Values Cultural Investment Limited
新 石 文 化 投 資 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1740)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 decreased by approximately 50.8% to approximately RMB43.1 million from approximately RMB87.6 million for the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 decreased by approximately 100.8% to gross loss of approximately RMB0.3 million from approximately RMB33.3 million for the year ended 31 December 2020.
- Net profit for the year ended 31 December 2021 decreased by approximately 3,197.1% to loss of approximately RMB38.0 million from approximately RMB1.2 million for the year ended 31 December 2020. Excluding the effect of listing expense, our net profit for the year ended 31 December 2021 decreased by approximately 934.0% to loss of approximately RMB38.0 million from approximately RMB4.6 million for the year ended 31 December 2020.
- Basic and diluted earnings/(loss) per share for the year ended 31 December 2021 was approximately RMB(3.66) cents (2020: RMB0.12 cents).
- The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2021.

The board (the "**Board**") of directors (the "**Directors**") of Values Cultural Investment Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2020. The annual results of the Company for the year ended 31 December 2021 had been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**43,137**	87,588
Cost of sales	6	**(43,389)**	(54,281)
Gross (loss)/profit		**(252)**	33,307
Other income and gains	5	**1,515**	7,126
Selling and distribution expenses		**(1,233)**	(1,051)
Administrative expenses		**(14,648)**	(15,956)
Impairment losses on financial assets, net		**(27,542)**	(18,095)
Finance costs	7	**–**	(653)
Other expenses		**(100)**	(1,674)
(LOSS)/PROFIT BEFORE TAX	6	**(42,260)**	3,004
Income tax credit/(expense)	8	**4,290**	(1,778)
(LOSS)/PROFIT FOR THE YEAR		**(37,970)**	1,226
Attributable to:			
Owners of the parent		**(37,970)**	1,226
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For (loss)/profit for the year	10	**(RMB3.66 cents)**	RMB0.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(37,970)**	1,226
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,067**	2,751
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,067**	2,751
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**(2,443)**	(4,393)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(2,443)**	(4,393)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,376)**	(1,642)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(39,346)**	(416)
Attributable to:		
Owners of the parent	**(39,346)**	(416)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**102**	89
Prepayments, other receivables and other assets		**74**	92
Deferred tax assets		**14,124**	20,224
Total non-current assets		**14,300**	20,405
CURRENT ASSETS			
Inventories	*11*	**92,886**	105,400
Trade and notes receivables	*12*	**138,350**	162,871
Prepayments, other receivables and other assets		**43,654**	53,035
Financial assets at fair value through profit or loss	*13*	**28,025**	4,260
Restricted cash		**1,800**	–
Cash and cash equivalents		**117,989**	143,366
Total current assets		**422,704**	468,932
CURRENT LIABILITIES			
Trade payables	*14*	**4,810**	6,433
Other payables and accruals		**9,019**	9,467
Tax payable		**7,606**	18,169
Total current liabilities		**21,435**	34,069
NET CURRENT ASSETS		**401,269**	434,863
TOTAL ASSETS LESS CURRENT LIABILITIES		**415,569**	455,268
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,088**	1,441
Total non-current liabilities		**1,088**	1,441
Net assets		**414,481**	453,827
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**36**	36
Reserves		**414,445**	453,791
Total equity		**414,481**	453,827

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in statement of profit or loss.

The Group's share of components previously recognised in other comprehensive income is reclassified to statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform-Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practica expedient when it becomes applicable within the allowed period of application.

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:

	2021	2020
	RMB'000	*RMB'000*
Customer 1	**N/A***	79,449
Customer 2	**23,400**	N/A*
Customer 3	**14,430**	N/A*
Customer 4	**5,158**	N/A*

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**36,174**	8,139
Revenue from other sources		
Net licence fee received from investments in TV series, web series and films as non-executive producer	**6,963**	79,449
	43,137	87,588

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Type of goods or service		
Licensing of broadcasting rights of TV series	**36,174**	8,139

Geographical markets

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

Timing of revenue recognition

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

(ii) Performance obligations

Licensing of broadcasting rights of TV series

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

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

	2021	2020
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**134**	355
After one year	**965**	965
	1,099	1,320

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to licensing of broadcasting rights, of which the performance obligations are to be satisfied within six years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Other income and gains		
Government grants		
– related to income *(a)*	**368**	4,909
Bank interest income	**967**	805
Interest income from loans receivable	**–**	961
Foreign exchange difference, net	**–**	97
Others	**180**	354
	1,515	7,126

Note:

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

6. PROFIT BEFORE TAX

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

	Notes	2021 *RMB'000*	2020 *RMB'000*
Cost of inventories sold*		**43,389**	54,281
Listing expense		**–**	3,327
Depreciation of property, plant and equipment		**41**	48
Depreciation of right-of-use assets		**–**	77
Auditor's remuneration		**1,207**	1,204
Minimum lease payments under lease exemption		**1,243**	1,391
Government grants	*5*	**(368)**	(4,909)
Interest income from loans receivable	*5*	**–**	(961)
Bank interest income	*5*	**(967)**	(805)
Foreign exchange difference, net	*5*	**–**	(97)
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**3,461**	2,473
Pension scheme contributions **		**338**	169
Staff welfare expenses		**213**	325
		4,012	2,967
Write-down of inventories to net realisable value*		**2,867**	840
Impairment of trade receivables	*12*	**21,390**	16,031
Impairment of other receivables		**6,152**	2,064

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

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**–**	647
Interest on lease liabilities	**–**	6
Total interest expense on financial liabilities not at fair value through profit or loss	**–**	653
Less: Interest capitalised	**–**	–
	–	653

8. INCOME TAX

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

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

	2021	2020
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**(10,047)**	5,754
Overprovision in prior years	**10**	–
Deferred tax	**5,747**	(3,976)
Total tax charge for the year	**(4,290)**	1,778

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

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

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

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Khorgas special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("**EIT**") exemption for five years starting from the year under which the first revenue was generated. Xinjiang Values and Khorgas Values enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》. According to Preferential Filing Record of EIT《企業所得稅優惠事項備案表》, Khorgas Values obtained the approval from the PRC tax bureau for the entitlement of EIT exemption from 1 January 2017 to 31 December 2021, Xinjiang Values registered with the PRC tax bureau for the entitlement of EIT exemption from 1 July 2018 to 31 December 2022, and Khorgas Ming Yao registered with the PRC tax bureau for the entitlement of EIT exemption from 1 October 2020 to 31 December 2024.

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

	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(42,260)**	3,004
Tax at the statutory tax rate of 25% in Mainland China	**(10,565)**	751
Tax effect of tax exemption granted to subsidiaries	**–**	(461)
Adjustment to current income taxes for previous periods	**10**	–
Effect of tax rate differences in other jurisdictions	**649**	1,145
Effect of expenses not deductible for tax	**1,747**	565
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(353)**	36
Effect on deferred tax of change in tax rate	**–**	(1,027)
Tax losses not recognised	**4,222**	769
Tax charge at the Group's effective tax rate	**(4,290)**	1,778
Effective tax rate	**10.2%**	59.2%

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2020: Nil).

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent of RMB(37,970,000) (2020: RMB1,226,000), and the weighted average number of ordinary shares of 1,037,500,000 (2020:1,022,739,726) in issue during the year.

The calculation of basic earnings per share is based on:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(37,970)**	1,226

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,037,500,000**	1,022,739,726

No adjustment has been made to the basic (loss)/earnings per share amount presented for the year ended 31 December 2021 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the year.

11. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**25,051**	20,191
Working in progress	**6,583**	–
Finished goods	**61,252**	85,209
	92,886	105,400

12. TRADE AND NOTES RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**179,543**	186,016
Notes receivable	**4,072**	730
Impairment	**(45,265)**	(23,875)
	138,350	162,871

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 365 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**7,911**	84,355
3 to 6 months	**24,933**	1,372
6 to 12 months	**5,804**	174
1 to 2 years	**74,104**	57,660
2 to 3 years	**21,526**	18,580
	134,278	162,141

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Other unlisted investments, at fair value	**28,025**	4,260

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

The above unlisted investments represent the Group's investments in TV series productions of which the Group is not entitled to copyrights. Instead, the Group is only entitled to share of income generated from such TV series productions based on percentages reflecting the Group's investment in accordance with the respective co-investment arrangements. They are mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The fair value of investments with carrying amount of RMB2,000,000 (31 December 2020: RMB4,260,000) is determined by reference to recent transaction price as at 31 December 2021. The fair value of the other investments is determined by using discounted cash flow valuation techniques.

14. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**238**	259
3 to 6 months	**–**	–
6 to 12 months	**–**	–
1 to 2 years	**259**	2,186
2 to 3 years	**325**	–
Over 3 years	**3,988**	3,988
	4,810	6,433

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

15. SHARE CAPITAL

	2021	2020
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 ordinary shares of US$0.000005 each		
US$'000	**50**	50
RMB'000	**336**	336
Issued and fully paid:		
1,037,500,000 ordinary shares of US$0.000005 each (2020: US$0.000005)		
US$'000	**5**	5
RMB'000	**36**	36

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

	Number of shares in issue	**Share capital**
		RMB'000
At 1 January 2020	2,000,000	–
Issue of shares on 16 January 2020 *(note (b))*	250,000,000	9
Issue of shares on 7 February 2020 *(note (b))*	37,500,000	1
Capitalisation of issue of shares *(note (a))*	748,000,000	26
At 31 December 2020 and 1 January 2021 and 31 December 2021	1,037,500,000	36

(a) On 16 January 2020, pursuant to the written resolution of the shareholders of the Company dated 12 December 2019, the directors were authorised to capitalise the amount of US$3,740 of the Company to pay up in full at par 748,000,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company of the date of the written resolution (or as they may direct) on a pro rata basis.

(b) On 16 January 2020, the Company was listed on the Main Board of Stock Exchange and made a global offering of 250,000,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$0.50 per share. Pursuant to the over-allotment option granted by the Company to the international underwriters, the Company allotted and issued 37,500,000 additional offer shares on 7 February 2020 at the offer price of HK$0.50 per share to cover the over-allocation in the International Placing and to satisfy the obligation of the stabilising manager to return securities borrowed under the stock borrowing agreement.

16. CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

17. COMMITMENTS

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

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for the co-investment arrangement	**–**	5,040

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV series; (ii) investing in TV series and web series as non-executive producer; and (iii) acting as distribution agent of TV series. The Group is also expanding its business in production of web series and online films in view of their growing popularity.

During the Reporting Period, COVID-19 has affected the Group's operations adversely in the following aspects: (1) as the interest of second and third-tier TV stations in purchasing licences of TV series has decreased due to the impact of COVID-19, there was fierce competition to achieve broadcasting of TV series on first-tier TV stations which continued to offer considerable purchase price; and (2) shooting was disrupted by the spread of COVID-19. The Group's revenue and results in 2021 have accordingly been adversely affected.

As at the date of this announcement, the Group recorded a total revenue of approximately RMB43.1 million, which decreased by approximately 50.8% as compared with approximately RMB87.6 million for the corresponding period last year, among which, revenue from licensing of broadcasting rights of TV series was approximately RMB36.2 million, which increased by approximately 344.5% when compared with approximately RMB8.1 million for the corresponding period last year; revenue from net licence fee received from investments in TV series, web series and films as non-executive producer was approximately RMB7.0 million, a decrease of approximately 91.2% compared to approximately RMB79.5 million for the corresponding period last year. Notwithstanding the increase of our revenue from licensing of broadcasting rights of TV series as mentioned above, our performance in this business segment was adversely affected by COVID-19 which resulted in the change of broadcasting plan or postponement in broadcasting of certain self-produced and purchased TV series. As a result, the revenue generated from licensing of broadcasting rights of TV series during the Reporting Period was less than the Group had expected.

During the Reporting Period and as at the date of this announcement, the Group continued its business of licensing of broadcasting rights of TV series. In particular, the Group successfully completed the sale of a self-produced TV series and a purchased TV series during the Reporting Period. The Group has taken steps in the pre-shooting preparation of a new TV series during the Reporting Period and its shooting has commenced as at the date of this announcement. Moreover, the Group invested in 2 TV series as non-executive producer during the Reporting Period. On the other hand, mainly due to changing market trend and customer preferences as well as the fierce competition in TV series business, the Group suspended the production of a TV series during the Reporting Period and re-allocated the resources to other business opportunities.

As there has been a growing popularity of web series and online films in the market, in order to keep up with the market trends, the Group engaged in the production of 2 web series as executive producer, the production of 4 web series and 1 online film as non-executive producer and the licensing of broadcasting rights of an online cartoon during the Reporting Period. Moreover, the Group engaged in the production of 2 films during the Reporting Period.

Facing the challenges brought by COVID-19, the Group has adopted the following measures and strategies: (i) continued to strengthen relationship with TV stations; (ii) continued to revise existing scripts and negotiate with production crew notwithstanding that shooting was disrupted by COVID-19, so that the Group could immediately begin shooting when appropriate; and (iii) explored opportunities in the business of production of and investment in web series and online films.

Looking forward, we expect that the development of COVID-19 will affect the economic prospects and implementation of control measures by governments. The Group will continue to adopt the above measures and strategies in confronting the impact brought by COVID-19, adhere to prudent financial management in project selection and cost control, resume more active business operation and explore opportunities in the business of web series and online films. The Group will continue to fulfill its responsibilities and hope to achieve better performance and return in year 2022.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2020 and 2021, 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 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Licensing of broadcasting rights of TV series	**36,174**	8,139
Revenue from other sources		
Net licence fee received from investment in TV series, web series and films as non-executive producer	**6,963**	79,449
	43,137	87,588

Our total revenue decreased by approximately 50.8% from approximately RMB87.6 million for the year ended 31 December 2020 to RMB43.1 million for the year ended 31 December 2021, mainly resulting from the change of broadcasting plan or postponement in broadcasting of certain self-produced and purchased TV series and the decision to defer investments in new TV series considering the market condition and macro-economic environment caused by the adverse impact of COVID-19 which resulted in the decrease in net licence fee received from investment in TV series, web series and films as non-executive producer. Moreover, the remarkable net licence fee received from investment in TV series, web series and films as non-executive producer for the year ended 31 December 2020 was primarily due to the net license fee received from the investment as non-executive producer in one TV series.

Revenue by business segments

(i) Licensing of broadcasting rights of TV series

Revenue generated from licensing of broadcasting rights of TV series increased by 344.5% from approximately RMB8.1 million for the year ended 31 December 2020 to approximately RMB36.2 million for the year ended 31 December 2021, primarily due to the revenue of licensing of broadcasting rights of self-produced TV series Scrambling For Gold*（奪金戰）and licensing of broadcasting rights of purchased TV series Grand Final*（大決戰）.

The following table sets forth a breakdown of our revenue from licensing of the broadcasting rights of TV series in which the Group acted as executive producer or purchased copyrights (or broadcasting rights) in absolute amounts and as percentages for the years ended 31 December 2020 and 2021:

	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Acted as executive producer	**24,508**	**67.8**	2,416	29.7
Licensed purchased copyrights (or broadcasting rights)	**11,666**	**32.2**	5,723	70.3
	36,174	**100.0**	8,139	100.0

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

During the year ended 31 December 2021, we mainly generated net licence fee received from investment in TV series, web series and films as non-executive producer in the TV series Me and My Three Sisters*（我和我的三個姐姐）and the online cartoon Bluey*（布魯伊）.

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Licensing of broadcasting rights of TV series	**38,297**	4,159
Investment in TV series, web series and films as non-executive producer	**5,092**	50,122
	43,389	54,281

Our cost of sales decreased by approximately 20.1% from approximately RMB54.3 million for the year ended 31 December 2020 to approximately RMB43.4 million for the year ended 31 December 2021, primarily due to the decrease in cost of investment in TV series, web series and films as non-executive producer.

For the business segment of licensing of broadcasting rights of TV series, the cost of sales increased by approximately 820.8% from approximately RMB4.2 million for the year ended 31 December 2020 to approximately RMB38.3 million for the year ended 31 December 2021, primarily due to the increase in revenue from licensing of broadcasting rights of TV series.

For the business segment of investment in TV series, web series and films as non-executive producer, the cost of sales decreased by approximately 89.8% from approximately RMB50.1 million for the year ended 31 December 2020 to approximately RMB5.1 million for the year ended 31 December 2021, primarily due to the large recognition of cost of sales for our investment as a non-executive producer in the TV series Great Pediatrician*（了不起的兒科醫生）for the year ended 31 December 2020.

Gross profit and gross profit margin

Our gross profit decreased by approximately 100.8% from approximately RMB33.3 million for the year ended 31 December 2020 to gross loss of approximately RMB0.3 million for the year ended 31 December 2021, primarily due to the decrease in revenue and write-down of inventories.

Our gross profit/(loss) margin decreased from approximately 38.0% for the year ended 31 December 2020 to approximately (0.6%) for the year ended 31 December 2021.

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by business segments for the years ended 31 December 2020 and 2021:

	2021		2020	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Licensing of broadcasting rights of TV series	**(2,123)**	**(5.9)**	3,980	48.9
Net licence fee received from investment in TV series, web series and films as non-executive producer	**1,871**	**26.9**	29,327	36.9
	(252)	**(0.6)**	33,307	38.0

(i) Licensing of broadcasting rights of TV series

The gross profit/(loss) margin for the licensing of broadcasting rights of TV series segment decreased from approximately 48.9% for the year ended 31 December 2020 to approximately (5.9%) for the year ended 31 December 2021, primarily due to the lower selling price of self-produced TV series Scrambling For Gold*（奪金戰）and write-down of certain Purchased TV series.

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin of TV series in which we acted as executive producer, or purchased copyrights (or broadcasting rights) in the business segment of licensing of broadcasting rights of TV series for the years ended 31 December 2020 and 2021:

	2021		2020	
	RMB'000	***Margin %***	*RMB'000*	*Margin %*
Acted as executive producer	**1,776**	**7.2**	1,370	56.7
Licensed purchased copyrights (or broadcasting rights)	**(3,899)**	**(33.4)**	2,610	45.6
	(2,123)	**(5.9)**	3,980	48.9

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

The gross profit margin for the net licence fee received from investment in TV series, web series and films as non-executive producer for the year ended 31 December 2021 is 26.9%, which decreased from 36.9% for the year ended 31 December 2020, the decrease was mainly resulted from the low gross profit margin of the TV series Me and My Three Sisters*（我和我的三個姐姐）.

Other income and gains

The following table sets forth a breakdown of our other income and gain for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Government grants – related to income	**368**	4,909
Bank interest income	**967**	805
Interest income from loans receivable	**–**	961
Others	**180**	451
	1,515	7,126

Our other income and gains decreased by 78.7% from approximately RMB7.1 million for the year ended 31 December 2020 to approximately RMB1.5 million for the year ended 31 December 2021, mainly because we received government grants in relation to our success in listing on the Main Board of the Stock Exchange in 2020.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Advertising and marketing expenses	**28**	77
Staff costs	**1,021**	913
Entertainment and travelling expenses	**184**	50
Others	**–**	11
	1,233	1,051

Our selling and distribution expenses increased by approximately 17.3% from approximately RMB1.1 million for the year ended 31 December 2020 to approximately RMB1.2 million for the year ended 31 December 2021.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Listing expenses	**–**	3,327
Staff costs	**5,278**	3,830
Entertainment and travelling expenses	**3,021**	2,514
Auditor's remuneration	**1,200**	1,200
Professional service fees	**3,387**	2,633
Office related expenses	**1,617**	2,327
Others	**145**	125
	14,648	15,956

Our administrative expenses decreased by approximately 8.2% from approximately RMB16.0 million for the year ended 31 December 2020 to approximately RMB14.6 million for the year ended 31 December 2021, primarily due to decrease in the listing expenses.

Impairment losses on financial assets

We recorded impairment loss on financial assets amounting to approximately RMB27.5 million. The recognition of impairment provision was primarily due to the increase in long outstanding trade receivables by our certain customers as at 31 December 2021.

Finance costs

The following table sets forth a breakdown of our finance costs for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans	**–**	647
Interest on lease liabilities	**–**	6
	–	653

Income tax expense

The following table sets forth the major components of our income tax expense for the years ended 31 December 2020 and 2021:

	2021	2020
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**(10,047)**	5,754
Current – Overprovision in prior years	**10**	–
Deferred	**5,747**	(3,976)
Total tax charge for the year	**(4,290)**	1,778

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**(42,260)**	3,004
Tax at the statutory tax rate of 25% in Mainland China	**(10,565)**	751
Tax effect of tax exemption granted to subsidiaries	**–**	(461)
Adjustment to current income taxes for previous periods	**10**	–
Effect of tax rate differences in other jurisdiction	**649**	1,145
Effect of expenses not deductible for tax	**1,747**	565
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**(353)**	36
Effect on deferred tax of change in tax rate	**–**	(1,027)
Tax losses not recognised	**4,222**	769
Tax charge at the Group's effective tax rate	**(4,290)**	1,778

Profit for the year and net profit margin

As a result of the foregoing, our net profit decreased by approximately 3,197.1% from approximately RMB1.2 million for the year ended 31 December 2020 to loss of approximately RMB38.0 million for the year ended 31 December 2021. Our net profit margin decreased from approximately 1.4% for the year ended 31 December 2020 to negative 88.0% for the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2021 (2020: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2021, the number of issued shares of the Company was 1,037,500,000 (31 December 2020: 1,037,500,000).

Net Current Assets

As at 31 December 2021, the Group reported net current assets of approximately RMB401.3 million (2020: RMB434.9 million). As at 31 December 2021, the Group's cash and bank balances was approximately RMB118.0 million, representing a decrease of approximately RMB25.4 million as compared to approximately RMB143.4 million as at 31 December 2020.

Key Financial Ratios

Return on Equity

The return on equity decreased from approximately 0.3% for the year ended 31 December 2020 to approximately (8.7)% for the year ended 31 December 2021.

Return on Total Assets

The return on total assets decreased from approximately 0.3% for the year ended 31 December 2020 to approximately (8.2)% for the year ended 31 December 2021.

Current Ratio

The Group's current ratio increased from approximately 13.8 times as at 31 December 2020 to approximately 19.7 times as at 31 December 2021.

Gearing Ratio

The Group's gearing ratio maintains nil as at 31 December 2021 (2020: Nil).

Capital Expenditure

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

The Group did not have significant capital expenditure during the years ended 31 December 2020 and 2021.

OTHER COMMITMENTS

The Group had the following commitments at the end of the Reporting Period:

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for the co-investment arrangement	**–**	5,040

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 2021.

CONTINGENT LIABILITY

As at 31 December 2021, the Group did not have any material contingent liabilities.

SIGNIFICANT LITIGATION

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from the Listing and the issue of the Over-allotment Shares" in this announcement, the Group did not have any other immediate plans for material investment and capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2021, the Group had no pledge of assets (2020: nil).

FOREIGN CURRENCY RISK

In the year ended 31 December 2021, 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 2021, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 28 full-time employees (2020: 24), who are all located in the PRC.

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

In March 2022, Values Culture had reached an agreement with the joint investor to settle the outstanding proceeds arising from the joint investment agreement amounting to approximately RMB3,988,000.

Further details of the above were made in the announcements of the Company dated 18 February 2022 and 18 March 2022. As at the date of this announcement, the Group has received a Civil Ruling*（民事裁定書）pursuant to which the Intermediate People's Court of Hangzhou City, Zhejiang Province*（浙江省杭州市中級人民法院）allowed the withdrawal of the above claim by the joint investor.

After the end of the Reporting Period, the Group entered into supplemental agreements with one of its customers in January 2022 in relation to four purchased TV series the broadcasting rights of which were licensed to that customer by the Group. Pursuant to the supplemental agreements, (i) the Group agreed to give discount and reduce the outstanding balance of the licence fee by approximately RMB4,448,000 in total; and (ii) the customer agreed to settle the discounted balance of licence fee by 30 June 2022. The Directors are of the view that such arrangement could help facilitate the receipt of the outstanding balance of licence fee from this customer.

Save as disclosed above, the Directors are not aware of any material events occurred after the end of the Reporting Period to the date of this announcement which are required to be disclosed.

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

The Shares were listed on the Stock Exchange on the Listing Date and 250,000,000 new Shares were issued at the offer price of HK$0.50 per Share. On 7 February 2020, the over-allotment option was fully exercised to issue further 37,500,000 new Shares. After deducting the underwriting charges and relevant expenses, the net proceeds from the Listing and the issue of the Over-allotment Shares amounted to approximately HK$100.4 million (the "**Net Proceeds**").

As disclosed in the announcement of the Company dated 25 May 2021 (the "**May 2021 Announcement**"), the Board resolved to change the use of Net Proceeds as stated in the Prospectus by reallocating the Net Proceeds of approximately HK$26.0 million from production of TV series to the production of web series.

As at 31 December 2021, the Group utilised approximately HK$37.15 million, representing approximately 37.0% of the Net Proceeds, among which approximately (i) HK$0.03 million was used in production of TV series; (ii) HK$13.2 million was used in purchasing of copyrights (or broadcasting rights) associated with the TV series; and (iii) HK$23.92 million was used in production of web series.

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

The table below sets out (i) the revised allocation of the Net Proceeds as disclosed in the May 2021 Announcement; (ii) the utilised and unutilised Net Proceeds as at 31 December 2021; (iii) the further revised allocation of the Net Proceeds as disclosed in the January 2022 Announcement; (iv) the amount of utilised and unutilised Net Proceeds as at the date of this announcement; and (v) the expected timeline for utilising the unutilised Net Proceeds:

Use of Net Proceeds	**Revised allocation of the Net Proceeds as stated in the May 2021 Announcement** *HK$ million*	**Utilised Net Proceeds as at 31 December 2021** *HK$ million*	**Unutilised Net Proceeds as at 31 December 2021** *HK$ million*	**Further revised allocation of the Net Proceeds as stated in the January 2022 Announcement** *HK$ million*	**Utilised Net Proceeds as at the date of this announcement** *HK$ million*	**Unutilised Net Proceeds as at the date of this announcement** *HK$ million*	**Expected timeline for fully utilising the unutilised amount** *(Note 1)*
Production of TV series *(Note 2)*	61.2	0.03	61.17	47.0	21.7	25.3	On or before 31 December 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series	13.2	13.20	–	13.2	13.2	–	N/A
Production of web series	26.0	23.92	2.08	40.2	35.0	5.2	On or before 30 June 2023
Total	100.4	37.15	63.25	100.4	69.9	30.5	

Notes:

1. The expected timetable for fully utilising the unutilised Net Proceeds is determined based on the Group's best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

2. As disclosed in the May 2021 Announcement and the January 2022 Announcement, the Board resolved to suspend the production of two of the four planned TV series as stated in the Prospectus. Furthermore, as at the date of this announcement, the Board has resolved to temporarily suspend the production of one of the remaining two planned TV series for the reasons as explained below. The estimated shooting period and estimated time for first-run broadcast on satellite channel of these TV series are revised and updated as follows:

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

As at the date of this announcement, the unutilised Net Proceeds were deposited in short-term deposits with the licensed banks in Hong Kong and the PRC.

The changes in use of Net Proceeds by reallocating the Net Proceeds from production of TV series to production of web series as mentioned above were mainly due to the changing market trend and customer preferences as well as the fierce competition in the TV series business. The Group strives to minimise the impact on the operation caused thereby and will adopt a prudent approach for utilising the Net Proceeds effectively and efficiently for the long-term benefit and development of the Group. As competition in the TV series business intensifies and with the growing popularity of web series and online films, the Group has determined to expand its business by developing business relationship with online video platforms. The change of use of the Net Proceeds enabled the Company to better meet the business opportunities arising from the popularity and development of web series. On the other hand, the Board has also resolved to temporarily suspend the production of the planned TV series under the genre "revolution" in view of the uncertainties of the market reception of this genre of TV series. Depending on the market trend and customer preferences, the Group intends to resume the production of this TV series at a later stage using its own internal resources. Accordingly, the Board is of the view that reallocating the Net Proceeds originally allocated to this TV series to the planned TV series under the genre "family drama" at this stage is more beneficial to the Group. As at the date of this announcement, approximately HK$21.7 million from the Net Proceeds has already been utilised in the production of the TV series under the genre "family drama", whereas it is expected that the total amount of investment of this TV series will be at least HK$60.0 million. To keep up with the market trends with a change of customer preferences, and be able to capture the new opportunities presented in the market, the Board is of the view that the use of proceeds should be appropriately adjusted to provide more flexibility to the Group so that the Group can better accommodate to the industry environment. The Directors will continue to assess the plans in relation to the planned allocation of the Net Proceeds as set out in the Prospectus, the annual report(s) and the interim report(s) of the Company, and may modify or amend the relevant plans as necessary in order to address the changing and challenging market conditions, and for achieving better business performance.

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 old Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules and now adopted new CG Code on 1 January 2022 onwards. The code provision numbers of the CG Code referred in this announcement are those of the old CG Code. 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. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2021 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 December 2021 and up to the date of this announcement.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The annual results of the Company for the year ended 31 December 2021 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Zhong Mingshan, Mr. Xian Guoming and Mr. Xu Zongzheng, with Mr. Zhong Mingshan as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 30 May 2022, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

PUBLICATION OF THE 2021 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.yuanshimedia.com). The Company's annual report for the year ended 31 December 2021 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company. Should the Shareholders have any difficulties in accessing the corporate communications electronically, please request the printed report, free of charge, at any time by writing to the Company or Tricor Investor Services Limited, the Company's Hong Kong share registrar.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 30 May 2022, the register of members of the Company will be closed from 25 May 2022 to 30 May 2022 (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 24 May 2022.

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 2021. 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 C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance had been expressed by Ernst & Young on this announcement.

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

Hong Kong, 30 March 2022

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

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