024, the Group recognised impairment of RMB17,614,000 (2023: RMB11,006,000) for prepayments under the co-investment arrangements with copyrights because of the expected decrease in recoverable amounts of the co-investments.

The movements in the impairment of prepayments under the co-investment arrangement with copyrights were as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	11,006	4,516
Impairment during the year	6,608	6,490
At end of year	17,614	11,006

An impairment analysis is performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. The Group considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

The movements in the loss allowance for impairment of other receivables were as follows:

	2024 RMB'000	2023 RMB'000
At beginning of year	–	15,934
Amount written off as uncollectible	–	(15,934)
At end of year	–	–

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

19. CASH AND CASH EQUIVALENTS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	20,705	42,673
Cash and cash equivalents	20,705	42,673

Note:

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. 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:

	2024 RMB'000	2023 RMB'000
Within 3 months	75	5,452
3 to 6 months	—	—
6 to 12 months	—	—
1 to 2 years	128	2,626
2 to 3 years	2,626	—
Total	2,829	8,078

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

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

21. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Contract liabilities (<i>note (a)</i>)	3,046	2,045
Other tax payables	2,134	2,477
Payroll and welfare payable	782	779
Accrued expenses	3,645	3,561
Others	655	621
Total	10,262	9,483

Note:

(a) Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Advances received from customers		
Licensing of broadcasting rights of TV series	3,046	2,045
Current	168	142
Non-current	2,878	1,903

Contract liabilities include advances received for licensing of broadcasting rights of TV series. The increase in contract liabilities in 2024 was mainly due to the increase in advances received from customers in relation to licensing of broadcasting rights of TV series at the end of the year.

Other payables are non-interest-bearing and repayable on demand.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

22. SHARE CAPITAL

	2024	2023
Authorised:		
1,000,000,000 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 (2023:		
US\$0.000005)		
US\$'000	5	5
RMB'000	36	36

23. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the paid-up capital and share premium of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

Statutory surplus reserve

In accordance with the Company Law of the PRC, a subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

24. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2024 (31 December 2023: Nil).

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,515,000 (2023: Nil) in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Interest-bears borrowing RMB'000	Lease liabilities RMB'000
At 1 January 2023	–	883
Additions	2,000	–
Changes from financing cash flows	–	(883)
Interest accrued	480	17
Interest paid	–	(17)
At 31 December 2023 and 1 January 2024	2,480	–
Additions	–	1,515
Changes from financing cash flows	(2,000)	(749)
Interest accrued	212	31
Interest paid	(692)	(31)
At 31 December 2024	–	766

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	256	276
Within financing activities	780	900
Total	1,036	1,176

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

26. COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Investment under co-financing arrangements	–	73,000

27. RELATED PARTY TRANSACTIONS

Details of key management personnel of the Company is as follows:

(a) Compensation of key management personnel

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	1,319	1,311
Pension scheme contributions	126	131
Total compensation paid to key management personnel	1,445	1,442

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	10,108
Financial assets included in prepayments, other receivables and other assets	1,451
Cash and cash equivalents	20,705
Total	32,264

Financial liabilities

	Financial Liabilities at amortised cost RMB'000
Trade payables	2,829
Financial liabilities included in other payables and accruals	4,300
Total	7,129

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

28. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	52,845
Financial assets included in prepayments, other receivables and other assets	288
Cash and cash equivalents	42,673
Total	95,806

Financial liabilities

	Financial Liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss Designated as such upon initial recognition RMB'000	Total RMB'000
Trade payables	8,078	–	8,078
Financial liabilities included in other payables and accruals	4,182	–	4,182
Interest-bearing borrowings	2,480	–	2,480
Financial liabilities at fair value through profit or loss	–	290	290
Total	14,740	290	15,030

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivable, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accrual and interest-bearing borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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.

Some third-party investors invest in certain web series of the Group for the entitlement of right for revenue sharing. The Group accounts for these arrangements as financial liabilities at fair value through profit or loss.

Fair value hierarchy

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

Assets measured at fair value

The Group did not have any financial assets measured at fair value as at 31 December 2024 and 31 December 2023.

Liabilities measured at fair value:

As at 31 December 2024

The Group did not have any financial liabilities measured at fair value as at 31 December 2024.

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial liabilities at fair value through profit or loss	–	–	290	290

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value: (Continued)

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

Financial liabilities at fair value through profit or loss

	2024 RMB'000	2023 RMB'000
At 1 January	290	–
Total gains recognised in profit or loss included in revenue from other sources	–	(5,315)
Additions	–	13,207
Derecognition	(290)	(7,602)
At 31 December	–	290

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for liabilities (2023: Nil).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivable, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk refers to the risk on fluctuation of fair value or future cash flows of financial instruments which arises from changes in exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$ exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities), and the Group's equity.

	Increase/ (decrease) in HK\$/RMB rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the HK\$	5	(294)	153
If the RMB strengthens against the HK\$	(5)	294	(153)
2023			
If the RMB weakens against the HK\$	5	(482)	71
If the RMB strengthens against the HK\$	(5)	482	(71)

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	167,687	167,687
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,451	–	–	–	1,451
Cash and cash equivalents					
– Not yet past due	20,705	–	–	–	20,705
Total	22,156	–	–	167,687	189,843

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	179,505	179,505
Financial assets included in prepayments, other receivables and other assets					
– Normal**	288	–	–	–	288
Cash and cash equivalents					
– Not yet past due	42,673	–	–	–	42,673
Total	42,961	–	–	179,505	222,466

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

- * For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statement.
- ** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 17 and note 18 to the financial statement, respectively.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2024					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Lease liabilities	–	195	585	–	–	780
Trade payables	2,792	37	–	–	–	2,829
Financial liabilities included in other payables and accruals	4,300	–	–	–	–	4,300
Total	7,092	232	585	–	–	7,909

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	31 December 2023					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	
Trade payables	8,078	–	–	–	–	8,078
Financial liabilities included in other payables and accruals	4,182	–	–	–	–	4,182
Interest-bearing borrowings	2,480	30	90	–	–	2,600
Financial liabilities at fair value through profit or loss	–	290	–	–	–	290
Total	14,740	320	90	–	–	15,150

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

The Group monitors capital using a gearing ratio, which is debt divided by total equity multiplied by 100% as at the date indicated. Debt includes lease liabilities and interest-bearing borrowings. Total equity represents equity attributable to owners of the company. The gearing ratios as at the end of each of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Interest-bearing borrowings	–	2,480
Lease liabilities	766	–
Total debt	766	2,480
Equity attributable to owners of the Company	78,273	176,431
Gearing ratio	0.98%	1.41%

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
CURRENT ASSETS		
Prepayments, other receivables and other assets	306	294
Due from subsidiaries	97,143	96,876
Cash and cash equivalents	883	680
Total current assets	98,332	97,850
CURRENT LIABILITIES		
Other payables and accruals	97	90
Due to a subsidiary	11,321	11,078
Total current liabilities	11,418	11,168
NET CURRENT ASSETS	86,914	86,682
TOTAL ASSETS LESS CURRENT LIABILITIES	86,914	86,682
Net assets	86,914	86,682
EQUITY		
Share capital	36	36
Reserves (note)	86,878	86,646
Total equity	86,914	86,682

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended 31 December 2024

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2023	107,150	429	(20,595)	86,984
Loss for the year	–	–	(1,590)	(1,590)
Other comprehensive income for the year:				
Exchange differences on translation of the Company's financial statements	–	1,252	–	1,252
Total comprehensive loss for the year	–	1,252	(1,590)	(338)
At 31 December 2023	107,150	1,681	(22,185)	86,646
At 31 December 2023 and at 1 January 2024	107,150	1,681	(22,185)	86,646
Loss for the year	–	–	(1,638)	(1,638)
Other comprehensive income for the year:				
Exchange differences on translation of the Company's financial statements	–	1,870	–	1,870
Total comprehensive loss for the year	–	1,870	(1,638)	232
At 31 December 2024	107,150	3,551	(23,823)	86,878

32. EVENTS AFTER THE REPORTING PERIOD

No significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

FIVE YEAR SUMMARY

A summary of the published results and assets and liabilities of the Group for the latest five years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	4,123	62,914	4,090	43,137	87,588
Profit/(loss) for the year	(98,316)	(99,444)	(141,488)	(37,970)	1,226
Attributable to:					
Owners of the parent	(98,316)	(99,444)	(141,488)	(37,970)	1,226
Total assets	100,030	204,600	302,038	437,004	489,337
Total liabilities	21,757	28,169	26,458	22,523	35,510
Net assets	78,273	176,431	275,580	414,481	453,827