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Values Cultural Investment Limited

新石文化投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1740)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2025 increased by approximately 391.0% to approximately RMB20.2 million from approximately RMB4.1 million for the year ended 31 December 2024.
- Gross loss for the year ended 31 December 2025 decreased by approximately 84.8% to gross loss of approximately RMB5.9 million from approximately RMB38.9 million for the year ended 31 December 2024.
- Net loss for the year ended 31 December 2025 decreased by approximately 81.7% to loss of approximately 18.0 million from approximately RMB98.3 million for the year ended 31 December 2024.
- Basic and diluted loss per share for the year ended 31 December 2025 was approximately RMB1.74 cents (2024: RMB9.48 cents).
- The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2025.

The board (the “**Board**”) of directors (the “**Directors**”) of Values Cultural Investment Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2025 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2024. The annual results of the Company for the year ended 31 December 2025 had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
REVENUE	4	20,243	4,123
Cost of sales		<u>(26,168)</u>	<u>(43,024)</u>
Gross loss		(5,925)	(38,901)
Other income and gains	4	283	484
Selling and distribution expenses		(2,641)	(1,239)
Administrative expenses		(11,942)	(14,741)
Reversal of/(provision for) impairment loss on financial assets		9,042	(31,019)
Finance costs	6	(16)	(243)
Share of losses of an associate		–	(2,308)
Other expenses		<u>(6,816)</u>	<u>(10,170)</u>
LOSS BEFORE TAX	5	(18,015)	(98,137)
Income tax expense	7	<u>–</u>	<u>(179)</u>
LOSS FOR THE YEAR		<u><u>(18,015)</u></u>	<u><u>(98,316)</u></u>
Attributable to:			
Owners of the parent		<u><u>(18,015)</u></u>	<u><u>(98,316)</u></u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	<u><u>(RMB1.74 cents)</u></u>	<u><u>(RMB9.48 cents)</u></u>

	2025 RMB'000	2024 <i>RMB'000</i>
LOSS FOR THE YEAR	<u>(18,015)</u>	<u>(98,316)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,988	(1,714)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>(2,107)</u>	<u>1,872</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(119)</u>	<u>158</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(18,134)</u>	<u>(98,158)</u>
Attributable to:		
Owners of the parent	<u>(18,134)</u>	<u>(98,158)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		28	72
Prepayments, other receivables and other assets		–	19
Right-of-use assets		–	884
Investment in an associate		–	–
		<hr/>	<hr/>
Total non-current assets		28	975
CURRENT ASSETS			
Inventories	<i>10</i>	42,064	47,470
Trade receivables	<i>11</i>	4,041	10,108
Prepayments, other receivables and other assets		14,173	20,772
Cash and cash equivalents		18,422	20,705
		<hr/>	<hr/>
Total current assets		78,700	99,055
CURRENT LIABILITIES			
Trade payables	<i>12</i>	3,558	2,829
Other payables and accruals		4,676	7,384
Tax payable		7,900	7,900
Lease liabilities		160	766
		<hr/>	<hr/>
Total current liabilities		16,294	18,879
NET CURRENT ASSETS		62,406	80,176
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		62,434	81,151
NON-CURRENT LIABILITIES			
Other payables and accruals		2,241	2,878
Lease liabilities		54	–
		<hr/>	<hr/>
Total non-current liabilities		2,295	2,878
Net assets		60,139	78,273
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>13</i>	36	36
Reserves		60,103	78,237
		<hr/>	<hr/>
Total equity		60,139	78,273
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Values Cultural Investment Limited (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**”) and web series and traffic marketing services.

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

2. BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “**HKFRS Accounting Standards**”) and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (“**RMB**”) while the functional currency of the Company is in Hong Kong Dollar (“**HK\$**”). All values are rounded to the nearest thousand (“**RMB’000**”), except when otherwise indicated.

(d) Going concern assumption

For the year ended 31 December 2025, the Group recorded a total loss of RMB18,015,000 and a net cash outflows from operating activities of RMB1,394,000. These conditions may cast significant doubt on the Group’s ability to continue as a going concern. The liquidity of the Group is primarily dependent on its ability to generate adequate cash inflows from operations and to maintain sufficient financing facilities to meet its financial obligations as and when they fall due.

In assessing the appropriateness of the use of the going concern basis for the preparation of the consolidated financial statements, the directors of the Company have reviewed the Group's cash flow forecast prepared by management, covering a period of fifteen months from the end of the reporting period. In addition, a substantial shareholder of the Company has undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations. The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.2 CHANGE IN ACCOUNTING POLICIES

(a) *Adoption of revised HKFRS Accounting Standards*

In the current year, the Group has applied for the first time the following revised HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2025.

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
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The adoption of these amendments to HKFRS Accounting Standards has no material impact on the Group's accounting policies.

(b) *New and amendments to HKFRS Accounting Standards that have been issued but not yet effective*

The following new or amendments to HKFRS Accounting Standards, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	<i>Annual Improvements to HKFRS Accounting Standards – Volume 11¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
HKFRS 18 HKFRS 19	<i>Presentation and Disclosure in Financial Statements² Subsidiaries without Public Accountability: Disclosures²</i>
Hong Kong Interpretation 5 (Revised)	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause²</i>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

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

² Effective for annual periods beginning on or after 1 January 2027

³ To be determined by the HKICPA

3. 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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Customer 1	18,019	N/A*
Customer 2	N/A*	2,399
Customer 3	N/A*	593

* 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.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	20,243	3,133
<i>Revenue from other sources</i>		
Net licence fee from investments in TV or web series as non-executive producer	—	990
Total	20,243	4,123

Revenue from contracts with customers

(a) Disaggregated revenue information

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Type of service		
Licensing of broadcasting rights of TV or web series	6,113	3,133
Traffic marketing services	14,130	–
	<u>20,243</u>	<u>3,133</u>

Geographical markets

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

An analysis of other income and gains is as follows:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Other income and gains		
Government grants		
– related to income (<i>note (a)</i>)	231	436
Bank interest income	7	42
Gain on lease termination	10	–
Others	35	6
	<u>283</u>	<u>484</u>
Total other income and gains	<u>283</u>	<u>484</u>

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.

5. LOSS BEFORE TAX

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

	<i>Notes</i>	2025 RMB'000	2024 <i>RMB'000</i>
Cost of inventories sold (<i>note (i)</i>)		2,415	5,899
Depreciation of property, plant and equipment		94	91
Depreciation of right-of-use assets		566	776
Auditor's remuneration		800	1,343
Lease payments not included in the measurement of lease liabilities		322	256
Government grants	<i>4</i>	(231)	(436)
Bank interest income	<i>4</i>	(7)	(42)
Gain on lease termination	<i>4</i>	(10)	–
Share of losses of an associate		–	2,308
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		2,930	3,747
Pension scheme contributions (<i>note (ii)</i>)		660	381
Staff welfare expenses		550	545
		<hr/>	<hr/>
Total employee benefit expenses		4,140	4,673
		<hr/>	<hr/>
Write-down of inventories to net realisable value (<i>note (i)</i>)		9,605	37,125
(Reversal of)/provision for impairment loss on financial assets	<i>11</i>	(9,042)	31,019
Impairment of prepayments		6,336	6,608
Impairment of property, plant and equipment		248	–
Impairment of right-of-use assets		232	–
Impairment of an investment in an associate (<i>note (iii)</i>)		–	3,550
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) Write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.
- (ii) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- (iii) The impairment of an investment in an associate is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2025 RMB'000	2024 <i>RMB'000</i>
Interest on other borrowings	–	212
Interest on lease liabilities	16	31
	<hr/>	<hr/>
Total	16	243
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX EXPENSE

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

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

	2025 RMB'000	2024 <i>RMB'000</i>
Current – Mainland China		
Charge for the year	–	179
	<hr/>	<hr/>
Total tax charge for the year	–	179
	<hr/> <hr/>	<hr/> <hr/>

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5% (2024: 16.5%). No Hong Kong profits tax on the subsidiary operated in Hong Kong has been provided as there was no assessable profit arising in Hong Kong during the years.

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 Company as determined in accordance with the PRC Corporate Income Tax Law.

8. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2024: Nil).

9. 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 RMB18,015,000 (2024: RMB98,316,000), and the weighted average number of ordinary shares of 1,037,500,000 (2024: 1,037,500,000) outstanding during the year.

The calculation of basic loss per share is based on:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	<u>(18,015)</u>	<u>(98,316)</u>
	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation	<u>1,037,500,000</u>	<u>1,037,500,000</u>

The Group had no potential ordinary shares in issue during the years ended 31 December 2025 and 2024.

10. INVENTORIES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Raw materials	7,969	12,945
Finished goods	<u>34,095</u>	<u>34,525</u>
Total	<u>42,064</u>	<u>47,470</u>

11. TRADE RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	152,578	167,687
Impairment	<u>(148,537)</u>	<u>(157,579)</u>
Net carrying amount	<u>4,041</u>	<u>10,108</u>

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:

	2025 RMB'000	2024 <i>RMB'000</i>
Within 3 months	1,617	142
3 to 6 months	–	–
6 to 12 months	–	–
1 to 2 years	86	7,603
2 to 3 years	2,338	2,363
	<hr/>	<hr/>
Total	4,041	10,108
	<hr/> <hr/>	<hr/> <hr/>

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

	2025 RMB'000	2024 <i>RMB'000</i>
At beginning of year	157,579	126,660
(Reversal of)/provision for impairment losses, net (<i>note 5</i>)	(9,042)	31,019
Amount written off as uncollectible	–	(100)
	<hr/>	<hr/>
At end of year	148,537	157,579
	<hr/> <hr/>	<hr/> <hr/>

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

As at 31 December 2025

	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	44.94%	57.84%	84.18%	100.00%	97.35%
Gross carrying amount (<i>RMB'000</i>)	2,937	204	14,775	134,662	152,578
Expected credit losses (<i>RMB'000</i>)	1,320	118	12,437	134,662	148,537

As at 31 December 2024

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

12. 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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Within 3 months	729	75
3 to 6 months	–	–
6 to 12 months	–	–
1 to 2 years	75	128
2 to 3 years	128	2,626
Over 3 years	2,626	–
	<hr/>	<hr/>
Total	<u>3,558</u>	<u>2,829</u>

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

13. SHARE CAPITAL

	2025	2024
Authorised:		
10,000,000,000 ordinary shares of US\$0.000005 each		
US\$'000	50	50
RMB'000	336	336
	<hr/>	<hr/>
Issued and fully paid:		
1,037,500,000 ordinary shares of US\$0.000005 each (2024: US\$0.000005)		
US\$'000	5	5
RMB'000	36	36
	<hr/>	<hr/>

14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2025 (31 December 2024: Nil).

15. COMMITMENTS

The Group had no commitments at the end of the reporting period (2024: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV or web series; (ii) investing in TV series and web series as non-executive producer; (iii) acting as distribution agent of TV series; and (iv) providing traffic marketing services. The Group is also expanding its business in production and investment of web series and in particular web short series in view of their growing popularity.

During the Reporting Period, the Group recorded a total revenue of approximately RMB20.2 million, which increased by approximately 391.0% as compared with approximately RMB4.1 million for the corresponding period last year, among which, revenue from licensing of broadcasting rights of TV or web series was approximately RMB6.1 million, which increased by approximately 95.1% when compared with approximately RMB3.1 million for the corresponding period last year; no revenue was generated from net licence fee from investments in TV or web series as non-executive producer during the reporting period. The Group have also engaged in the traffic marketing services business during second half of the year, the revenue from traffic marketing services amounted to RMB14.1 million which contributed 69.8% of the Group revenue during the reporting period.

The increase in revenue was mainly brought by the expansion on web short series licensing and traffic marketing services. The Group has recorded net loss during the Reporting Period primarily due to the provisions for impairment of relevant assets after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales during the Reporting Period. Despite the volatile market and economy, the Group has strived to achieve a decrease in gross loss during the Reporting Period compared to the corresponding period last year.

During the Reporting Period, the Group has been continuing to negotiate with TV stations in relation to the broadcasting schedule of a self-produced TV series and had been making promising progress. Regarding a TV series that the Group has decided to invest as a non-executive producer, the Group has obtained government approval for this TV series during the Reporting Period and has been continuing to negotiate with TV stations on the broadcasting schedule. Moreover, the Group continued to generate revenue from the licensing of broadcasting rights of several TV series in its inventory during the Reporting Period.

During the Reporting Period, a number of TV or web series that the Group acted as a non-executive producer have generated revenue for the Group. A total of 12 TV or web series were broadcast in 2025. Regarding two other web series that the Group has invested in non-executive producer, the Group has already obtained government approval and has been continuing to negotiate with the TV stations and online video platform for the broadcasting schedule. As at the date of this announcement, the Group has also invested in two other new web series as non-executive producer.

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

Looking forward, we expect that the market situation will remain difficult due to the volatile market and economy. The Group will continue to remain vigilant towards the business of production of and investment in TV series and web series. The Group will closely monitor the market conditions directions and trend, and will continue to explore the opportunities of conducting business with first-tier TV stations and major online video platforms, as well as second-tier and third-tier TV stations. The Group will also adhere to prudent financial management in project selection and cost control, and explore opportunities mainly in the business of web series and TV series.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2024 and 2025, 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 2024 and 2025:

	2025	2024
	RMB'000	RMB'000
Revenue from contracts with customers		
Licensing of broadcasting rights of TV or web series	6,113	3,133
Traffic marketing services	14,130	–
Revenue from other sources		
Net licence fee from investments in TV or web series as non-executive producer	–	990
	<u>20,243</u>	<u>4,123</u>

Our total revenue increased by approximately 391.0% from approximately RMB4.1 million for the year ended 31 December 2024 to approximately RMB20.2 million for the year ended 31 December 2025, brought by the expansion on web short series licensing and traffic marketing services.

Revenue by business segments

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

Revenue generated from licensing of broadcasting rights of TV or web series increased by approximately 95.1% from approximately RMB3.1 million for the year ended 31 December 2024 to approximately RMB6.1 million for the year ended 31 December 2025, primarily due to increase in revenue generated from web short series.

(ii) *Traffic marketing services*

Revenue generated from traffic marketing services was approximately RMB14.1 million for the year ended 31 December 2025.

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

During the year ended 31 December 2025, no net licence fee was generated from investments in TV or web series as non-executive producer.

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Licensing of broadcasting rights of TV or web series	9,279	34,540
Investments in TV or web series as non-executive producer	2,741	8,484
Traffic marketing services	14,148	–
	<u>26,168</u>	<u>43,024</u>

Our cost of sales decreased by approximately 39.2% from approximately RMB43.0 million for the year ended 31 December 2024 to approximately RMB26.2 million for the year ended 31 December 2025, primarily due to decrease in cost of licensing of broadcasting rights of TV series, a lower level of inventory write-downs compared with last year and a change in revenue mix, with increased contribution from traffic marketing services.

For the business segment of licensing of broadcasting rights of TV or web series, the cost of sales decreased by approximately 73.1% from approximately RMB34.5 million for the year ended 31 December 2024 to approximately RMB9.3 million for the year ended 31 December 2025, primarily due to decrease in cost of licensing of broadcasting rights of TV series and a lower level of inventory write-downs compared with last year.

For the business segment of investments in TV or web series as non-executive producer, the cost of sales decreased by approximately 67.7% from approximately RMB8.5 million for the year ended 31 December 2024 to approximately RMB2.7 million for the year ended 31 December 2025, primarily due to decrease in revenue from investments in TV series, web series and films as non-executive producer and a lower level of inventory write-downs compared with last year.

For the business segment of traffic marketing services, the cost of sales was approximately RMB14.1 million for the year ended 31 December 2025.

Gross profit and gross profit margin

Our gross loss decreased by approximately 84.8% from gross loss of approximately RMB38.9 million for the year ended 31 December 2024 to gross loss of approximately RMB5.9 million for the year ended 31 December 2025, primarily due to the decrease in the provisions for impairment of relevant assets after taking into account of a number of factors such as the development of the industry, age of inventory and intended sales during the Reporting Period.

Our gross loss margin decreased from approximately (943.5%) for the year ended 31 December 2024 to approximately (29.3%) for the year ended 31 December 2025.

The following table sets forth a breakdown of our gross loss and gross loss margin by business segments for the years ended 31 December 2024 and 2025:

	2025		2024	
	<i>RMB'000</i>	<i>Margin %</i>	<i>RMB'000</i>	<i>Margin %</i>
Licensing of broadcasting rights of TV or web series	(3,166)	(51.8)	(31,407)	(1,002.5)
Traffic marketing services	(18)	(0.1)	–	–
Net licence fee from investments in TV or web series as non-executive producer	(2,741)	(100.0)	(7,494)	(757.0)
	<u>(5,925)</u>	<u>(29.3)</u>	<u>(38,901)</u>	<u>(943.5)</u>

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

The gross loss for the licensing of broadcasting rights of TV or web series segment decrease from approximately RMB31.4 million for the year ended 31 December 2024 to approximately RMB3.2 million for the year ended 31 December 2025, primarily due to increase in revenue generated from broadcasting rights of web short series and a lower level of inventory write-downs compared with last year.

(ii) Traffic marketing services

The gross loss for the traffic marketing services was approximately RMB18,000 for the year ended 31 December 2025.

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

The gross loss for the net licence fee received from investments in TV or web series as non-executive producer for the year ended 31 December 2025 is approximately RMB2.7 million, which decreased from approximately RMB7.5 million for the year ended 31 December 2024, the decrease was mainly resulted from a lower level of inventory write-downs compared with last year.

Other income and gains

The following table sets forth a breakdown of our other income and gain for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants – related to income	231	436
Bank interest income	7	42
Others	35	6
Gain on lease termination	10	–
	283	484

Our other income and gains decreased by approximately 41.5% from approximately RMB0.5 million for the year ended 31 December 2024 to approximately RMB0.3 million for the year ended 31 December 2025, mainly because of decrease in government grants.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Advertising and marketing expenses	1,319	50
Staff costs	912	1,072
Entertainment and travelling expenses	410	117
	2,641	1,239

Our selling and distribution expenses increased by approximately 113.2% from approximately RMB1.2 million for the year ended 31 December 2024 to approximately RMB2.6 million for the year ended 31 December 2025, mainly because of increase in advertising and marketing expenses.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	5,108	5,431
Entertainment and travelling expenses	1,640	3,223
Auditor's remuneration	800	1,343
Professional service fees	2,970	3,095
Office related expenses	1,332	1,582
Others	92	67
	<u>11,942</u>	<u>14,741</u>

Our administrative expenses decreased by approximately 19.0% from approximately RMB14.7 million for the year ended 31 December 2024 to approximately RMB11.9 million for the year ended 31 December 2025, primarily due to decrease in entertainment and travelling expenses.

Impairment losses on financial assets

We recorded a reversal of impairment loss on financial assets amounting to approximately RMB9.0 million. The recognition of the reversal was primarily due to decrease in long outstanding trade receivables by our certain customers as at 31 December 2025.

Finance costs

The following table sets forth a breakdown of our finance costs for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on borrowings	–	212
Interest on lease liabilities	16	31
	<u>16</u>	<u>243</u>

Income tax expense

The following table sets forth the major components of our income tax expense for the years ended 31 December 2024 and 2025:

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China Charge for the year	–	179
Total tax charge for the year	–	179

Loss for the year and net loss margin

As a result of the foregoing, our net loss decreased by approximately 81.7% from loss of approximately RMB98.3 million for the year ended 31 December 2024 to loss of approximately RMB18.0 million for the year ended 31 December 2025. Our net loss margin decreased from approximately negative 2,384.6% for the year ended 31 December 2024 to approximately negative 89.0% for the year ended 31 December 2025.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2025 (2024: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

As at 31 December 2025, the number of issued shares of the Company was 1,037,500,000 (31 December 2024: 1,037,500,000).

Net Current Assets

As at 31 December 2025, the Group reported net current assets of approximately RMB62.4 million (2024: RMB80.2 million). As at 31 December 2025, the Group's cash and bank balances was approximately RMB18.4 million, representing a decrease of approximately RMB2.3 million as compared to approximately RMB20.7 million as at 31 December 2024.

Key Financial Ratios

Return on Equity

The return on equity increased from approximately (77.2%) for the year ended 31 December 2024 to approximately 26.0% for the year ended 31 December 2025.

Return on Total Assets

The return on total assets increased from approximately (64.5%) for the year ended 31 December 2024 to approximately (20.2)% for the year ended 31 December 2025.

Current Ratio

The Group's current ratio decreased from approximately 5.2 times as at 31 December 2024 to approximately 4.8 times as at 31 December 2025.

Gearing Ratio

The Group's gearing ratio is 0.36% as at 31 December 2025 (2024: 0.98%).

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 2024 and 2025.

OTHER COMMITMENTS

The Group had no commitments at the end of the Reporting Period (31 December 2024: 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 2025.

CONTINGENT LIABILITY

As at 31 December 2025, the Group did not have any material contingent liabilities.

SIGNIFICANT LITIGATION

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

SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not hold any significant investments. The Company currently does not have other future plans for material investments or capital assets, nor any material acquisitions and disposals of subsidiaries, associates and joint ventures as at 31 December 2025.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

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

PLEDGE OF ASSETS

As at 31 December 2025, the Group had no pledge of assets (2024: nil).

FOREIGN CURRENCY RISK

In the year ended 31 December 2025, 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 2025, 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 2025, the Group had a total of 22 (2024: 22) full-time employees, excluding the Directors, who are all located in the PRC.

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

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

There was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years. There was no outstanding contribution to the MPF Scheme and Retirement Benefit Scheme at 31 December 2025 and 2024.

During the Reporting Period, the Group organised a series of trainings on licensing and producing of TV series.

The Group believes that it maintains a positive working relationship with its employees.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above and in the section headed “Management Discussion and Analysis” of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2025 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices enabling its shareholders to evaluate, and the CG Code has been applicable to the Company with effect from the Listing Date. Save as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2025 and up to the date of this announcement.

Code Provision C.1.6 of the CG Code

Pursuant to C.1.6 of the CG Code, independent non-executive Directors and non-executive Directors should attend the annual general meeting of the Company to gain and develop a balanced understanding of the views of the shareholders. The non-executive Director, Mr. Shao Hui, the independent non-executive Directors, Mr. Xu Zongzheng, Mr. Xian Guoming and Ms. Liu Jingping did not attend the annual general meeting of the Company held on 30 May 2025 due to other business engagements.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its constitutional documents during the year ended 31 December 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 December 2025 and up to the date of this announcement.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The annual results of the Company for the year ended 31 December 2025 had been reviewed by the Audit Committee, which consists of three independent non-executive Directors of the Company, namely Mr. Zhong Mingshan, Mr. Xian Guoming and Mr. Xu Zongzheng, with Mr. Zhong Mingshan as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 May 2026, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the Company’s Articles of Association and the Listing Rules.

PUBLICATION OF THE 2025 ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.yuanshimedia.com). The Company’s annual report for the year ended 31 December 2025 will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company. Should the Shareholders have any difficulties in accessing the corporate communications electronically, please request the printed report, free of charge, at any time by writing to the Company or Computershare Hong Kong Investor Services Limited, the Company’s Hong Kong Branch Share Registrar.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting to be held on 29 May 2026, the register of members of the Company will be closed from 26 May 2026 to 29 May 2026 (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 25 May 2026.

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 2025. The scope and findings of the review had been reported to and reviewed by the Audit Committee. The Board also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget.

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

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

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

SCOPE OF WORK OF THE AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2025, but represents an extract from the consolidated financial statements for the year ended 31 December 2025 which have been audited by the auditor of the Company, BDO Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 March 2026

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

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