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a metaverse company

A Metaverse Company

— 元 宇 宙 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1616)

FULFILMENT OF RESUMPTION GUIDANCE AND RESUMPTION OF TRADING

This announcement is made by A Metaverse Company (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 27 June 2022, 30 June 2022, 3 October 2022, 3 January 2023, 3 April 2023, 30 June 2023 and 29 September 2023 in relation to, among other things, the suspension of trading in the shares of the Company on the Stock Exchange. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

FULFILLMENT OF RESUMPTION GUIDANCE

The Company is pleased to announce that it has fulfilled the resumption guidance as follows:–

Resumption guidance 1 – publish all outstanding financial results and address any audit modification

I. OUTSTANDING FINANCIAL RESULTS

Following publication of the annual results announcement and report (the “**2021 annual report**”) of the Company for the year ended 31 December 2021 on 15 June 2023, the interim results announcement and report of the Company for the six months ended 30 June 2022 on 31 July 2023, the annual results announcement and report (the “**2022 annual report**”) of the Company for the year ended 31 December 2022 and the interim results announcement and report (the “**2023 interim report**”) of the Company for the six months ended 30 June 2023 on 26 September 2023 respectively, there is no outstanding financial results required to be published under the Listing Rules.

II. QUALIFIED OPINIONS

The Company's auditor, Moore CPA Limited (the "**Auditor**"), gave a qualified opinion on the Group's audited consolidated financial statements for the two years ended 31 December 2021 and 2022, respectively on the following reasons. The following sets out the details of the qualified opinions and the actions taken by the management of the Company to address the qualified opinions.

Qualified Opinion 1	Current tax payable and income tax
Issue and Basis of Qualified Opinion	<p>As disclosed in notes 6 and 23 to the consolidated financial statements in the 2021 annual report, included in the consolidated statement of financial position as at 31 December 2021 and 2020 were current tax payable of RMB39,487,000 and RMB39,487,000, respectively. Included in the consolidated statement of profit or loss were income tax expense of RMB11,408,000 for the year ended 31 December 2021 and income tax credit of RMB9,564,000 for the year ended 31 December 2020.</p> <p>As disclosed in notes 6 and 22 to the consolidated financial statements, included in the consolidated statement of financial position at 31 December 2022 and 2021 in the 2022 annual report were current tax payable of RMB39,487,000 and RMB39,487,000 respectively. Included in the consolidated statement of profit or loss were income tax credit of RMB1,550,000 for the year ended 31 December 2022 and income tax expense of RMB11,408,000 for the year ended 31 December 2021.</p> <p>The carrying amounts of the current tax payable of the Group as at 1 January 2020, 31 December 2020, 31 December 2021 and 31 December 2022 comprised mainly of the current taxation payables in respect of profits of the group entities operating in the People's Republic of China (the "PRC Entities") in relation to the years ended 31 December 2015 to 31 December 2019 recognised in the consolidated financial statements of the Group for the respective financial years.</p>

	<p>The Auditor was not provided with sufficient appropriate audit evidence to support the appropriateness of recognising revenue, and hence profits, in the local financial statements of the PRC Entities on different bases from the Group. Consequently, the Auditor was unable to determine whether any adjustments to the (i) current tax payable balances recognised in the consolidated statement of financial position as at 31 December 2022, 31 December 2021 and 31 December 2020; (ii) income tax expense or credit recognised in the consolidated statement of profit or loss for the three years ended 31 December 2022, 31 December 2021 and 31 December 2020; and (iii) provisions for other tax related expense as at 31 December 2022, 2021 and 2020 and 1 January 2020 and for the years ended 31 December 2022, 2021 and 2020 were necessary.</p> <p>Any adjustments to these amounts might have consequential effects on the Group’s financial position as at 31 December 2022, 31 December 2021 and 31 December 2020 and 1 January 2020 and its financial performance and cash flows for the three years ended 31 December 2022, 2021 and 2020, and the related elements and disclosures thereof in these consolidated financial statements.</p>
<p>Internal Control measures taken by the Company</p>	<p>The Auditor was not provided with appropriate audit evidence mainly due to the incomplete and insufficient handover of work between the former in-house finance staff and the new staff responsible for the audit of the PRC Entities. When the staff in charge of the audit left the Company, the handover process lacked thoroughness, resulting in a lack of understanding regarding the calculation logic of certain impairment data in the previous period’s financial statements.</p> <p>The Board acknowledges that the current tax payable balances have remained outstanding for an extended period in the Group’s consolidated financial statements. This is primarily because the PRC Entities recognize income using a different basis than that of the Group in their local financial statements. Several measures have been taken by the Company to address the issues raised by the Auditor regarding current tax payable and income tax qualifications. The Group is reducing capital for the PRC Entities in the PRC, specifically reducing the registered capital from RMB100.05 million to RMB5 million. The 45-day public notice period required by law has been completed, and it has been confirmed that the creditors of the PRC Entities have no objections to the capital reduction. The capital reduction process has been completed in September 2023, and the tax clearance and deregistration is expected to be completed in the fourth quarter of 2023.</p>

	<p>Meanwhile, the Company has enhanced its internal control mechanisms since October 2023. This includes establishing alternative roles for relevant financial positions to strengthen the management of financial information. The Company will also ensure that financial information is securely backed up and stored in two separate locations. Moreover, both electronic and paper files have been backed up and stored, aiming to prevent a recurrence of the aforementioned situation.</p> <p>The appropriateness and adequacy of the above internal control measures have been recognised by the audit committee of the Company .</p>
<p>The view of the Auditor</p>	<p>Upon considering the above, the Auditor has confirmed that, qualified opinion 1 is being addressed and resolved and if the tax clearance and deregistration process of the PRC Entities is completed in the fourth quarter of 2023, the Auditor expects that (i) it will not issue a qualified opinion in relation to the current tax payable in respect of the consolidated statement of financial position as at 31 December 2023; (ii) it may still issue a qualified opinion on the comparability of the corresponding figures in relation to the current tax payable in respect of the consolidated statement of financial position as at 31 December 2023; (iii) it may still issue a qualified opinion in relation to the income tax in respect of the consolidated income statement and the cash flow statement for the year ending 31 December 2023; (iv) it may still issue a qualified opinion on the comparability of the corresponding figures in relation to the income tax in respect of the consolidated income statement and the cash flow statement for the year ending 31 December 2024; and (v) it will not issue any qualified opinion in relation to the current tax payable or tax income for the year ending 31 December 2025.</p>

Qualified Opinion 2	Impairment of the Company's investments in subsidiaries and amounts due from subsidiaries
Issue and Basis of Qualified Opinion	<p>The Auditor has not been able to satisfy themselves as to whether the impairment provision determined by the Directors against the carrying amounts of the investments in subsidiaries and amounts due from subsidiaries as at 31 December 2020 as disclosed in note 29 to the consolidated financial statements included in the Company's statement of financial position in the 2021 annual report contained material misstatements as the basis and key assumptions adopted by management for the impairment assessments of these balances as at 31 December 2020 were not provided to the Auditor.</p> <p>The Auditor is of the view that any adjustments to the carrying amounts of the Company's interest in subsidiaries and amounts due from subsidiaries found to be necessary would affect the Company's net assets as at 31 December 2020 and hence may have possible effects on the comparability of the current year's figures and the corresponding figures in the Company's statement of financial position disclosed in note 29 to the consolidated financial statements in the 2021 annual report. In addition, these matters may also have possible effects on the profit and total comprehensive income of the Company presented in the Company's statement of changes in equity for the two years ended 31 December 2020 and 2021 disclosed in note 24(a) to the consolidated financial statements in the 2021 annual report and related disclosures in the consolidated financial statements.</p>

<p>Internal Control measures taken by the Company</p>	<p>The basis and key assumptions adopted by management for the impairment assessments of the relevant balances as at 31 December 2020, were not provided to the Auditor due to the incomplete and insufficient handover of work between the former in-house finance staff and the new staff responsible for the audit of the PRC Entities. The departure of the staff in charge of the audit resulted in a lack of comprehensive handover, leading to a limited understanding of the calculation logic behind certain impairment data in the previous period's financial statements.</p> <p>According to the statement, the Auditor was unable to confirm whether the provision for impairment made by the Directors related to the Company's investments in subsidiaries and receivables due from subsidiaries as at 31 December 2020, contained material misstatements. This was because the Auditor did not obtain information regarding the bases and key assumptions utilized by management in assessing the impairment of these balances as at that date. However, it was confirmed that the impairment provision determined by the Directors for the carrying value of the Company's investments in subsidiaries and receivables from subsidiaries as of 31 December 2021, did not contain any material misstatements. If adjustments to the carrying value of the Company's interest in subsidiaries and amounts due from subsidiaries as at 31 December 2020, were necessary, it would impact the Company's total loss and comprehensive expense for the years ended 31 December 2020 and 2021, as presented in the statement of changes in the Company's equity. These impacts are disclosed in note 23(a) to the consolidated financial statements in the 2021 annual report. Accordingly, the Auditor gave a qualified opinion on the consolidated financial statements for the year ended 31 December 2021.</p>
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	<p>The Auditor also issued a qualified opinion on the consolidated financial statements for the year ended 31 December 2022, due to the matters mentioned earlier. They indicated that these matters could impact the comparability of the figures for the year ended 31 December 2022, with the corresponding figures presented in the statement of changes in the Company's equity, as disclosed in note 23(a) to the consolidated financial statements in the 2021 annual report. As the relevant figures affected by 2021 will not be presented in the Company's consolidated financial statements for the year ended 31 December 2023, the Auditor confirmed that the above will not have an impact on the Group's consolidated financial statements for the year ended 31 December 2023.</p> <p>The Company has enhanced its internal control mechanisms since October 2023. This includes establishing alternative roles for relevant financial positions to strengthen the management of financial information. The Company will also ensure that financial information is securely backed up and stored in two separate locations. Moreover, both electronic and paper files have been backed up and stored, aiming to prevent a recurrence of the aforementioned situation.</p> <p>The appropriateness and adequacy of the above internal control measures have been recognised by the audit committee.</p>
<p>The view of the Auditor</p>	<p>Based on the information provided, the qualifications mentioned in the independent auditor's report on the Group's consolidated financial statements for the two years ended 31 December 2021 and 2022 are being addressed and steps are being taken towards their resolution.</p> <p>It is confirmed by the Auditor that the qualified opinion 2 will be removed in the annual report for the year ending 31 December 2023.</p>

Conclusion

The Auditor has therefore confirmed that based on the information currently available and subject to any unforeseen circumstances, there would not be any audit modification in the Company's financial statements for the year ending 31 December 2025. The Company considers that it publishes all outstanding financial results and address all the audit modifications.

Resumption guidance 2 – demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules

Business operations

The Company is an investment holding company. The Group is principally engaged in media business, i.e. the licensing of drama series and films and the production of drama series and films, and distribution and related services. As at the date of this announcement, the business operations of the Group are continuing as usual in all material respects.

The Group’s revenue for the year ended 31 December 2022 and the six months ended 30 June 2023 were approximately RMB38.1 million and approximately RMB2.1 million respectively. The Group’s total assets amounted to approximately RMB526 million as at 30 June 2023 and total assets less current liabilities amounted to approximately RMB233 million as at 30 June 2023.

Business Outlook

The expected sources of income for the second half of 2023 include:

Two films have been released in March 2023 and August 2023 respectively, with an estimated income of approximately RMB15 million;

One Internet drama has released a preview on the iQiyi platform and is expected to be broadcasted in November 2023, with an estimated income of approximately RMB23 million;

Two TV dramas will be broadcasted on selected local channels before December 2023, with an estimated income of approximately RMB5 million; and

The tuition income from cooperative education in the media and education sector is expected to be received in November 2023, with an estimated income of approximately RMB13 million.

As at the date of this announcement, the Group is progressing with its various preparatory plans and filming work in an orderly manner. Please refer to the section headed “Outlook” in the 2023 interim report of the Company for the Group’s films and television series aired in the first half of 2023.

The Group’s financial performance for the years ended 31 December 2021 and 2022 is not significantly related to the Group’s future performance. This is because the Company’s main objective during the COVID-19 pandemic was to preserve sufficient capital for operations, therefore did not increase investments in the business. Additionally, the control measures imposed in China during the COVID-19 pandemic seriously affected the progress of distribution, filming, and post-production of the Group’s movies and TV dramas, which in turn affected the planned business strategy and the Group’s financial position. The year of 2023 is a transitional year for the Group to recover from the COVID-19 pandemic period and the Directors are gradually adjusting its investment strategy and product offerings facing the challenges from audio-visual formats such as short videos, live broadcasts, and games, driven by the continuous development and upgrading of mobile internet technology. As at the date of this announcement, the business operations of the Group in the traditional film and drama series industry has gradually recovered to 20% of the level in 2019 before the outburst of the COVID-19 pandemic. Meanwhile, the management is actively exploring new business opportunities that align with the new market preferences as stated in this section below.

Starting from 2023 and as of the date of this announcement, the progress with the film and drama series productions produced and invested by the Group is set out below:

No.	Name	Genre	Status	Proposed release time
1	Her Fantastic Adventures” (第二次初見) (formerly known as “Back To The Dynasty” (午門囃事))	Internet dramas	Waiting for premiering	November 2023
2	Legend of Taotie (饕餮記)	Internet dramas	Waiting for premiering	November 2023
3	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	Submitted for screening	July 2024
4	Twin Blades (尖鋒姐妹) (formerly known as Li Xiaolong and Programmer Girl (曆小龍與程序媛))	Theatrical film	Submitted for screening	February 2024
5	Night Screaming (一夜驚笑) (formerly known as “Scream” (驚聲尖笑), “Horror Blockbuster” (恐不大片))	Internet mini-drama	At the release stage	July 2024
6	Here Comes Dashan (大山來了)	Youth nostalgic film	At the release stage	December 2024
7	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	At the release stage	December 2023
8	GO! REX (你好·霸王龍)	Animated film	Preparing for release	August 2024
9	King of the Sniper (狙擊之王)	Internet movie	Preparing for filming	October 2024
10	Emergency Rescuing (心跳營救)	Internet movie	Preparing for filming	March 2025
11	The Iron Bone and Steel Fist (鐵骨鋼拳)	Internet movie	Preparing for filming	June 2024
12	Tianta Crisis (天塔危機)	Theatrical film	Preparing for filming	February 2025
13	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	Script completed	June 2025
14	Elderly Hero (遲暮英雄)	Internet movie	Script completed	December 2025
15	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat (南宋第一臥底之妖貓案)	Internet movie	Script completed	December 2025
16	New Tong Pak Foo Dim Chau Heung (唐伯虎點秋香後傳)	Internet movie	Script completed	December 2025
17	Amaranthine Epiphyllum (雙世曇花)	Internet movie	Script completed	June 2026
18	The Iron Trophy (鐵甲雄風)	Internet movie	Script completed	June 2026
19	Yangtze River Bridge (長江大橋)	Realistic dramas	Script completed	June 2025
20	Wu Dang (天下武當)	Television drama	Script completed	June 2026
21	The New Big Head Son and The Little Head Father (Episodes 201-300) (新大頭兒子小頭爸爸201-300集)	Situation comedy	Script completed	June 2025
22	Long-Lost Summer (隱秘之夏)	Internet dramas	Script completed	December 2026
23	Bulletproof Teacher (穿越火線: 防彈教師)	Internet dramas	Script completed	December 2026
24	Limited Romance (限定浪漫)	Internet dramas	Script completed	June 2027
25	Fiber (纖維)	Internet dramas	Script completed	June 2027
26	Through the Storm (玉骨瓷心) (formerly known as “Shiny Day” (雨過天晴雲開處))	Internet dramas	Script completed	December 2027

If the film and drama series market resume to the conditions before the COVID-19 pandemic and the productions operate smoothly, it is expected that the total costs of the productions above is around RMB331 million. As the Group (i) had approximately RMB244.3 million cash and cash equivalents in the account as at 30 June 2023; (ii) would receive periodic upfront payments from the above productions for investments in subsequent projects; and (iii) the Group may continue to invite new cooperation partners to invest in the above projects to share the production costs, the Board believes that the Company will have sufficient funding for the aforementioned projects.

In the film and television education segment, since the signing of the cooperation agreement between Beijing Starrise Pictures Co., Ltd.* (北京星宏影視文化有限公司) (“**Starrise Pictures**”), a wholly-owned subsidiary of the Group, and Chongqing Normal University in 2019, both entities have been leveraging their respective resource advantages and brand influence to nurture practical talents for the film and television industry. Over the years, there has been a consistent increase in the number of students enrolled in the program. For the three years ended 31 December 2020, 2021, and 2022, the student enrollment figures increased from 1,612 to 2,509. These enrollments have contributed to the Group’s revenues, amounting to approximately RMB7,480,000, RMB9,300,000, and RMB11,950,000 respectively. This collaboration has not only provided the Group with a stable source of income but has also supplied the Group with skilled professionals in various fields, thereby enhancing the Company’s competitiveness and supporting its development.

Meanwhile, the Directors have recognized the significant growth of audio-visual formats such as short videos, live broadcasts, and games, driven by the continuous development and upgrading of 5G technology in the post-pandemic era. The increased user engagement with short videos, live broadcasts, and other online scenarios has posed challenges to the traditional film and television drama industry. To adapt to these technological advancements and evolving market preferences, the Group has been gradually adjusting its investment strategy and product offerings. It is actively exploring new business opportunities that align with market preferences. In 2023, the Group has made notable progress in its exploration of short videos and live broadcasting. In August 2023, Starrise Pictures entered into a cooperation agreement with OST Media, a leading MCN organization in China, to jointly develop and operate a high-potential new project called “pop-up interactive game” (「彈幕互動玩法」) under the live broadcasting scenario. This project has been launched on Douyin in October 2023, tapping into its wide user base and potential reach.

In summary, as at the date of this Announcement, the Group’s business operations have been conducted as usual in all material respects and it has the ability to continue on a going basis.

Liquidity

As at 30 June 2023, cash and cash equivalents of the Group were approximately RMB244.3 million, which was mainly due to accelerated collection of accounts receivable and other receivables.

Conclusion

Based on the aforesaid, the Company considers that it carries out a business with a sufficient level of operations and assets of sufficient value to support its operations.

Resumption guidance 3 – inform the market of all material information for the Company’s shareholders and other investors to appraise the Company’s position

The Company has continued to update the market on its development since the suspension of trading in its shares to keep the Company’s shareholders and other investors informed of the latest development in order to appraise the Company’s position.

UPDATE OF THE INCIDENT

Reference is made to the announcements (the “**Announcements of the Incident**”) of the Company dated 30 March 2022, 5 July 2022 and 5 June 2023, in relation to, among others, repurchase of the 49% equity interest from a minority equity holder from a subsidiary. Unless otherwise defined, capitalized terms used in this section shall have the same meanings as those defined in the Announcements of the Incidents.

In the announcement of the Company dated 30 March 2022, it states that the Board received a request to the Company from the Minority Equity Holder holding 49% equity interest in Khorgos Starrise Qicheng Media Co., Ltd (霍爾果斯星宏啟程傳媒有限公司) (“**Khorgos Starrise**”), a 51% owned subsidiary of the Company, that the Company shall fulfill its contractual obligation in the Capital Increment Agreement dated 24 October 2019, to repurchase the remaining 49% equity interest in Khorgos Starrise from the Minority Equity Holder, after the Minority Equity Holder issued the repurchase notice according to the terms of the Capital Increment Agreement.

As the Capital Increment Agreement stated that the contracting parties shall enter into a written agreement and all other relevant documents to implement the repurchase matters, on 5 July 2022, the Company, the Purchaser (a wholly-owned subsidiary of the Company) and the Sellers, among the others, entered into the Repurchase Agreements, pursuant to which, the Purchaser agreed to repurchase approximately 39% and 10% equity interest in Khorgos Starrise from Seller A and Seller B, in the consideration of approximately RMB43.71 million and nil respectively.

On 5 June 2023 (after the trading hours), the Purchaser and the Minority Equity Holder (as the seller), among the others, entered into the Supplemental Repurchase Agreement to revise certain terms and conditions of the Repurchase Agreement A, so that the Repurchase Balance and the outstanding Delay Interest in the amount of approximately RMB1.67 million will be settled on 19 November 2023. Immediately after the Repurchases, Khorgos Starrise will be wholly owned by the Purchaser and the Company.

Please refer to Announcements of the Incident for details.

RESUMPTION OF TRADING

At the request of the Company, the trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2022. Application has been made by the Company for the resumption of trading in the shares of the Company from 9:00 a.m. on 6 November 2023. Holders of the Company’s securities and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
A Metaverse Company
LIU Dong
Chairman

People’s Republic of China, 3 November 2023

As at the date of this announcement, the Board comprises seven directors, namely Mr. LIU Dong, Mr. LIU Zongjun, Ms. YANG Qinyan and Mr. HE Han as the executive directors of the Company; and Mr. LAM Kai Yeung, Ms. LIU Chen Hong and Mr. KWOK Pak Shing as the independent non-executive directors of the Company.