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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 decreased by approximately 96.1% to approximately RMB5.7 million from approximately RMB145.3 million for the six months ended 30 June 2019.
- Gross profit for the six months ended 30 June 2020 decreased by approximately 91.9% to approximately RMB3.0 million from approximately RMB37.2 million for the six months ended 30 June 2019.
- Net loss for the six months ended 30 June 2020 was approximately RMB6.5 million, as compared with the Group's net profit amounting to approximately RMB15.1 million for the six months ended 30 June 2019.
- Basic and diluted loss per share for the six months ended 30 June 2020 were approximately RMB0.65 cents, as compared with earnings per share for the six months ended 30 June 2019 approximately RMB2.02 cents.
- The Board does not recommend the payment of interim dividends in respect of the six months ended 30 June 2020 (the six months ended 30 June 2019: nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Values Cultural Investment Limited (the “**Company**” or “**Values Cultural**”, together with its subsidiaries, the “**Group**”), is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 (the “**Reporting Period**”).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	<i>Notes</i>	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
REVENUE	5	5,666	145,303
Cost of sales		(2,671)	(108,115)
Gross profit		2,995	37,188
Other income and gains	5	5,373	15
Selling and distribution expenses		(675)	(3,809)
Administrative expenses		(8,341)	(14,692)
(Impairment losses)/reversal of impairment losses on financial assets		(5,656)	3,595
Finance costs	7	(332)	(1,506)
Other expenses		—	(85)
(LOSS)/PROFIT BEFORE TAX	6	(6,636)	20,706
Income tax credit/(expense)	8	119	(5,561)
(LOSS)/PROFIT FOR THE PERIOD		(6,517)	15,145
Attributable to:			
Owners of the parent		(6,517)	15,145
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents)	10	(0.65)	2.02

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(6,517)</u>	<u>15,145</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	<u>2,547</u>	<u>(122)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	2,547	(122)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(3,970)</u>	<u>15,023</u>
Attributable to:		
Owners of the parent	<u>(3,970)</u>	<u>15,023</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

At 30 June 2020

	<i>Notes</i>	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	88	103
Right-of-use assets		—	77
Deferred tax assets		19,600	16,212
Total non-current assets		19,688	16,392
CURRENT ASSETS			
Inventories	12	153,999	98,580
Trade receivables	13	110,585	191,594
Prepayments, other receivables and other assets	14	97,750	103,288
Pledged deposit		—	9,000
Cash and cash equivalents		109,231	5,466
Total current assets		471,565	407,928
CURRENT LIABILITIES			
Trade payables	15	7,223	28,501
Other payables and accruals		3,640	14,242
Lease liabilities		—	79
Interest-bearing bank loans		13,000	19,000
Tax payable		15,755	14,036
Total current liabilities		39,618	75,858
NET CURRENT ASSETS		431,947	332,070
TOTAL ASSETS LESS CURRENT LIABILITIES		451,635	348,462
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,362	1,405
Total non-current liabilities		1,362	1,405
Net assets		450,273	347,057
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	36	—
Reserves		450,237	347,057
Total equity		450,273	347,057

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

For the six months ended 30 June 2020

	Attributable to owners of the parent					
	Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2020 (audited)	—	205,684	13,554	(192)	128,011	347,057
Loss for the period	—	—	—	—	(6,517)	(6,517)
Other comprehensive income for the period:						
Exchange differences on translation of the Company's financial statement	—	—	—	2,547	—	2,547
Total comprehensive income for the period	—	—	—	2,547	(6,517)	(3,970)
Issue of shares of the Company	10	127,294	—	—	—	127,304
Capitalisation of issue of shares	26	(26)	—	—	—	—
Share issue expenses	—	(20,118)	—	—	—	(20,118)
At 30 June 2020 (unaudited)	<u>36</u>	<u>312,834</u>	<u>13,554</u>	<u>2,355</u>	<u>121,494</u>	<u>450,273</u>

Attributable to owners of the parent

	Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2019 (audited)	—	205,684	12,209	—	104,524	322,417
Profit for the period	—	—	—	—	15,145	15,145
Other comprehensive income for the period:						
Exchange differences on translation of the Company's financial statement	—	—	—	(122)	—	(122)
Total comprehensive income for the period	—	—	—	(122)	15,145	15,023
Transfer from retained profits	—	—	2,486	—	(2,486)	—
At 30 June 2019 (audited)	<u>—</u>	<u>205,684</u>	<u>14,695</u>	<u>(122)</u>	<u>117,183</u>	<u>337,440</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

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 Reporting Period, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of television series ("TV series").

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

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial information have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the reporting period, no lease payments for the leases of the Group's buildings has been reduced or waived by the lessors. The amendments did not have any impact on the financial position and performance of the Group.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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 Reporting Period, 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 reporting period is set out below:

	For the six months ended	
	30 June	
	2020	2019
	(Unaudited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Customer 1	5,169	N/A*
Customer 2	N/A*	23,868
Customer 3	N/A*	42,630
Customer 4	N/A*	54,340

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Revenue from contracts with customers	5,666	137,411
Revenue from other sources		
Investment in TV series, web series and films as non-executive producer	—	7,892
	<u>5,666</u>	<u>145,303</u>
Other income		
Bank interest income	243	5
Government grants	4,500	—
Others	630	10
	<u>5,373</u>	<u>15</u>

Note:

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Type of goods or service		
Licensing of broadcasting rights of TV series	<u>5,666</u>	<u>137,411</u>

Geographical markets

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

Timing of revenue recognition

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

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Cost of inventories sold	2,671	108,115
Listing expense	1,976	10,266
Minimum lease payments under operating leases	713	594
Depreciation	26	80
Depreciation of right-of-use assets	77	232
Bank interest income	(243)	(5)
Government grants	(4,500)	—
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,782	1,443
Pension scheme contributions	124	190
Staff welfare expenses	74	68
	<u>1,980</u>	<u>1,701</u>
Write-down of inventories to net realisable value	—	3,988
Impairment/(reversal of impairment) of trade receivables	<u>5,656</u>	<u>(3,595)</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Interest on bank loans	326	513
Interest on other borrowings	—	788
Interest on discounted notes receivable	—	190
Interest on lease liabilities	6	15
	<u>332</u>	<u>1,506</u>

8. INCOME TAX EXPENSE/(CREDIT)

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 Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed statement of profit or loss are:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Current — Charged for the period	3,312	4,981
Deferred tax	<u>(3,431)</u>	<u>580</u>
Total tax expense/(credit) for the period	<u><u>(119)</u></u>	<u><u>5,561</u></u>

9. DIVIDENDS

The Board did not declare any interim dividend for the Reporting Period (the six months ended 30 June 2019: nil).

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

The calculation of the basic earnings per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of approximately RMB6,517,000 (six months ended 30 June 2019: earnings approximately RMB15,145,000), and the weighted average number of ordinary shares of 1,009,116,022 (30 June 2019: 748,436,608) shares in issue during the Reporting Period, as adjusted to reflect the Global Offering and Over-allotment Shares during the Reporting Period.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Carrying amount at beginning of period/year	103	209
Additions	11	—
Depreciation provided during the period/year	<u>(26)</u>	<u>(106)</u>
Carrying amount at end of period/year	<u><u>88</u></u>	<u><u>103</u></u>

12. INVENTORIES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Raw materials	16,927	16,927
Finished goods	<u>137,072</u>	<u>81,653</u>
	<u>153,999</u>	<u>98,580</u>

13. TRADE RECEIVABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables	124,085	199,438
Less: Impairment of trade receivables	<u>(13,500)</u>	<u>(7,844)</u>
	<u>110,585</u>	<u>191,594</u>

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:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
within 3 months	—	41,983
3 to 6 months	5,974	18,465
6 to 12 months	38,010	96,458
1 to 2 years	51,271	27,102
2 to 3 years	12,488	7,586
over 3 years	<u>2,842</u>	<u>—</u>
	<u>110,585</u>	<u>191,594</u>

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Prepayments under the co-investment arrangement	80,100	81,997
Prepayments	920	2,354
Deferred listing expenses	—	5,105
Deductible input-VAT	5,374	—
Deposits and other receivables	14,539	17,015
Loans receivable	3,774	3,774
Interest receivables	761	761
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Less: Impairment allowance	(7,718)	(7,718)
	<hr/>	<hr/>
	97,750	103,288
	<hr/> <hr/>	<hr/> <hr/>

15. TRADE PAYABLES

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables	7,223	28,501
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An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
within 3 months	272	1,192
3 to 6 months	—	2,502
6 to 12 months	1,982	14,022
1 to 2 years	981	6,797
2 to 3 years	3,988	3,988
	<hr/>	<hr/>
	7,223	28,501
	<hr/> <hr/>	<hr/> <hr/>

16. SHARE CAPITAL

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Authorised:		
10,000,000,000 ordinary shares of US\$0.000005 each	<u>336</u>	<u>336</u>
Issued and fully paid:		
1,037,500,000 ordinary shares of US\$0.000005 each (2019: 2,000,000)	<u>36</u>	<u>—</u>

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	—	—
Issue of shares on 11 March 2019	8,665	—
Issue of shares on 14 June 2019	91,335	—
Share subdivision on 11 December 2019	<u>1,900,000</u>	<u>—</u>
At 31 December 2019	<u>2,000,000</u>	<u>—</u>
Capitalisation of issue of shares	748,000,000	26
Issue of shares	<u>287,500,000</u>	<u>10</u>
At 30 June 2020	<u>1,037,500,000</u>	<u>36</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 March 2019. Its initial authorised share capital was US\$50,000 divided into 500,000,000 shares of US\$0.0001 each. On 11 March 2019, one fully-paid share of US\$0.0001 was allotted and issued to Osiris International Cayman Limited (the initial subscriber and an independent third party), which was transferred to the shareholders at the same day. On 11 March 2019, the Company allotted and issued 8,664 shares, all fully-paid at par. On 14 June 2019, the Company further allotted and issued 91,335 shares, all fully-paid at par. On 11 December 2019, the shareholders resolved that, among others, each issued and unissued share in the Company at a par value of US\$0.0001 each was to be subdivided into 20 shares at a par value of US\$0.000005 each such that the authorised share capital of the Company shall be US\$50,000 divided into 10,000,000,000 shares at a par value of US\$0.000005 each and the issued share capital shall be US\$10 divided into 2,000,000 shares at a par value of US\$0.000005 each. On 16 January 2020, pursuant to the written resolution of the shareholders of the Company dated 12 December 2019, the directors were authorised to capitalise the amount of US\$3,740 of the Company to pay up in full at par 748,000,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company of the date of the written resolution (or as they may direct) on a pro rata basis. On 16 January 2020, the Company was listed on the Main Board of the Stock Exchange and made a global offering of 250,000,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK\$0.50 per share. On 7 February 2020, the Over-allotment Option described in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”) has been fully exercised by Zhongtai International Securities Limited (for itself and on behalf of the underwriters which entered into the International Underwriting Agreement as described in the Prospectus (the “**International Underwriters**”) in respect of an aggregate of 37,500,000 Shares (the “**Over-allotment Shares**”), representing 15% of the total number of the offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). The issued share capital of the Company after the over-allotment was US\$5,187.50 (approximately RMB36,000) representing 1,037,500,000 Shares with a nominal value of US\$0.000005 each.

17. CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: nil).

18. COMMITMENTS

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

	30 June 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Contracted, but not provided for:		
Co-investment arrangement	—	11,003

19. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the unaudited interim condensed consolidated financial statements, the Group had no transactions with related parties during the period.
- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Short term employee benefits	451	451
Pension scheme contributions	28	52
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Total compensation paid to key management personnel	<u>479</u>	<u>503</u>

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period is as follows:

As at 30 June 2020

Financial assets

	Financial assets at amortised cost (Unaudited) RMB'000
Trade receivables	110,585
Financial assets included in prepayments, other receivables and other assets	11,356
Cash and cash equivalents	109,231
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	231,172
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Financial liabilities

	Financial liabilities at amortised cost (Unaudited) RMB'000
Interest-bearing bank loans	13,000
Trade payables	7,223
Financial liabilities included in other payables and accruals	1,558
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	21,781
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As at 31 December 2019

Financial assets

	Financial assets at amortised cost (Audited) <i>RMB'000</i>
Trade receivables	191,594
Financial assets included in prepayments, other receivables and other assets	13,832
Pledged deposit	9,000
Cash and cash equivalents	<u>5,466</u>
	<u><u>219,892</u></u>

Financial liabilities

	Financial liabilities at amortised cost (Audited) <i>RMB'000</i>
Interest-bearing bank loans and other borrowings	19,000
Trade payables	28,501
Lease liabilities	79
Financial liabilities included in other payables and accruals	<u>9,729</u>
	<u><u>57,309</u></u>

21. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impact on the Group since 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION 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 as non-executive producer; and (iii) acting as distribution agent of TV series. During the Reporting Period, the Company recorded a total revenue of approximately RMB5.7 million, which decreased by approximately 96.1% as compared with approximately RMB145.3 million for the corresponding period of last year, among which, revenue from licensing of broadcasting rights of TV series was approximately RMB5.7 million, which decreased by approximately 95.9% when compared with approximately RMB137.4 million for the corresponding period of last year. During the Reporting Period, no revenue was generated from investing in TV series as non-executive producer and acting as distribution agent of TV series.

Loss for the Reporting Period was approximately RMB6.5 million as compared with the Group's net profit amounting to approximately RMB15.1 million for the corresponding period of last year.

The significant decrease in the profit was due to: (i) the significant decrease in revenue as certain TV series, which the Group acted as executive producer and/or non-executive producer, failed to be broadcasted in the Reporting Period according to the expected schedule as a result of the impact of the novel coronavirus (“COVID-19”) pandemic. Due to the COVID-19 pandemic, the Group reduced its marketing and promotion activities in order to comply with social distancing measures and therefore was not able to reach an agreement regarding the price and the broadcasting schedule of certain key TV series with its customers; and (ii) the increase in provision for impairment of financial assets for the Reporting Period due to the long aged trade receivables from certain customers.

The decrease in amount of advertising and marketing activities was mainly attributable to the travel restrictions and quarantine regulations imposed by the government, which subsequently led to the cancellation of scheduled Film & TV expositions and fairs, and consequently the Group failed to demonstrate and negotiate its TV series' productions in-depth with customers and did not succeed in securing suitable broadcasting schedules and price. The Group contacted a limited number of customers via telephone/internet, however the quotations were not satisfactory as the Group has high expectations of certain key TV series. Therefore, the Group expected to postpone the broadcasting schedule to the second half year of 2020, hoping to achieve better performance and return.

During the Reporting Period, the Group had licensed six TV series (including five self-produced and one purchased), such as the rerun of National Spirit* (共和國血脈) and Wild Roses* (紅薔薇), and the TV series were broadcast on well-known TV stations such as Jilin Radio and TV Station (吉林廣播電視台).

Prospects and Future Plans

Looking forward, the Company expects that the biggest challenge in 2020 will be the COVID-19 outbreak, the impact of which has already been reflected in the following aspects: (1) TV series planned to be filmed are temporarily halted and the completion time of production is expected to be delayed; (2) due to the said halt in new TV series' production, the contribution of new TV series to the Group's revenue in coming months is expected to be very limited; and (3) crew recruitment is forced to be postponed.

Now that the employees have returned to work, the Group will adopt the following measures and strategies in the second half year of 2020: (1) preparing and implementing the filming of the relevant TV series; (2) recruiting new employees for the urgent positions (such as planning and making of online drama series and short videos, marketing and publicity); (3) optimizing the promotion and broadcasting channels of the first-run TV series, exploring the opportunities for rerun broadcast of TV series, and procuring the copyrights (or broadcasting rights) of TV series with high audience rating in their first-run broadcast on TV stations to enhance the revenue streams as much as possible; and (4) exploring and developing business relationship with the online video platforms and try new types of productions, such as online drama series/movies and short videos.

In order to minimize the impact of the COVID-19, the Group will continue to implement prevention and control measures, whilst pursuing to recoup the Group's financial performance through the above measures and strategies. The Group vows to continuously implement the business strategies as set out in the Prospectus.

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

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately RMB5.7 million (30 June 2019: approximately RMB145.3 million), representing a decrease of approximately 96.1% when compared with the corresponding period of last year. The decrease in revenue was primarily due to the decrease in revenue generated from licensing of broadcasting rights of TV series. During the Reporting Period, our revenue comprised primarily licensing of broadcasting rights of TV series, including Wild Roses* (紅薔薇) and National Spirit* (共和國血脈).

Cost of Sales and Gross Profit

During the Reporting Period, the cost of sales and gross profit from our operations were approximately RMB2.7 million and RMB3.0 million respectively, as compared with approximately RMB108.1 million and RMB37.2 million for the corresponding period of last year, representing a decrease of approximately 97.5% and 91.9% respectively.

The decrease in the cost of sales for the Reporting Period was primarily due to the decrease in cost of licensing of broadcasting rights of TV series as a result of the decrease in the revenue from licensing of broadcasting rights of TV series.

The decrease in the gross profit for the Reporting Period was primarily due to the decrease in the revenue of licensing of broadcasting rights of TV series.

The gross profit margin of the Group was approximately 52.9% for the Reporting Period, representing an increase of approximately 27.3 percentage point as compared with approximately 25.6% in the corresponding period of last year.

The increase in gross profit margin was primarily due to the low gross profit margin of our self-produced TV series National Spirit* (共和國血脈) during the six months ended 30 June 2019, which was due to (i) the adjustment of the total number of episodes broadcast by our customer, CCTV, in accordance with its policy and broadcasting schedule, and (ii) the high production costs incurred to satisfy CCTV's quality standard.

Other Income and Gains

During the Reporting Period, the other income and gains were approximately RMB5.4 million (30 June 2019: approximately RMB15,000). Increase in other income and gains was mainly due to the government grant received from the PRC government authorities.

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Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses were approximately RMB0.7 million, representing a decrease of approximately 82.3% as compared with approximately RMB3.8 million for the corresponding period of last year, mainly attributable to the reduction in advertising and marketing activities to promote our TV series to the customers due to the COVID-19 pandemic as discussed under the paragraph headed “BUSINESS AND OPERATIONS REVIEW AND PROSPECTS” in this announcement.

Administrative Expenses

During the Reporting Period, the administrative expenses were approximately RMB8.3 million, representing a decrease of approximately 43.2% as compared with approximately RMB14.7 million for the corresponding period of last year. Decrease in administrative expenses was mainly due to the decrease in listing expense.

(Impairment losses)/reversal of impairment losses on financial assets

The impairment losses on financial assets represents the impairment provision on long aging trade and other receivables. The impairment losses on financial assets for the Reporting Period was approximately RMB5.7 million as compared with the reversal of that of approximately RMB3.6 million due to the settlement of long outstanding trade receivables by our customers during the corresponding period of last year. The increase in the impairment losses was as a result of the increase in provision for expected credit losses of trade and other receivables, primarily due to the outbreak of COVID-19 and the long aged trade receivables as a result of deferred settlement by certain customers.

Finance Costs

During the Reporting Period, our finance costs were approximately RMB0.3 million, representing a decrease of approximately 78.0% as compared with approximately RMB1.5 million for the corresponding period of last year. The finance costs decreased due to the repayment of certain bank loans and other borrowings during the Reporting Period.

Profit for the Reporting Period

During the Reporting Period, the loss attributable to owners of the parent was approximately RMB6.5 million, as compared with approximately RMB15.1 million of profit attributable to owners of the parent for the corresponding period of last year. The decrease in the profit for the Reporting Period was primarily due to the decrease in the revenue and the increase in provision for impairment of financial assets.

Liquidity, Financial Resources and Capital Structure

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations, bank loans and proceeds from the Global Offering (as defined below).

As at 30 June 2020, the Group had total bank loans approximately RMB13.0 million (31 December 2019: approximately RMB19.0 million), total cash and cash equivalents (including bank deposits and cash) approximately RMB109.2 million (31 December 2019: approximately RMB14.5 million), and totally had net current assets of approximately RMB431.9 million (31 December 2019: RMB332.1 million).

The total gearing ratio of the Group remained at a relatively low level.

As at 30 June 2020, the gearing ratio of the Group was approximately 2.9%, decreasing by approximately 2.6 percentage point as compared with approximately 5.5% as at the end of 2019.

As at 30 June 2020, the equity attributable to the owners of the parent was approximately RMB450.3 million, of which share capital was approximately RMB36,000, capital reserve was approximately RMB312.8 million, statutory surplus reserve was approximately RMB13.6 million, exchange fluctuation reserve was approximately RMB2.4 million and retained earnings were approximately RMB121.5 million. The equity attributable to the owners of the parent increased by approximately 29.7% from approximately RMB347.1 million as at the end of 2019, which was mainly attributable to the proceeds from the Global Offering (as defined below) during the Reporting Period.

After taking into consideration of the available financial resources, including cash flow from operating activities, the Group has enough working capital to meet the capital demand for its business development.

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, the Group's trade receivables, which had an aggregate net carrying value of approximately RMB28,540,000 (31 December 2019: RMB19,800,000), were pledged to secure the bank loans granted to the Group.

As at 30 June 2020, the Group did not have no material contingent liabilities.

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 30 June 2020, the Group had a total of 22 full time employees, excluding the Directors, who are all located in the PRC.

For the Reporting Period, the cost of employees of the Group amounted to approximately RMB1,980,000.

The Group offers employees competitive salaries, discretionary bonus and other incentives (e.g. the share option scheme). 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 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. The Group enters into a standard employment contract with all our employees which set out terms such as remuneration and confidentiality requirements.

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

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

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 (the “**Global Offering**”), comprising 250,000,000 new shares of the Company at HK\$0.50 per Share and the issued shares of the Company (the “**Shares**”) were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 January 2020 (the “**Listing Date**”). The gross proceeds therefrom amounted to HK\$125 million.

On 7 February 2020, the over-allotment option described in the prospectus of the Company dated 30 December 2019 (the “**Prospectus**”) has been fully exercised and further 37,500,000 new Shares were issued thereunder with further gross proceeds therefrom in the amount of HK\$18,750,000. Please refer to the paragraph headed “**PROCEEDS FROM THE LISTING**” in this announcement for the status of utilisation of the proceeds from the Listing.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have material acquisition or disposals of subsidiaries and associated companies during the Reporting Period.

SIGNIFICANT INVESTMENTS DURING THE REPORTING PERIOD

During the Reporting Period, the Group did not hold any significant investment in equity interest in any other company (for the six months ended 30 June 2019: nil).

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 30 June 2020.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with all of the transactions settled in RMB in the Reporting Period. 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. During the Reporting Period, the Group did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

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.

RISK MANAGEMENT

During the Reporting Period, the Group regularly reviewed the risk and credit control systems of its profit centers in order to improve the overall controlling system and mitigate credit risk.

This also ensures that the Group is capable of effectively conducting business operations and facilitates further development. There have been no significant changes in the Group's risk management policy since the end of last year.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The Directors do not recommend the payment of an interim dividend for the Reporting Period (30 June 2019: nil).

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed its listed securities.

CORPORATE GOVERNANCE PRACTICES

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. The Company has complied with all the applicable code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group 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 own code of conduct regarding the Directors’ securities transactions. Having made specific enquiries, all Directors confirmed that they have fully complied with the Model Code throughout the Reporting Period.

DIRECTORS’ RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have confirmed their responsibility for preparing financial statements of the Company. The financial information set out in this announcement is unaudited.

JOINT COMPANY SECRETARIES

In order to enhance effective communications among the Directors, Shareholders and management of the Company and uphold good corporate governance, the Company had appointed Ms. Wang Haiting as one of the joint company secretaries of the Company on 9 April 2020 to assist Mr. Au Yeung Ming Yin Gordon to discharge his duties as joint company secretaries of the Company.

PROCEEDS FROM THE LISTING

The Shares were listed on the Stock Exchange on the Listing Date (i.e. 16 January 2020) 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 exercise of the over-allotment option amounted to approximately HK\$100.4 million (the “**Net Proceeds**”). As at the date of this announcement, the Net Proceeds had not been utilised mainly due to the impact of the COVID-19 pandemic and were deposited in short-term deposits with the licensed banks in Hong Kong and the PRC.

The table below sets out (i) the intended allocation and percentage of the Net Proceeds; (ii) the utilised and unutilised Net Proceeds up to 30 June 2020; and (iii) the expected timeline for fully utilising the unutilised amount:

Use of Net Proceeds	Intended allocation of Net Proceeds <i>HK\$ million</i>	Approximate percentage of Net Proceeds	Utilised Net Proceeds up to 30 June 2020 <i>HK\$ million</i>	Unutilised Net Proceeds up to 30 June 2020 <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount <i>(Note 3)</i>
Production of 4 TV series <i>(Note 1)</i>	87.2	86.9%	nil	87.2	On or before 30 June 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series <i>(Note 2)</i>	13.2	13.1%	nil	13.2	On or before 30 June 2021
Total	<u>100.4</u>	<u>100%</u>	<u>nil</u>	<u>100.4</u>	

Notes:

1. The COVID-19 pandemic together with travel restrictions and quarantine measures caused the Group to defer its original production plans of the 4 planned TV series as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Subject to the future impact of the COVID-19 pandemic, the Group plans to resume the production of the 4 planned TV series since the second half year of 2020 and expects that the allocated Net Proceeds thereto will be fully utilised on or before 30 June 2022. The estimated shooting period and estimated time for first-run broadcast on satellite channel of the 4 planned TV series are revised and updated as follows:

Genre of the TV series	Estimated shooting period	Estimated time for first-run broadcast on satellite channel
1. Revolution	November 2020 to February 2021	Second half year of 2021 or First half year of 2022
2. Family drama	May 2021 to August 2021	Second half year of 2022
3. Revolution	September 2021 to December 2021	First half year of 2022
4. Legend	April 2022 to June 2022	First half year of 2023

2. Due to the outbreak of the COVID-19 which has adversely affected the business environment in the PRC, the Group takes a cautious approach in identifying target TV series for purchasing their associated copyrights (or broadcasting rights) and as at 30 June 2020, the Group is still on the lookout for appropriate target TV series.
3. The expected timetable for fully utilising the unutilised Net Proceeds is determined based on the Group’s best estimate of future market conditions, and is subject to change depending on current market conditions and future market developments.

As disclosed above, the actual application of the Net Proceeds was slower than expected and such delay was mainly due to the impact of the COVID-19 pandemic which has caused obstacles, suspensions or delays in the TV series’ production to the whole industry. The Group strives to minimize the impact on the operation caused thereby and will adopt a prudent approach for utilising the Net Proceeds effectively and efficiently for the long-term benefit and development of the Group. Save for the timing of the expected utilisation of the Net Proceeds as set out above, the Directors are not aware of any material change to the intended use of the Net Proceeds and intends to allocate and use the unutilised Net Proceeds for the purposes as disclosed in the Prospectus. The Directors will continue to assess the plans in relation to the planned allocation of the Net Proceeds as set out in the Prospectus, the annual report(s) and the interim report(s) of the Company, and may modify or amend the relevant plans as necessary in order to address the changing and challenging market conditions, and for achieving better business performance.

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS
IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE
COMPANY OR ANY ASSOCIATED CORPORATION**

As at the date of this announcement, 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 Securities and Futures Ordinance (“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:

Name of Directors	Nature of interest/capacity	As at the date of this announcement	
		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%
Ms. Wei Xian	Interest of a controlled corporation (Note 2)	239,002,500	23.04%
Mr. Shao Hui	Interest of a controlled corporation (Note 3)	90,622,500	8.74%
Mr. Xu Jun	Interest of a controlled corporation (Note 4)	86,872,500	8.37%

Name of chief executive	Nature of interest/capacity	As at the date of this announcement	
		Number of shares held (L) (Note 1)	Approximate percentage of shareholding
Mr. Wu Tao	Interest of a controlled corporation (Note 2)	239,002,500	23.04%

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. On 18 April 2016, the Core Shareholders entered into the acting in concert agreement, pursuant to which each of the Core Shareholders confirmed, among others, the existence of their acting in concert arrangements regarding their control over Values Culture since its establishment and further undertook that they would maintain the acting-in-concert relationship for five years from the date of this agreement. The Core Shareholders have also decided to restrict their ability to exercise direct control over our Company by holding their interest through BLW Investment Limited. 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%, 2.02%, 3.88% and 3.10% by Mr. Shao Hui, Mr. Dai Honggang, Mr. Jin Huiguang and Ms. Zhao Lijuan respectively. Under the SFO, each of Mr. Shao Hui, Mr. Dai Honggang, Mr. Jin Huiguang and Ms. Zhao Lijuan 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% and 2.16% by Mr. Xu Jun and Ms. Zhang Hui respectively. Under the SFO, each of Mr. Xu Jun and Ms. Zhang Hui 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 the date of this announcement, 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 at the date of this announcement, 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:

Name	Capacity/Nature of interest	As at the date of this announcement	
		Number of Shares	Approximate percentage of shareholding
BLW Investment Limited (Note 1)	Beneficial owner	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%
Ms. Liu Peiyao (Note 1)	Interest of a controlled corporation	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%
Mr. Liu Naiyue (Note 1) (Note 4)	Interest of a controlled corporation, interest of spouse	239,002,500	23.04%
Ms. Wei Xian (Note 1) (Note 5)	Interest of a controlled corporation, interest of spouse	239,002,500	23.04%
Suiyong Int'l Co., Limited (Note 6)	Beneficial owner	110,010,000	10.60%
Suiyong Holdings Company Limited (穗甬控股有限公司) (Note 6)	Interest of a controlled corporation	110,010,000	10.60%
SDJZ Investment Limited (Note 7)	Beneficial owner	90,622,500	8.74%
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 7)	Interest of a party to an agreement regarding interest in the Company	90,622,500	8.74%
Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司) (Note 7)	Interest of a party to an agreement regarding interest in the Company	90,622,500	8.74%
Mr. Shao Hui (Note 7)	Interest of a controlled corporation	90,622,500	8.74%
Ms. Lu Min (Note 8)	Interest of spouse	90,622,500	8.74%
JMJ Group Limited (Note 9)	Beneficial owner	86,872,500	8.37%

Name	Capacity/Nature of interest	As at the date of this announcement	
		Number of Shares	Approximate percentage of shareholding
Mr. Xu Jun (<i>Note 9</i>) (<i>Note 10</i>)	Interest of a controlled corporation, interest of spouse	86,872,500	8.37%
Ms. Zhang Hui (<i>Note 9</i>) (<i>Note 11</i>)	Interest of a controlled corporation, interest of spouse	86,872,500	8.37%
SYYT Investment Limited (<i>Note 12</i>)	Beneficial owner	80,002,500	7.71%
Mr. Sun Xianliang (<i>Note 12</i>)	Interest of a controlled corporation	80,002,500	7.71%
Ms. Yu Jinmei (<i>Note 13</i>)	Interest of spouse	80,002,500	7.71%
Jinping Holding Limited (<i>Note 14</i>)	Beneficial owner	54,997,500	5.30%
Ms. Jin Ping (<i>Note 14</i>)	Interest of a controlled corporation	54,997,500	5.30%
Mr. Yao Changhui (<i>Note 15</i>)	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. On 18 April 2016, the Core Shareholders entered into the acting in concert agreement, pursuant to which each of the Core Shareholders confirmed, among others, the existence of their acting in concert arrangements regarding their control over Values Culture since its establishment and further undertook that they would maintain the acting-in-concert relationship for five years from the date of this agreement. The Core Shareholders have also decided to restrict their ability to exercise direct control over our Company by holding their interest through BLW Investment Limited. 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) Mr. Liu Naiyue is the spouse of Ms. Wei Xian. Under the SFO, he is taken to be interested in the Shares in which Ms. Wei Xian is interested.
- (5) Ms. Wei Xian is the spouse of Mr. Liu Naiyue. Under the SFO, she is taken to be interested in the Shares in which Mr. Liu Naiyue is interested.
- (6) 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.

- (7) 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.
- (8) 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.
- (9) The issued shares of JMJ Group Limited are owned as to approximately 97.84% and 2.16% by Mr. Xu Jun and Ms. Zhang Hui respectively. Under the SFO, each of Mr. Xu Jun and Ms. Zhang Hui is deemed, or taken to be interested in the Shares beneficially owned by JMJ Group Limited.
- (10) Mr. Xu Jun is the spouse of Ms. Zhang Hui. Under the SFO, he is taken to be interested in the Shares in which Ms. Zhang Hui is interested.
- (11) 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.
- (12) The issued shares of SYYT Investment Limited are owned as to approximately 40.62%, 31.25%, 18.75% and 9.38% by Mr. Sun Xianliang, Ms. Yang Yanli, Ms. Yu Fenghui and Mr. Tan Xu respectively. Under the SFO, Mr. Sun Xianliang is deemed, or taken to be interested in the Shares beneficially owned by SYYT Investment Limited.
- (13) 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.
- (14) 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.
- (15) 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 the date of this announcement, 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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B (1) of the Listing Rules, the change in information of Directors of the Company during the Reporting Period and up to the date of this announcement are as follows:

Name of Directors	Particulars	Effective date
Mr. Au Yeung Ming Yin Gordon	Appointed as alternate to Mr. Liu Naiyue	22 May 2020
Mr. Au Yeung Ming Yin Gordon	Ceased as alternate to Mr. Liu Naiyue	29 May 2020
Mr. Xu Jun	Appointment as executive Director	19 June 2020
Mr. Qu Guohui	Appointment as executive Director	19 June 2020
Ms. Liu Jingping	Appointment as independent non-executive Director	19 June 2020

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. An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. 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 "Share Option Scheme" in Appendix IV to the Prospectus.

No share options had been granted, agreed to be granted, exercised, cancelled, expired or lapsed under the Share Option Scheme as at the date of this announcement. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at the date of this announcement. 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 9.6% of the issued share capital of the Company as at the date of this announcement.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this announcement, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Zhong Mingshan (Chairman), Mr. Xu Zongzheng and Mr. Xian Guoming.

PUBLICATION OF INTERIM RESULTS

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.yuanshimedia.com. The Company's 2020 interim report will be despatched to shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 28 August 2020

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