Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

Reference is made to the annual report dated 28 March 2025 of Values Cultural Investment Limited (the "**Company**" and together with its subsidiaries, "**Group**") for the year ended 31 December 2024 (the "**2024 Annual Report**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2024 Annual Report.

The Board wishes to provide the Shareholders and potential investors of the Company the following additional information:

BREAKDOWN OF TRADE RECEIVABLES

The following is the breakdown of trade receivables for the Reporting Period:

(a) Balances that were credit-impaired and assessed individually:

For the year ended 31 December 2024

Item	*RMB'000*
Credit-impaired	59,215
Individually-impaired	108,472
– Company A	84,659
– Company B	9,213
– Company C	6,800
– Company D	7,800
Total trade receivables	**167,687**

(b) Loss rates and provision matrices on the balances assessed collectively as at 31 December 2024 and 31 December 2023 and the reasons for the increase in loss rates:

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

The following are the reason for increase in loss rate from the previous year was the slow moving of trade receivables, which could be explained by the circumstances of the business stakeholders of the Group that came into place during FY2024 as follows:

1. In relation to Company A, the relevant receivables is approximately RMB84,216,000 for a TV series, of which revenue was recorded in 2020. Although four years have lapsed since 2020, the payments have not been settled as at 31 December 2024. As an investor not directly involved in distribution and revenue collection, the Group faced indefinite settlement delays. It appeared to the management that Company A faces financial constraints. Therefore, the Group considered this receivables and another receivables of approximately RMB443,000 from the same company for another TV series to still carry significant bad debt risk and continued to provide an impairment provision for it at 100%.

2. In relation to Company B, regarding the receivables of approximately RMB3,574,000 related to a TV series, although the Group re-initiated litigation in 2020 regarding this receivable and obtained a judgment in favour of the Group in the same year, Company B has been undergoing liquidation proceedings since 2024. Therefore, Company B's credit risk has significantly increased during FY2024, and this receivables and another receivables of approximately RMB5,639,000 from the same company for another TV series are expected to be unrecoverable, leading to a continuous 100% provision for expected impairment loss.

3. In relation to the receivables of approximately RMB6,800,000 related to a TV series owed by Company C, a subsidiary of a TV station, is reportedly undergoing a management change as of early 2024. Considering the circumstances of Company C, its credit risk has significantly increased, making recovery unlikely. Therefore, the Group continued to provide an impairment provision for it at 100%.

4. In relation to Company D, regarding the receivables of approximately RMB7,800,000 related to a web series, as of the end of 2023, this web series had been broadcast, and Company D signed a guaranteed payment agreement with the Group, stipulating that Company D would pay the Group RMB7,800,000 in four installments by 31 October 2024. As of 31 December 2024, Company D did not make any guaranteed payments to the Group. To recover the receivables, the Group initiated litigation against Company D and won the case, with the judgment issued in November 2024 requiring Company D to pay the Group RMB7,800,000 in guaranteed payments, litigation costs, and a default interest rate of 7% per annum. However, no payment has been made by Company D as at 31 December 2024. Company D's credit risk has significantly increased, and recovery is expected to be unlikely. Therefore, a 100% provision for expected impairment loss was made.

(c) Breakdown of the individually impaired balances, reasons for the long aging of those balances (if any) and the actions taken by the Company to recover those amounts:

For the year ended 31 December 2024

Item	*RMB'000*
Individually-impaired	**108,472**
– Company A	84,659
– Company B	9,213
– Company C	6,800
– Company D	7,800

The reasons for the long ageing of the above balances are that the business stakeholders in relation to the relevant trade receivables have multiple self-risks and legal disputes, either as a defendant, are listed as a dishonest judgment debtor with significant amounts involved, and face restrictions on high consumption, or as a plaintiff in legal disputes in pursuing collections, and lack repayment capacity. It appears to the management that the business stakeholders face financial constraints and hence are unable to settle the payments owed to the Group.

The Group has adopted the following actions to recover the above balance: (i) sending demand letters to the business stakeholders; (ii) discussing alternative solutions for the trade receivables with the business stakeholders; and (iii) initiating legal proceedings against business stakeholders, with details as follows:

1. In relation to the receivables of approximately RMB3,574,000 due from Company B, as disclosed in this announcement, the Group obtained a favourable judgment in July 2020. However, as Company B has been undergoing liquidation proceedings since 2024, the Group will consult lawyers and pursue legal proceedings for repayment of part of the receivables of approximately RMB9,213,000 according to the repayment proportion among the creditors of Company B.

2. In relation to the receivables of approximately RMB7,800,000 due from Company D, as disclosed in this announcement, the Group obtained a favourable judgment in November 2024. Based on Group's inquiries, Company D lacks the funds to fulfill the judgment, repay the guaranteed amount, or pay the default interest. The Group is currently consulting with lawyers and initiated legal proceedings for enforcement of judgment in May 2025.

3. In relation to Company A, it is currently facing legal actions from other investors over unpaid settlements. Consequently, the likelihood of the Group recovering payments through legal proceedings is low. To preserve a positive relationship with the business stakeholder, the Group currently has not pursued legal action. Instead, the Group is considering negotiating with Company A for possible alternative solutions to settle the trade receivables. Nonetheless, the Group will also consult with lawyers about possible legal actions to recover the outstanding payments.

4. In relation to the receivables of approximately RMB6,800,000 owed by Company C, in order to preserve a positive relationship with the business stakeholder, the Group currently has not pursued legal action. Nonetheless, the Group will consult with lawyers about possible legal actions to recover the outstanding payments.

METHOD, KEY ASSUMPTIONS AND BASIS USED IN DETERMINING THE AMOUNT OF THE IMPAIRMENT

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.

No independent valuer was included by the Group for impairment assessment.

REASONS FOR THE WORSEN AGEING OF THE TRADE RECEIVABLES

The post-pandemic downturn in the TV series industry has significantly disrupted the cash flow of TV stations, limiting their ability to make timely payments to the Group or the Group's business stakeholders. This has also created financial challenges for the Group's business stakeholders, resulting in delayed payments to the Group. Furthermore, the broader economic slowdown has restricted TV stations' access to financing, exacerbating their difficulties in settling receivables promptly.

As the above reasons occurred gradually over time after the time of entering into the contracts with the business stakeholders by the Group, these reasons were not anticipated at the time of entering into the contracts with the business stakeholders by the Group.

DUE DILIGENCE AND CREDIT RISK ASSESSMENT WORK PERFORMED BY THE GROUP BEFORE ENTERING INTO THE AGREEMENTS OR CONTRACTS WITH THE BUSINESS STAKEHOLDERS

The Group has performed:

1. Verification of Business Stakeholder Credit: The Group assessed business stakeholders' creditworthiness through public information searches, reviewing financial statements, credit reports, and legal records to evaluate financial stability and identify potential risks.

2. Discussions with Business Stakeholder Management: The Group held discussions with business stakeholders' management to gain insight into their business operations, financial health, and market position, aiding in the evaluation of their payment capacity.

3. Analysis of Industry Payment Performance: The Group examined business stakeholders' payment performance within the industry, gathering insights from peers and stakeholders to assess their reliability in meeting payment obligations.

4. Internal Credit and Collection Assessment: The Group conducted internal reviews to evaluate business stakeholders' credit ratings and the feasibility of payment collection, analyzing financial data and risks to determine suitable credit terms.

The Board is of the view that it has performed sufficient due diligence and risk assessment work before entering into contracts with the business stakeholders. Despite implementing robust measures, the significant increase in impairment losses was primarily driven by external factors beyond the Group's control. As of 31 December 2024, over 80% of the Group's total trade receivables have remained outstanding for more than three years. This indicates that these receivables stem from contracts entered into over three years ago, a moment of time followed by an unforeseen economic downturn. Therefore, it was not feasible for the Group to foresee the business stakeholders' inability to make repayments due to external factors.

AMOUNT OF TRADE RECEIVABLES SUBSEQUENTLY RECOVERED

It is respectfully submitted that as at 31 July 2025, the amount of trade receivables subsequently recovered from the overdue trade receivables for FY2024 was approximately RMB2,428,800.

The additional information provided in this announcement does not affect the financial information and other information contained in the 2024 Annual Report. Save as disclosed in this announcement, the remaining contents of the 2024 Annual Report remain unchanged.

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

Hong Kong, 27 August 2025

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