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

2022 ANNUAL REPORT

CONTENTS

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. SHAO Hui
Ms. SHEN Yi

Independent Non-Executive Directors

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

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

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5/F, Gloucester Tower
The Landmark
11 Pedder Street
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As to PRC law:
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China Central Place
77 Jianguo Road, Chaoyang District
Beijing, PRC

REGISTERED OFFICE

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KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKER

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

STOCK CODE

1740

COMPANY'S WEBSITE

www.yuanshimedia.com

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 2022.

FINANCIAL RESULTS

For the year ended 31 December 2022, our Group recorded a total revenue of approximately RMB4.1 million, representing a decrease of approximately 90.5% as compared to approximately RMB43.1 million for the year ended 31 December 2021. Our gross loss increased by approximately 12,700.0% from gross loss of approximately RMB0.3 million for the year ended 31 December 2021 to gross loss of approximately RMB38.4 million for the year ended 31 December 2022. Our Group's net loss increased by approximately 272.4% from net loss of approximately RMB38.0 million for the year ended 31 December 2021 to net loss of approximately RMB141.5 million for the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"). Such decrease was primarily due to the adverse impact of COVID-19 which caused:

i) the decrease in the recoverability of the trade receivables which led to the increase of the expected credit loss of trade receivables during the Reporting Period;

ii) the change of distribution plans of certain TV series which led to the decrease in the expected future distribution income. As a result, the Company wrote down inventories to net realizable value which led to an increase in cost; and

iii) the delay of the broadcasting schedule of our TV series and web series which led to the revenue generated during the Reporting Period less than the Company had expected. The Group's revenue and results in 2022 have accordingly been adversely affected.

PROSPECTS

The Board is of the view that the general outlook of the industry and the business environment in which the Group operates will gradually improve in the coming year in view of the relaxation of COVID-19 measures in the People's Republic of China (the "**PRC**"). In particular, it is expected that the production of TV series and web series as well as the process of obtaining government approval will less likely be disrupted. However, the Board expects that it will take some time for the market of TV series and web series to recover and for relevant government authorities to resume to normal operation as there have been a large amount of TV series and web series accumulated in the market and submitted to the relevant government authorities that are awaiting to be broadcast or approved since the outbreak of COVID-19. Moreover, it will take some time for second-tier and third-tier TV stations to improve their performance and hence increase their purchasing power which will be business opportunities for the Group. Nonetheless, the Group will continue to explore opportunities in the business of production of and investment in TV series and web series. In particular, the Group will continue to develop and strengthen business relationship with TV stations and online video platforms. For example, the Group participated and will participate in TV series exhibitions in Shanghai in March 2023 and in Beijing in April 2023. Moreover, the Group has been keeping up with the market trends and capturing the new opportunities presented in the market by evaluating and purchasing scripts for TV series and web series to increase the Group's project reserve in this area. It is believed that further improving our business cooperation with TV stations and online video platforms could in the long run assist the Group in seizing future business opportunities and diversify our source of income, hence enhance the profitability of our Group as a whole.

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, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Revenue by business segments

(i) Licensing of broadcasting rights of TV series

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

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

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

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

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

Cost of Sales

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

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

Our cost of sales decreased by approximately 2.1% from approximately RMB43.4 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022, primarily due to the decrease in cost of licensing of broadcasting rights of TV series.

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

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

Gross profit and gross profit margin

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

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

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

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

(i) Licensing of broadcasting rights of TV series

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

The following table sets forth a breakdown of our gross loss and gross loss margin of TV series in which we acted as executive producer, or purchased copyrights (or broadcasting rights) in the business segment of licensing of broadcasting rights of TV series for the years ended 31 December 2021 and 2022:

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

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

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

Other income and gains

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

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

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

Selling and distribution expenses

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

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

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

Administrative expenses

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

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

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

Impairment losses on financial assets

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

Finance costs

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

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

Income tax expense/(credit)

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

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

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

Loss for the year and net loss margin

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

FINAL DIVIDEND

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

Net Current Assets

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

Key Financial Ratios

Return on Equity

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

Return on Total Assets

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

Current Ratio

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

Gearing Ratio

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

Capital Expenditure

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

The Group did not have significant capital expenditure during the years ended 31 December 2021 and 2022.

OTHER COMMITMENTS

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

MAJOR ACQUISITIONS AND DISPOSALS

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

CONTINGENT LIABILITY

As at 31 December 2022, the Group did not have any material contingent liabilities.

SIGNIFICANT LITIGATION

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

FOREIGN CURRENCY RISK

In the year ended 31 December 2022, all of our revenue were generated from customers located in the PRC, and were denominated in RMB. Therefore, the Group considers the risk exposure to foreign currency fluctuation would be essentially in line with the performance of the exchange rate of RMB. In the year ended 31 December 2022, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 22 (2021: 28) 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.

SETTLEMENT OF LITIGATION

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

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

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

SUPPLEMENTAL AGREEMENTS WITH A CUSTOMER

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

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

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

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

As at 31 December 2022, the Group utilised approximately HK$100.4 million, representing 100% of the Net Proceeds.

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

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

Note:

As disclosed in the January 2022 Announcement, the Board resolved to suspend the production of the planned TV series under the genre "legend" and reallocated the Net Proceeds of approximately HK$14.2 million to production of web series mainly due to changing market trend and customer preference as well as the fierce competition in the TV series business. The shooting period and estimated time for first-run broadcast on satellite channel of the planned TV series are as follows:

Genre of the TV series	Shooting period	Estimated time for first-run broadcast on satellite channel
1. Family drama	First half year of 2022	Second half year of 2023 or first half year of 2024
2. Legend	Suspended	Suspended

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Naiyue ("Mr. Liu") (劉乃岳), aged 58, 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 controlling 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 18 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 doctorial degree in economics from Nankai University*（南開大學）in June 1991 and June 2002 respectively.

Ms. Cai Xiaoxin ("Ms. Cai") (蔡曉昕), aged 46, 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. Since 2016, Ms. Cai has served as the vice 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 30, 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 41, 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.

Mr. Xu Jun ("Mr. Xu") (許軍), aged 52, was appointed as an executive Director in June 2020. Mr. Xu has numerous experience in different roles in various securities companies in China. He currently is a chief executive officer of Beijing Great Numbers Asset Management Limited* (北京大數長青資產管理有限公司) since October 2013.

Mr. Xu holds a doctoral degree in world economics awarded by Nankai University* (南開大學) in China.

Mr. Qu Guohui ("Mr. Qu") (曲國輝), aged 51, was appointed as an executive Director in June 2020. Mr. Qu has numerous experience in different roles in various securities companies in China. He currently is a chairman of the board and chief executive officer of Suiyong Holdings since June 2016.

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

NON-EXECUTIVE DIRECTORS

Mr. Shao Hui ("Mr. Shao") (邵輝), aged 44, 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, chairman and deputy general manager at Zhejiang Jihua Group Co., Ltd.* (浙江吉華集團股份有限公司) (603980.SS), 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 managing house sales and decision making on major corporate affairs.

Ms. Shen Yi ("Ms. Shen") (沈毅), aged 44, appointed as a Director in June 2019 and was redesignated as a non-executive Director in the same month. She is responsible for supervising the overall management and strategic planning of the Group. Ms. Shen joined the Group and has been a director of Values Culture since October 2017, responsible for supervising the overall management.

Ms. Shen has around 18 years of experience in securities and investment management. From January 2005 to April 2015, Ms. Shen acted as a managing director of the investment banking department and the representative of sponsors at Golden Sun Securities Co., Ltd.* (國盛證券有限責任公司), the principal business of which was integrated securities trading services. Her roles and responsibilities were managing the department of risk management. From May 2015 to March 2017, she acted as a general manager of the internal review department and the representative of sponsors at JiuZhou Securities Co., Ltd.* (九州證券股份有限公司), the principal business of which was integrated securities trading services. Her roles and responsibilities were managing internal assessment and risk management matters. From April 2017 to present, she acts as an assistant to the chief executive officer and a general manager of the risk management department at Suiyong Holdings, the principal business of which is investment management. Her roles and responsibilities are managing investments, compliance and risk management matters.

Ms. Shen obtained a bachelor's degree in economics from Sichuan University* (四川大學) in Chengdu, PRC in July 2001, and a master's degree in law from East China University of Political Science and Law* (華東政法學院) in Shanghai, PRC in June 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xian Guoming ("Mr. Xian") (冼國明), aged 68, 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 36 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 present, he has also acted as the vice director of the Academic Committee of Nankai University* (南開大學校學術委員會).

From September 2017 to present, Mr. Xian has served as an independent non-executive director of Jizhong Energy Resources Co., Ltd* (冀中能源股份有限公司) (000937.SZ), the shares of which are listed on the Shenzhen Stock Exchange. From October 2015 to January 2017 and from June 2017 to present, he has served as an independent non-executive director of Tianjin Binhai Energy & Development Co., Ltd* (天津濱海能源發展股份有限公司) (000695. SZ), the shares of which are listed on the Shenzhen Stock Exchange.

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 71, 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（特殊普通合夥）). 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.

Mr. Xu Zongzheng ("Mr. Xu")（徐宗政）, aged 49, 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 18 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 flower 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 61, 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 34, 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") (閆蓓), aged 38, 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.

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.

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 2022.

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices enabling its shareholders to evaluate, and the CG Code has been applicable to the Company with effect from the Listing Date. Save as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2022 and up to the date of this report.

Code Provision C.1.6 of the CG Code

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

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 December 2022 and up to the date of this 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.

Composition

As at the date of this annual report, the Board is comprised of twelve 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. Xu Jun and Mr. Qu Guohui, two non-executive Directors, namely Mr. Shao Hui and Ms. Shen Yi, 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 2022 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 23 May 2022 and ceased to be his alternate with effect from 30 May 2022;

– Ms. Wei Xian resigned as the executive Director with effect from 17 June 2022; and

– Ms. Cai Xiaoxin was appointed as the executive Director with effect from 17 June 2022.

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.

As at 31 December 2022, the Board composition comprises five female Directors. The Board would continue to maintain at least one female Director on the Board.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. 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 assumes 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' 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.

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 statues, 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 2022, 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	✓	✓
Wei Xian *(resigned with effect from 17 June 2022)*	✓	✓
Li Fang	✓	✓
Xu Jun	✓	✓
Qu Guohui	✓	✓
Non-executive Directors		
Shao Hui	✓	✓
Shen Yi	✓	✓
Independent Non-executive Directors		
Xian Guoming	✓	✓
Zhong Mingshan	✓	✓
Xu Zongzheng	✓	✓
Liu Jingping	✓	✓

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.

During the year ended 31 December 2022, 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 2022 are set out below:

	No. of regular Board Meeting attended/No. of regular Board Meeting held
Executive Directors	
Liu Naiyue	4/4
Cai Xiaoxin *(appointed with effect from 17 June 2022)*	1/2
Liu Peiyao	1/4
Wei Xian *(resigned with effect from 17 June 2022)*	2/2
Li Fang	3/4
Xu Jun	1/4
Qu Guohui	1/4
Non-executive Directors	
Shao Hui	1/4
Shen Yi	2/4
Independent Non-executive Directors	
Xian Guoming	3/4
Zhong Mingshan	3/4
Xu Zongzheng	1/4
Liu Jingping	2/4

At the annual general meeting held on 30 May 2022 ("**2022 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 2022 AGM to answer questions of Shareholders. Procedure for conducting a poll were explained by the chairman of 2022 AGM at the 2022 AGM.

The attendance of individual Directors at general meeting(s) in 2022:

	2022 AGM
Executive Directors	
Liu Naiyue	✓ *(Note)*
Cai Xiaoxin *(appointed with effect from 17 June 2022)*	N/A
Liu Peiyao	✓
Wei Xian *(resigned with effect from 17 June 2022)*	✓
Li Fang	✓
Xu Jun	✓
Qu Guohui	✓
Au Yeung Ming Yin Gordon (Alternate Director to Liu Naiyue)	✓
Non-executive Directors	
Shao Hui	✗
Shen Yi	✓
Independent Non-executive Directors	
Xian Guoming	✓
Zhong Mingshan	✓
Xu Zongzheng	✓
Liu Jingping	✓

Note:

Mr. Liu Naiyue attended the 2022 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.

The Board had considered the following corporate governance matters during the year ended 31 December 2022 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 14 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 2022, 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 2022:

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.

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 14 to the Listing Rules. During the Reporting Period, 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 2022, two Remuneration Committee meetings were 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.

Attendance of individual Directors at Remuneration Committee meetings in 2022:

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

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 18 to page 23 of this annual report, for the year ended 31 December 2022 are set out on page 98 to page 101 of this annual report.

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 14 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 2022, two Nomination Committee meetings were 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 meetings in 2022:

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

The Company has also received from each independent non-executive Director an annual confirmation of his/her independence and 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 2022:

- 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.

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. Cai Xiaoxin, Mr. Xu Jun, Mr. Qu Guohui, Mr. Xian Guoming and Ms. Liu Jingping to retire by rotation and, being eligible, to offer themselves for re-election by shareholders of the Company at the 2023 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.

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 2022, 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 2022, the Company comprises fourteen female employees and eight male 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 2022 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 2022 amounted to approximately RMB1.3 million.

Service rendered	**Fees Payable** (RMB)
Audit service	1,280,000
Non-audit services	0
Total	1,280,000

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 2022.

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 2022 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 57 to 62. The financial statements of the Company and its subsidiaries for the year ended 31 December 2022 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.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the financial, operational and compliance controls, and the risk management and internal control systems and reports the review results to the Board on an annual basis. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The review report showed that the Group maintained an effective internal control system and no major control deficiency had been identified during the year ended 31 December 2022. The scope and findings of the review had been reported to and reviewed by the Audit Committee. The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board has received a confirmation from management on the effectiveness of the risk management and internal control systems.

The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies, and considers that the current internal control systems of the Company are effective and adequate and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under D.2.1 to D.2.7 and D.3.3 of the CG Code relating to risk management and internal control.

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

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' inquires

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.

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).

AMENDMENT OF CONSTITUTIONAL DOCUMENTS

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

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 2022.

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. For details of the relevant use of proceeds, please see the section headed "Use of Proceeds from the Listing and the Issue of the Over-allotment Shares" in this annual report.

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

RESULTS

The consolidated results of the Group for the year ended 31 December 2022 are set out on pages 63 to 69 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 2022 (2021: nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 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 127 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 32 to the consolidated financial statements. Other risks facing the Group are set out in the section headed "Risk Factors" of the Prospectus.

ANALYSIS USING FINANCIAL KEY PERFORMANCE INDICATORS

The analysis of the Group's performance for the year ended 31 December 2022 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 "Environmental, Social and Governance Report" to be published by the Company separately.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, sales to the Group's five largest customers accounted for 89.7% of the total sales for the year and sales to the largest customer included therein amounted to 39.9%. During the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for 44.2% of the total purchases for the year and purchase from the largest supplier included therein amounted to 19.2%. 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 2022.

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 2022 are set out in note 4 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVE

Accumulated losses of the Group amounted to RMB51.9 million for the year ended 31 December 2022 (for the year ended 31 December 2021: distributable reserves of RMB89.6 million).

Details of the movements in reserves during the year ended 31 December 2022 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 2022 and details of the shares issued during the year ended 31 December 2022 are set out in note 24 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph headed "Share Option Scheme" on page 29 of this annual report, the Company has not entered into any equity-linked agreement for the year ended 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the consolidated financial statements.

BORROWINGS

No borrowing was held by the Group as at 31 December 2022 (2021: nil).

DIRECTORS

The composition of the Board during the year ended 31 December 2022 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. XU Jun
Mr. QU Guohui

Non-Executive Directors

Mr. SHAO Hui
Ms. SHEN Yi

Independent Non-Executive Directors

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

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. Cai Xiaoxin, Mr. Xu Jun, Mr. Qu Guohui, Mr. Xian Guoming and Ms. Liu Jingping would be subject to re-election at the forthcoming annual general meeting in accordance with the articles 83(3) and 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 18 to 23 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. 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).

CHANGES TO INFORMATION IN RESPECT OF THE DIRECTORS

During the year ended 31 December 2022, save as disclosed on page 26 and the section headed "Directors and Senior Management" 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") where applicable.

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 2022 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 29 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 2022.

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.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, 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 2022, 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:

		As at 31 December 2022	
Name of Director	**Nature of interest/Capacity**	**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%
Mr. Xu Jun	Interest of a controlled corporation *(Note 4)*	86,872,500	8.37%

Notes:

1. The letter “L” denotes long position in our Shares.

2. The issued shares of BLW Investment Limited are owned as to approximately 43.44%, 23.17%, 15.44%, 9.65% and 8.30% by Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian (the “**Core Shareholders**”) respectively. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. Accordingly, each of Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian is deemed, or taken to be interested in the Shares beneficially owned by BLW Investment Limited.

3. The issued shares of SDJZ Investment Limited are owned as to approximately 91.00% by Mr. Shao Hui. Under the SFO, Mr. Shao Hui is deemed, or taken to be interested in the Shares beneficially owned by SDJZ Investment Limited.

4. The issued shares of JMJ Group Limited are owned as to approximately 97.84% by Mr. Xu Jun. Under the SFO, Mr. Xu Jun is deemed, or taken to be interested in the Shares beneficially owned by JMJ Group Limited.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2022, 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 2022, 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:

		As at 31 December 2022	
Name	**Capacity/Nature of interest**	**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%

Name	Capacity/Nature of interest	As at 31 December 2022 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%
Ms. Zhang Hui *(Note 7)*	Interest of spouse	86,872,500	8.37%
SYYT Investment Limited	Beneficial owner	70,002,500	6.74%
Mr. Sun Xianliang *(Note 8)*	Interest of a controlled corporation	70,002,500	6.74%
Ms. Yu Jinmei *(Note 9)*	Interest of spouse	70,002,500	6.74%
Jinping Holding Limited	Beneficial owner	54,997,500	5.30%
Ms. Jin Ping *(Note 10)*	Interest of a controlled corporation	54,997,500	5.30%
Mr. Yao Changhui *(Note 11)*	Interest of spouse	54,997,500	5.30%

Notes:

(1) The issued shares of BLW Investment Limited are owned as to approximately 43.44%, 23.17%, 15.44%, 9.65% and 8.30% by Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian (the "**Core Shareholders**") respectively. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. Accordingly, each of Mr. Bai Yang, Ms. Liu Peiyao, Mr. Wu Tao, Mr. Liu Naiyue and Ms. Wei Xian is deemed, or taken to be interested in the Shares beneficially owned by BLW Investment Limited.

(2) Ms. Xie Jinhong is the spouse of Mr. Bai Yang. Under the SFO, she is taken to be interested in the Shares in which Mr. Bai Yang is interested.

(3) Ms. Chen Ying is the spouse of Mr. Wu Tao. Under the SFO, she is taken to be interested in the Shares in which Mr. Wu Tao is interested.

(4) The issued shares of Suiyong Int'l Co., Limited are wholly owned by Suiyong Holdings Company Limited (穗甬控股有限公司). Under the SFO, Suiyong Holdings Company Limited (穗甬控股有限公司) is deemed, or taken to be interested in the Shares beneficially owned by Suiyong Int'l Co., Limited.

(5) The issued shares of SDJZ Investment Limited are owned as to approximately 91.00%, 2.02%, 3.88% and 3.10% by Mr. Shao Hui, Mr. Dai Honggang, Mr. Jin Huiguang and Ms. Zhao Lijuan respectively. SDJZ Investment Limited was incorporated by Mr. Shao Hui, our non-executive Director, Mr. Jin Huiguang, Ms. Zhao Lijuan and Mr. Dai Honggang (the "**Selected Partners**"), each of them is the limited partner of Hangzhou Baihuiquan Equity Investment Fund Partnership (Limited Partnership) (杭州百會全股權投資基金合夥企業(有限合夥)) ("**Hangzhou Baihuiquan**"). Pursuant to an agreement dated 21 May 2019 between Hangzhou Baihuiquan and the Selected Partners, Hangzhou Baihuiquan made entrustment arrangements with the Selected Partners regarding the distribution of the earnings generated from SDJZ Investment Limited's holding of the issued share capital in our Company. Furthermore, Hangzhou Baihuiquan is a limited equity investment fund partnership established in the PRC, the general partner of which is Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司). Accordingly, each of Mr. Shao Hui, Hangzhou Baihuiquan and Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司) is deemed to be interested in such number of Shares held by SDJZ Investment Limited.

(6) Ms. Lu Min is the spouse of Mr. Shao Hui. Under the SFO, she is taken to be interested in the Shares in which Mr. Shao Hui is interested, which is disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 47 of this annual report.

(7) Ms. Zhang Hui is the spouse of Mr. Xu Jun. Under the SFO, she is taken to be interested in the Shares in which Mr. Xu Jun is interested, which is disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" on page 47 of this annual report.

(8) The issued shares of SYYT Investment Limited are owned as to approximately 40.62% by Mr. Sun Xianliang. Under the SFO, Mr. Sun Xianliang is deemed, or taken to be interested in the Shares beneficially owned by SYYT Investment Limited.

(9) Ms. Yu Jinmei is the spouse of Mr. Sun Xianliang. Under the SFO, she is taken to be interested in the Shares in which Mr. Sun Xianliang is interested.

(10) Jinping Holding Limited is wholly owned by Ms. Jin Ping. Under the SFO, Ms. Jin Ping is deemed, or taken to be interested in the Shares beneficially owned by Jinping Holding Limited.

(11) Mr. Yao Changhui is the spouse of Ms. Jin Ping. Under the SFO, he is taken to be interested in the Shares in which Ms. Jin Ping is interested.

Save as disclosed herein, as at 31 December 2022, 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.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed "Related Party Transactions" stated in note 29 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 2022.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 12 December 2019 (the "**Share Option Scheme**"), which became effective on the Listing Date. The Share Option Scheme is a share incentive scheme and is established to reward the contributions that the eligible participants (as defined in the Prospectus) (including but not limited to any employee, director, supplier, customer, adviser, consultant, shareholder, partner or joint-venture partner of the Group or any entity in which any member of the Group holds an equity interest) had or may have made to the Group. Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 100,000,000 Shares) unless approved by the Shareholders and the total number of the Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being unless approved by the Shareholders. Subject to early termination by the Company in general meeting or by the Directors, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. The remaining life of the Share Option Scheme is approximately 6 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 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 series; (ii) investment 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. 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 2022 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;

(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 2022.

The revenue and net loss of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB4.1 million and RMB141.5 million for the year ended 31 December 2022, respectively. The total assets and total liabilities of the Consolidated Affiliated Entities subject to the Contractual Arrangements amounted to approximately RMB302.0 million and RMB26.5 million as at 31 December 2022, respectively.

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 2022, 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 2022, 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 2022, 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 2022 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;

(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 (with a copy provided to the Stock Exchange) 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 2022 are set out in note 29 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 2023, the register of members of the Company will be closed from 24 May 2023 to 30 May 2023 (both days inclusive), during which no transfer of Shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates are lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 May 2023.

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.

CORPORATE GOVERNANCE

The details of the Company's corporate governance practices are set out in the section headed "Corporate Government Report" on pages 24 to 41 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in the section headed "Management Discussion and Analysis" and "Report of The Directors" of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this 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 2022 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Zhong Mingshan, Mr. Xian Guoming and Mr. Xu Zongzheng, with Mr. Zhong Mingshan as the chairman of the Audit Committee.

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, 30 March 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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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 63 to 126, which comprise the consolidated statement of financial position as at 31 December 2022, 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 a summary of significant accounting policies.

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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") 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.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories to net realisable value	
As at 31 December 2022, the book value of the Group's inventories amounted to RMB135,063,000, and inventory provision of RMB35,256,000 was recognised during the year ended 31 December 2022. 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. 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 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 others which may affect the future production and distribution plans. The Group's disclosures regarding write-down of inventories are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Inventories* to the financial statements.	Our audit procedures to assess impairment provision of inventories included the following: – understanding 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; – on a sample basis, examining the relevant correspondences with suppliers and other documents to check the status and progress of the TV series under production; and – evaluating the historical accuracy of impairment assessment of inventories to assess the effectiveness of management's estimation process by comparing the carrying amount in the prior period against the respective actual performance during the year.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 31 December 2022, the trade receivables balance amounted to RMB149,807,000, before loss allowance for impairment of RMB115,769,000, representing 49.37% of the Group's total assets. 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 2022 using the simplified approach which involved significant management's judgement and estimation including their assessment of expected credit loss rate of peer companies, customers' current financial positions and forward-looking information. The assessment is highly judgmental. The Group's disclosures about trade receivables are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 17 *Trade and notes receivable* which specifically explain the accounting policies, management's estimates, the overdue receivables and the related provision.	Our audit procedures to assess impairment of trade receivables included the following: – 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 if collections had been received subsequent to the year end to understand 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 understand 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; – involving the internal specialist to review the expected credit loss; and – reviewing the related disclosures in the financial statements.

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 HKFRSs 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 HKSAs 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.

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

As part of an audit in accordance with HKSAs, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

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
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**4,090**	43,137
Cost of sales	6	**(42,495)**	(43,389)
Gross loss		**(38,405)**	(252)
Other income and gains	5	**820**	1,515
Selling and distribution expenses		**(1,233)**	(1,233)
Administrative expenses		**(13,134)**	(14,648)
Impairment losses on financial assets, net		**(70,504)**	(27,542)
Finance costs	7	**(39)**	–
Other expenses		**(5,957)**	(100)
LOSS BEFORE TAX	6	**(128,452)**	(42,260)
Income tax (expense)/credit	10	**(13,036)**	4,290
LOSS FOR THE YEAR		**(141,488)**	(37,970)
Attributable to:			
Owners of the parent		**(141,488)**	(37,970)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	12	**(RMB13.64 cents)**	(RMB3.66 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**159**	102
Prepayments, other receivables and other assets	*18*	**64**	74
Right-of-use assets	*14*	**1,017**	–
Investments in an associate	*15*	**7,000**	–
Deferred tax assets	*23*	**–**	14,124
Total non-current assets		**8,240**	14,300
CURRENT ASSETS			
Inventories	*16*	**135,063**	92,886
Trade and notes receivable	*17*	**39,464**	138,350
Prepayments, other receivables and other assets	*18*	**80,221**	43,654
Financial assets at fair value through profit or loss	*19*	**–**	28,025
Restricted cash	*20*	**–**	1,800
Cash and cash equivalents	*20*	**39,050**	117,989
Total current assets		**293,798**	422,704
CURRENT LIABILITIES			
Trade payables	*21*	**2,863**	4,810
Other payables and accruals	*22*	**15,106**	9,019
Tax payable		**7,606**	7,606
Lease liabilities	*14*	**883**	–
Total current liabilities		**26,458**	21,435
NET CURRENT ASSETS		**267,340**	401,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**275,580**	415,569

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*23*	**–**	1,088
Total non-current liabilities		**–**	1,088
Net assets		**275,580**	414,481
EQUITY			
Equity attributable to owners of the parent			
Share capital	*24*	**36**	36
Reserves	*25*	**275,544**	414,445
Total equity		**275,580**	414,481

Liu Naiyue
Director

Liu Peiyao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent					
	Share capital RMB'000 (Note 24)	Capital reserve RMB'000 (Note 25)	Statutory surplus reserve RMB'000 (Note 25)	Exchange fluctuation reserve RMB'000 (Note 25)	Retained profits/ (accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2021	36	312,834	15,233	(1,834)	127,558	453,827
Loss for the year	–	–	–	–	(37,970)	(37,970)
Other comprehensive loss for the year:						
Exchange differences on translation of functional currency to presentation currency	–	–	–	(1,376)	–	(1,376)
Total comprehensive loss for the year	–	–	–	(1,376)	(37,970)	(39,346)
At 31 December 2021	36	312,834*	15,233*	(3,210)*	89,588*	414,481
At 1 January 2022	36	312,834	15,233	(3,210)	89,588	414,481
Loss for the year	–	–	–	–	(141,488)	(141,488)
Other comprehensive income for the year:						
Exchange differences on translation of functional currency to presentation currency	–	–	–	2,587	–	2,587
Total comprehensive loss for the year	–	–	–	2,587	(141,488)	(138,901)
At 31 December 2022	36	312,834*	15,233*	(623)*	(51,900)*	275,580

* These reserve accounts comprise the consolidated reserves of RMB275,544,000 (2021: RMB414,445,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(128,452)**	(42,260)
Adjustments for:			
Depreciation of property, plant and equipment	*13*	**87**	41
Depreciation of right-of-use assets	*14(a)*	**727**	–
Amortisation of long-term deferred expenses		**10**	18
Finance costs	*7*	**39**	–
Write-down of inventories to net realisable value	*6*	**35,256**	2,867
Impairment of trade receivables	*17*	**70,504**	21,390
Impairment of prepayments under the co-investment arrangement with copyrights	*18*	**4,516**	–
Impairment of other receivables	*18*	**–**	6,152
		(17,313)	(11,792)
(Increase)/decrease in inventories		**(69,159)**	9,647
Decrease in trade and notes receivable		**28,382**	3,131
(Increase)/decrease in prepayments, other receivables and other assets		**(21,332)**	2,628
Increase in financial assets through profit or loss		**–**	(23,765)
Decrease/(increase) in restricted cash		**1,800**	(1,800)
Increase/(decrease) in other payables and accruals		**6,087**	(446)
Decrease in trade payables		**(1,947)**	(1,623)
Cash used in operations		**(73,482)**	(24,020)
Income tax paid		**–**	(527)
Net cash flows used in operating activities		**(73,482)**	(24,547)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(144)**	(54)
Investments in an associate		**(7,000)**	–
Repayment of advances of loans to a third party		**–**	600
Net cash flows (used in)/from investing activities		**(7,144)**	546

Year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(39)**	–
Principal portion of lease liabilities		**(861)**	–
Net cash flows used in financing activities		**(900)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(81,526)**	(24,001)
Cash and cash equivalents at beginning of year		**117,989**	143,366
Effect of foreign exchange rate changes, net		**2,587**	(1,376)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**39,050**	117,989
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	**39,050**	117,989
Cash and cash equivalents as stated in the consolidated statement of cash flows		**39,050**	117,989

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2022

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.

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 Company		Principal activities
			Direct	Indirect	
YS Cultural Investment Limited	British Virgin Islands 20 March 2019	US$1	100%	–	Investment holding
Fanta Culture Co., Limited (泛泰文化有限公司)	Hong Kong 17 April 2019	HK$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
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

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

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 Company		Principal activities
			Direct	Indirect	
Xinjiang Values Culture Media Co., Ltd. *^ ("Xinjiang Values") (新疆原石文化傳媒有限公司)	PRC/Mainland China 22 June 2018	RMB10,000,000	–	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
Haining Runze Television Culture Media Co., Ltd. *^ ("Haining Runze") (海寧潤澤影視文化有限公司)	PRC/Mainland China 15 July 2020	RMB5,000,000	–	51%	Dormant
Xiamen Yanhaihongshi Television Culture Media Co., Ltd. *^ ("Xiamen Hongshi") (廈門晏海弘石影視文化有限公司)	PRC/Mainland China 8 February 2022	RMB10,000,000	–	100%	Investments in and distribution and licensing of TV series
Fujian Values Television Culture Media Co., Ltd. *^ ("Fujian Values") (福建原石影視文化傳媒有限公司)	PRC/Mainland China 5 July 2022	RMB10,000,000	–	100%	Investments in and distribution and licensing of TV series

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 PRC, the principal business carried out by Values Culture, Beijing Values, Khorgas Values, Xinjiang Values, Khorgas Ming Yao, Xiamen Hongshi and Fujian Values (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 the equity holders of the Consolidated Affiliated Entities 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. These entities are owned through Contractual Arrangements.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

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

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

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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 is in a position to exercise 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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.

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 cases, 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 is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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 any 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.

2.4 SUMMARY OF SIGNIFICANT 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. Revenue is measured based on the fair value of consideration received or receivable specified in the contracts with customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Licensing of broadcasting rights of TV series

Revenue from the licensing of broadcasting rights of TV series is recognised at the point in time when the TV 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") or receipt of the licence for distribution of TV series from provincial counterpart of NRTA when a customer is provided with a right to use the TV 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 TV 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 series, films and 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.

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

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, 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.

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).

2.4 SUMMARY OF SIGNIFICANT 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

(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

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

2.4 SUMMARY OF SIGNIFICANT 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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

Debt investments at fair value through other comprehensive income and 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

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.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest bearing loans and 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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 profit or loss.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other 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.

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).

2.4 SUMMARY OF SIGNIFICANT 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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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.

2.4 SUMMARY OF SIGNIFICANT 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. On disposal of a foreign operation, the component of other comprehensive income 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

There is no significant effect on the amounts recognised in the Group's financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the year, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the year is set out below:

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

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

Geographical markets

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

Timing of revenue recognition

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

(ii) Performance obligations

Licensing of broadcasting rights of TV series

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

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Licensing of broadcasting rights of TV series (Continued)

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

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

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

An analysis of other income and gains is as follows:

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

Note:

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

6. LOSS BEFORE TAX

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

	Notes	**2022 RMB'000**	2021 RMB'000
Cost of inventories sold*		**7,239**	40,522
Depreciation of property, plant and equipment	*13*	**87**	41
Depreciation of right-of-use assets	*14(a)*	**727**	–
Auditor's remuneration		**1,319**	1,207
Minimum lease payments under lease exemption		**469**	1,243
Government grants	*5*	**(126)**	(368)
Bank interest income	*5*	**(246)**	(967)
Employee benefit expense (excluding directors' and chief executive's remuneration *(Note 8)*):			
Wages and salaries		**3,633**	3,461
Pension scheme contributions **		**404**	338
Staff welfare expenses		**260**	213
		4,297	4,012
Write-down of inventories to net realisable value*		**35,256**	2,867
Impairment of trade receivables	*17*	**70,504**	21,390
Impairment of prepayments under the co-investment arrangement with copyrights	*18*	**4,516**	–
Impairment of other receivables	*18*	**–**	6,152

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

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

7. FINANCE COSTS

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

8. 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:

	2022 RMB'000	2021 RMB'000
Fees	**357**	343
Other emoluments:		
Salaries, allowances and benefit in kind	**1,483**	1,808
Performance related bonuses	**–**	–
Pension scheme contributions	**82**	136
	1,565	1,944
	1,922	2,287

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Mr. Xian Guoming	**51**	49
Mr. Xu Zongzheng	**102**	98
Ms. Liu Jingping	**102**	98
Mr. Zhong Mingshan	**102**	98
	357	343

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

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

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

Year ended 31 December 2022	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Mr. Liu Naiyue	533	54	587
Ms. Li Fang	261	13	274
Ms. Liu Peiyao	119	15	134
Mr. Qu Guohui	–	–	–
Mr. Xu Jun	–	–	–
Ms. Wei Xian*	150	–	150
	1,063	82	1,145
Non-executive directors:			
Mr. Shao Hui	–	–	–
Ms. Shen Yi	–	–	–
	–	–	–
Chief executive:			
Ms. Cai Xiao Xin*	420	–	420
	1,483	82	1,565

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

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

Year ended 31 December 2021	Salaries, bonuses, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:			
Mr. Liu Naiyue	500	36	536
Ms. Li Fang	278	25	303
Ms. Liu Peiyao	118	15	133
Mr. Qu Guohui	–	–	–
Mr. Xu Jun	–	–	–
Ms. Wei Xian	300	–	300
	1,196	76	1,272
Non-executive directors:			
Mr. Shao Hui	–	–	–
Ms. Shen Yi	–	–	–
	–	–	–
Chief executive:			
Mr. Wu Tao	454	53	507
Ms. Cai Xiao Xin	158	7	165
	612	60	672
	1,808	136	1,944

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

* Ms. Wei Xian has resigned as the executive director of the Group with effect from 17 June 2022. Ms. Cai Xiao Xin has been appointed as the executive director of the Company with effect from 17 June 2022.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included the chief executive and two directors (2021: the chief executive and one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining two (2021: three) highest paid employees who are neither a director nor chief executive of the Company during the year are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**853**	1,153
Pension scheme contributions	**108**	155
	961	1,308

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	
	2022	2021
Nil to HK$1,000,000	**2**	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

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:

	2022 **RMB'000**	2021 RMB'000
Current – Mainland China		
Charge for the year	**–**	(10,047)
Overprovision in prior years	**–**	10
Deferred tax (note 23)	**13,036**	5,747
Total tax charge/(credit) for the year	**13,036**	(4,290)

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

10. INCOME TAX (Continued)

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

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

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Khorgas special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("EIT") exemption for five years starting from the year under which the first revenue was generated. As stipulated in Cai Shui [2021] No. 27, The aforementioned policy had be extended by 2030. Xinjiang Values and Khorgas Values enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》. According to Preferential Filing Record of EIT《企業所得稅優惠事項備案表》, Khorgas Values obtained the approval from the PRC tax bureau for the entitlement of EIT exemption from 1 January 2017 to 31 December 2021, Xinjiang Values registered with the PRC tax bureau for the entitlement of EIT exemption from 1 July 2018 to 31 December 2022, and Khorgas Ming Yao registered with the PRC tax bureau for the entitlement of EIT exemption from 1 October 2020 to 31 December 2024.

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

	2022 RMB'000	2021 RMB'000
Loss before tax	**(128,452)**	(42,260)
Tax at the statutory tax rate of 25% in Mainland China	**(32,113)**	(10,565)
Adjustment to current income taxes for previous periods	**–**	10
Effect of tax rate differences in other jurisdictions	**574**	649
Effect of expenses not deductible for tax	**665**	1,747
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries (note 23)	**(1,088)**	(353)
Deductible temporary difference and tax losses not recognised	**44,998**	4,222
Tax expense/(credit) at the Group's effective tax rate	**13,036**	(4,290)
Effective tax rate	**(10.2%)**	10.2%

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2021: 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 RMB141,488,000 (2021: RMB37,970,000), and the weighted average number of ordinary shares of 1,037,500,000 (2021: 1,037,500,000) in issue during the year.

The calculation of basic earnings per share is based on:

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022:				
Cost	265	136	654	1,055
Accumulated depreciation	(192)	(107)	(654)	(953)
Net carrying amount	73	29	–	102
At 1 January 2022, net of accumulated depreciation	73	29	–	102
Additions	144	–	–	144
Depreciation provided during the year *(Note 6)*	(62)	(25)	–	(87)
At 31 December 2022, net of accumulated depreciation	155	4	–	159
At 31 December 2022:				
Cost	409	136	654	1,199
Accumulated depreciation	(254)	(132)	(654)	(1,040)
Net carrying amount	155	4	–	159

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2021

	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2021:				
Cost	211	136	654	1,001
Accumulated depreciation	(175)	(83)	(654)	(912)
Net carrying amount	36	53	–	89
At 1 January 2021, net of accumulated depreciation	36	53	–	89
Additions	54	–	–	54
Depreciation provided during the year *(Note 6)*	(17)	(24)	–	(41)
At 31 December 2021, net of accumulated depreciation	73	29	–	102
At 31 December 2021:				
Cost	265	136	654	1,055
Accumulated depreciation	(192)	(107)	(654)	(953)
Net carrying amount	73	29	–	102

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	**Total RMB'000**
As at 1 January 2021 and 31 December 2021 and 1 January 2022	–	–
Additions	1,744	1,744
Depreciation charge	(727)	(727)
As at 31 December 2022	1,017	1,017

(b) Lease liabilities

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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**–**	–
New leases	**1,744**	–
Accretion of interest recognised during the year	**39**	–
Payments	**(900)**	–
Carrying amount at 31 December	**883**	–
Analysed into:		
Current portion	**883**	–

14. LEASES (Continued)

The Group as a lessee (Continued)

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	39	–
Depreciation charge of right-of-use assets	727	–
Expense relating to short-term leases (included in administrative expenses)	459	1,233
Expense relating to leases of low-value assets (included in administrative expenses)	10	10
Total amount recognised in profit or loss	1,235	1,243

The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 27 and note 32, respectively, to the financial statements.

15. INVESTMENT IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	7,000	–

Particulars of the material associate are as follows:

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

16. INVENTORIES

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

17. TRADE AND NOTES RECEIVABLES

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

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

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

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

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

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

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

17. TRADE AND NOTES RECEIVABLES (Continued)

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

As at 31 December 2022

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

As at 31 December 2021

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

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

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments under the co-investment arrangement with copyrights	**77,350**	38,000
Prepayments	**7,098**	5,251
Long term deferred expense	**64**	74
Deposits and other receivables	**12,288**	12,402
Loans receivable (note (a))	**3,174**	3,174
Interest receivables (note (a))	**761**	761
	100,735	59,662
Impairment of prepayments under the co-investment arrangement with copyrights	**(4,516)**	–
Impairment allowance	**(15,934)**	(15,934)
	80,285	43,728
Current	**80,221**	43,654
Non-current	**64**	74

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

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.

Note:

(a) Loans receivable represent the Fixed Return Investment and a loan provided to third parties. Interest receivables represent interest derived from the aforementioned fixed return investment and a loan provided to third parties. Included in the loans receivables, RMB2,400,000 as at 31 December 2022 (31 December 2021: RMB2,400,000) was a fixed return investment provided to third parties. The Group made investment in certain TV series under arrangements, among which the Group are entitled to a fixed investment return based on principal investment amount, with an agreed rate of return and investment period rather than exposure to the risk of variable returns of the invested TV series.

	Effective interest rate	**Maturity**	**RMB'000**
Denominated in RMB	7.5%	30 June 2018	774*
Denominated in RMB	15%	7 October 2018	1,400*
Denominated in RMB	15%	on demand	1,000*

* The loans receivable and the corresponding interest receivables totalling RMB3,935,000 have been past due as at 31 December 2022 (31 December 2021: RMB3,935,000).

During the year ended 31 December 2022, due to delay of the production plan and changes in the economic environment, the management considered that impairment indicators arose from a TV series investment, an impairment loss of approximately RMB4,516,000 (2021: Nil) was recognised in respect of prepayments under the co-investment arrangement with copyrights. The impairment was made based on management's estimation of the recoverable amount against the carrying amount of the prepayments.

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.

As at 31 December 2022, the Group estimated the expected losses for loans receivable and interest receivables to be RMB3,935,000 (31 December 2021: RMB3,935,000). As at 31 December 2022, the Group estimated expected losses for other receivables to be RMB11,999,000 (31 December 2021: RMB11,999,000). Except those mentioned above, the Group estimated the expected loss for deposits and other receivables is minimal under the 12-month expected loss method (31 December 2021: Nil).

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

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

	2022 **RMB'000**	2021 RMB'000
At beginning of year	**15,934**	9,782
Impairment losses (note 6)	**–**	6,152
At end of year	**15,934**	15,934

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

The above unlisted investments at 31 December 2021 represent the Group's investments in productions of TV series which the Group is not entitled to copyrights. Instead, the Group is only entitled to share of income generated from such TV series productions based on percentages reflecting the Group's investment in accordance with the respective co-investment arrangements. They are mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

20. CASH AND CASH EQUIVALENTS

	2022 **RMB'000**	2021 RMB'000
Cash and bank balances	**39,050**	119,789
Less: Restricted cash from lawsuit *(Note (a))*	**–**	(1,800)
Cash and cash equivalents	**39,050**	117,989

Note:

(a) As at 31 December 2022, the Group had no restricted cash from lawsuit (31 December 2021: RMB1,800,000).

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 and pledged deposits earn interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

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

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

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

22. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Contract liabilities (note (a))	1,318	973
Other tax payables	737	2,976
Payroll and welfare payable	703	1,482
Amount received under the co-investment arrangements with copyrights	10,000	2,000
Accrued expenses	1,250	747
Others	1,098	841
	15,106	9,019

Note:

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Short-term advances received from customers		
Licensing of broadcasting rights of TV series	1,318	973

Contract liabilities include short-term advances received for licensing of broadcasting rights of TV series. The increase in contract liabilities in 2022 was mainly due to the increase in short-term 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.

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

31 December 2022

Deferred tax assets

	Accrued expenses and costs RMB'000	Impairment of trade receivables and other receivables RMB'000	Write-down of inventories RMB'000	Fair value adjustments RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	218	12,377	1,631	(269)	167	14,124
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(218)	(12,377)	(1,631)	269	(167)	(14,124)
Gross deferred tax assets at 31 December 2022	–	–	–	–	–	–

Deferred tax liabilities

	Withholding tax RMB'000
At 31 December 2021 and 1 January 2022	1,088
Deferred tax credited to profit or loss during the year (note 10)	(1,088)
Gross deferred tax liabilities at 31 December 2022	–

23. DEFERRED TAX (Continued)

31 December 2021

Deferred tax assets

	Accrued expenses and costs RMB'000	Impairment of trade receivables and other receivables RMB'000	Write-down of inventories RMB'000	Fair value adjustments RMB'000	Deferred tax assets Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	10,303	8,123	1,798	–	–	20,224
Deferred tax (charged)/credited to profit or loss during the year (note 10)	(10,085)	4,254	(167)	(269)	167	(6,100)
Gross deferred tax assets at 31 December 2021	218	12,377	1,631	(269)	167	14,124

Deferred tax liabilities

	Withholding tax RMB'000
At 31 December 2020 and 1 January 2021	1,441
Deferred tax credited to profit or loss during the year (note 10)	(353)
Gross deferred tax liabilities at 31 December 2021	1,088

The aggregate amount of temporary differences associated with accumulated losses in Mainland China for which deferred tax assets have not been recognised totalled approximately RMB123,915,000 as at 31 December 2022 (31 December 2021: RMB31,041,000). Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributable by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

As of 31 December 2022, no deferred tax has been recognised for withholding taxes because there are accumulated losses incurred from the Group's subsidiaries established in Mainland China (31 December 2021: RMB1,088,000).

The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB97,874,000 as at 31 December 2021. In the opinion of the directors, it is not probable that the subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

24. SHARE CAPITAL

	2022 **RMB'000**	2021 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 (2021: US$0.000005)		
US$'000	**5**	5
RMB'000	**36**	36

25. RESERVES

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.

25. RESERVES (Continued)

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.

26. CONTINGENT LIABILITIES

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

27. 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 RMB1,744,000 (2021: Nil) and RMB1,744,000 (2021: Nil), respectively, in respect of lease arrangements for office room.

During the year, the Group had non-cash additions to inventories and prepayments of RMB8,275,000 (2021: Nil) and RMB19,750,000 (2021: Nil), respectively, in respect of the derecognition of financial assets at fair value through profit or loss.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000
At 1 January 2021 and 31 December 2021 and 1 January 2022	–
Changes from financing cash flows	(900)
New leases	1,744
Interest accrual	39
At 31 December 2022	883

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

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

	2022 RMB'000	2021 RMB'000
Within operating activities	469	1,243
Within financing activities	900	–
	1,369	1,243

28. COMMITMENTS

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

29. RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	1,438	1,164
Pension scheme contributions	131	126
Total compensation paid to key management personnel	1,569	1,290

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

30. 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:

As at 31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000
Trade and notes receivable	39,464
Financial assets included in prepayments, other receivables and other assets	289
Cash and cash equivalents	39,050
	78,803

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	2,863
Lease liabilities	883
Financial liabilities included in other payables and accruals	2,348
	6,094

30. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

As at 31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial Assets at fair value through profit or loss — Mandatorily classified as such RMB'000	Total RMB'000
Trade and notes receivable	138,350	–	138,350
Financial assets included in prepayments, other receivables and other assets	403	–	403
Cash and cash equivalents	117,989	–	117,989
Restricted cash	1,800	–	1,800
Financial assets at fair value through profit or loss	–	28,025	28,025
	258,542	28,025	286,567

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	4,810
Financial liabilities included in other payables and accruals	1,588
	6,398

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, trade payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accrual 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.

The Group invests in certain TV series and web series where the Group is only entitled to the right for revenue sharing. The Group accounts for these arrangements as financial assets 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:

As at 31 December 2021

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

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

Unlisted equity investments through profit or loss

	2022 RMB'000	2021 RMB'000
At 1 January	**28,025**	4,260
Total gains recognised in profit or loss included in revenue from other sources	**–**	1,075
Additions	**–**	24,790
Derecognition	**(28,025)**	(2,100)
At 31 December	**–**	28,025

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 both financial assets and liabilities (2021: Nil).

32. 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 and notes receivable and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are 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.

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$/RMB rate %	Increase/ (decrease) in equity RMB'000
2022		
If the RMB weakens against the HK$	**5**	**632**
If the RMB strengthens against the HK$	**(5)**	**(632)**
2021		
If the RMB weakens against the HK$	5	1,920
If the RMB strengthens against the HK$	(5)	(1,920)

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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging

The tables below shows 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 2022

	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*	–	–	–	149,807	149,807
Notes receivable**	5,426	–	–	–	5,426
Financial assets included in prepayments, other receivables and other assets					
– Normal**	289	–	–	–	289
– Doubtful**	–	–	15,934	–	15,934
Cash and cash equivalents					
– Not yet past due	39,050	–	–	–	39,050
	44,765	–	15,934	149,807	210,506

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	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*	–	–	–	179,543	179,543
Notes receivable**	4,072	–	–	–	4,072
Financial assets included in prepayments, other receivables and other assets					
– Normal**	403	–	–	–	403
– Doubtful**	–	–	15,934	–	15,934
Restricted cash					
– Not yet past due	1,800	–	–	–	1,800
Cash and cash equivalents					
– Not yet past due	117,989	–	–	–	117,989
	124,264	–	15,934	179,543	319,741

* 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 notes receivable and 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 December 2022					
	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**	**Total RMB'000**
Lease liabilities	**–**	**250**	**750**	**–**	**–**	**1,000**
Trade payables	**2,863**	**–**	**–**	**–**	**–**	**2,863**
Financial liabilities included in other payables and accruals	**2,348**	**–**	**–**	**–**	**–**	**2,348**
	5,211	**250**	**750**	**–**	**–**	**6,211**

	31 December 2021					
	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	Total RMB'000
Trade payables	4,810	–	–	–	–	4,810
Financial liabilities included in other payables and accruals	1,588	–	–	–	–	1,588
	6,398	–	–	–	–	6,398

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000
Lease liabilities	**883**	–
Total debt	**883**	–
Equity attributable to owners of the Company	**275,580**	414,481
Gearing ratio	**0.32%**	N/A

33. 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:

	2022 RMB'000	2021 RMB'000
CURRENT ASSETS		
Prepayments, other receivables and other assets	**286**	345
Due from a subsidiary	**95,492**	87,074
Cash and cash equivalents	**2,572**	4,869
Total current assets	**98,350**	92,288
CURRENT LIABILITIES		
Other payables and accruals	**410**	705
Due to a subsidiary	**10,920**	9,701
Total current liabilities	**11,330**	10,406
NET CURRENT ASSETS	**87,020**	81,882
TOTAL ASSETS LESS CURRENT LIABILITIES	**87,020**	81,882
Net assets	**87,020**	81,882
EQUITY		
Share capital	**36**	36
Reserves (note)	**86,984**	81,846
Net assets in assets	**87,020**	81,882

33. 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 2021	107,150	(4,585)	(15,671)	86,894
Loss for the year	–	–	(2,605)	(2,605)
Other comprehensive loss for the year:				
Exchange differences on translation of the Company's financial statements	–	(2,443)	–	(2,443)
Total comprehensive income for the year	–	(2,443)	(2,605)	(5,048)
At 31 December 2021	107,150	(7,028)	(18,276)	81,846
At 31 December 2021 and At 1 January 2022	107,150	(7,028)	(18,276)	81,846
Loss for the year	–	–	(2,319)	(2,319)
Other comprehensive income for the year:				
Exchange differences on translation of the Company's financial statements	–	7,457	–	7,457
Total comprehensive income for the year	–	7,457	(2,319)	5,138
At 31 December 2022	107,150	429	(20,595)	86,984

34. EVENTS AFTER THE REPORTING PERIOD

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

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.

	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**4,090**	43,137	87,588	212,637	154,085
Profit/(loss) for the year	**(141,488)**	(37,970)	1,226	24,832	64,483
Attributable to:					
Owners of the parent	**(141,488)**	(37,970)	1,226	24,832	64,483
Total assets	**302,038**	437,004	489,337	424,320	407,730
Total liabilities	**26,458**	22,523	35,510	77,263	85,313
Net assets	**275,580**	414,481	453,827	347,057	322,417