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 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 decreased by approximately 58.8% to approximately RMB87.6 million from approximately RMB212.6 million for the year ended 31 December 2019.
- Gross profit for the year ended 31 December 2020 decreased by approximately 45.8% to approximately RMB33.3 million from approximately RMB61.4 million for the year ended 31 December 2019.
- Net profit for the year ended 31 December 2020 decreased by approximately 95.1% to approximately RMB1.3 million from approximately RMB24.8 million for the year ended 31 December 2019. Excluding the effect of listing expense, our net profit for the year ended 31 December 2020 decreased by approximately 88.9% to approximately RMB4.6 million from approximately RMB41.0 million for the year ended 31 December 2019.
- Basic and diluted earnings per share for the year ended 31 December 2020 was approximately RMB0.12 cents (2019: RMB3.31 cents).
- The Board does not recommend the payment of final dividends in respect of the year ended 31 December 2020.

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 2020 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2019. The annual results of the Company for the year ended 31 December 2020 had been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December

	Notes	**2020** **RMB'000**	2019 RMB'000
REVENUE	*5*	**87,588**	212,637
Cost of sales	*6*	**(54,281)**	(151,214)
Gross profit		**33,307**	61,423
Other income and gains	*5*	**7,126**	1,335
Selling and distribution expenses		**(1,051)**	(5,476)
Administrative expenses		**(15,956)**	(25,571)
(Impairment losses)/reversal of impairment losses on financial assets		**(18,095)**	1,000
Finance costs	*7*	**(653)**	(4,648)
Other expenses		**(1,674)**	(85)
PROFIT BEFORE TAX	*6*	**3,004**	27,978
Income tax expense	*8*	**(1,778)**	(3,146)
PROFIT FOR THE YEAR		**1,226**	24,832
Attributable to:			
Owners of the parent		**1,226**	24,832
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*	**RMB0.12 cents**	RMB3.31 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,226**	24,832
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,751**	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**2,751**	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**(4,393)**	(192)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(4,393)**	(192)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(1,642)**	(192)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(416)**	24,640
Attributable to:		
Owners of the parent	**(416)**	24,640

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	**2020** **RMB'000**	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**89**	103
Prepayments, other receivables and other assets		**92**	–
Right-of-use assets		**–**	77
Deferred tax assets		**20,224**	16,212
Total non-current assets		**20,405**	16,392
CURRENT ASSETS			
Inventories	*11*	**105,400**	98,580
Trade and notes receivables	*12*	**162,871**	191,594
Prepayments, other receivables and other assets		**53,035**	103,288
Financial asset at fair value through profit or loss	*13*	**4,260**	–
Pledged deposits		**–**	9,000
Cash and cash equivalents		**143,366**	5,466
Total current assets		**468,932**	407,928
CURRENT LIABILITIES			
Trade payables	*14*	**6,433**	28,501
Other payables and accruals		**9,467**	14,242
Lease liabilities		**–**	79
Interest-bearing bank loans and other borrowings	*15*	**–**	19,000
Tax payable		**18,169**	14,036
Total current liabilities		**34,069**	75,858
NET CURRENT ASSETS		**434,863**	332,070
TOTAL ASSETS LESS CURRENT LIABILITIES		**455,268**	348,462
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,441**	1,405
Total non-current liabilities		**1,441**	1,405
Net assets		**453,827**	347,057
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**36**	–
Reserves		**453,791**	347,057
Total equity		**453,827**	347,057

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 11 March 2019. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally involved in the production, distribution and licensing of broadcasting rights of television series ("**TV series**").

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

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office have been waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB95,000 has been accounted for as a variable lease payment and crediting to profit or loss.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

	2020	2019
	RMB'000	*RMB'000*
Customer 1	**79,449**	N/A*
Customer 2	**N/A***	76,597
Customer 3	**N/A***	54,340
Customer 4	**N/A***	26,233

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**8,139**	204,745
Revenue from other sources		
Net licence fee received from investment in TV series, web series and films as non-executive producer	**79,449**	7,892
	87,588	212,637

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Type of goods or service		
Licensing of broadcasting rights of TV series	**8,139**	204,745

Geographical markets

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

Timing of revenue recognition

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

(ii) Performance obligations

Licensing of broadcasting rights of TV series

The performance obligation of licensing of broadcasting rights of TV series is satisfied upon granting of the broadcasting rights of TV series to customers after the approval from National Radio and Television Administration of the PRC ("**NRTA**") or receipt of the licence for distribution of TV series from provincial counterpart of NRTA.

Distribution of broadcasting rights of TV series

The performance obligation of distribution of broadcasting rights of TV series is satisfied upon services are rendered.

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

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue		
Within one year	**355**	5,162
After one year	**965**	–
	1,320	5,162

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

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Government grants		
– related to income (a)	**4,909**	227
Bank interest income	**805**	12
Interest income from loans receivable	**961**	–
Foreign exchange difference, net	**97**	–
Others	**354**	1,096
	7,126	1,335

Note:

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

6. PROFIT BEFORE TAX

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

		2020	2019
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**54,281**	151,214
Listing expense		**3,327**	16,179
Depreciation of property, plant and equipment		**48**	106
Depreciation of right-of-use assets		**77**	465
Auditor's remuneration		**1,204**	1,150
Minimum lease payments under leases exemption		**1,391**	1,086
Government grants	*5*	**(4,909)**	(227)
Interest income from loans receivable	*5*	**(961)**	–
Bank interest income	*5*	**(805)**	(12)
Foreign exchange difference, net	*5*	**(97)**	–
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**2,473**	2,567
Pension scheme contributions		**169**	164
Staff welfare expenses		**325**	141
		2,967	2,872
Write-down of inventories to net realisable value*		**840**	6,351
Impairment/(reversal of impairment) of trade receivables	*12*	**16,031**	(5,569)
Impairment of other receivables		**2,064**	4,569

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**647**	1,017
Interest on other borrowings	**–**	1,059
Interest on discounted notes receivable	**–**	190
Interest on trade receivable factoring	**–**	2,335
Interest on lease liabilities	**6**	47
Total interest expense on financial liabilities not at fair value through profit or loss	**653**	4,648
Less: Interest capitalised	**–**	–
	653	4,648

8. INCOME TAX

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

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

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**5,754**	15,523
Deferred tax	**(3,976)**	(12,377)
Total tax charge for the year	**1,778**	3,146

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

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

As stipulated in Cai Shui [2011] No. 112, enterprises newly established in Xin Jiang Kashgar/Khorgas special economic areas during the period from 2010 to 2020 could enjoy Enterprise Income Tax ("**EIT**") exemption for five years starting from the year under which the first revenue was generated. Khorgas Values and Xinjiang Values enjoyed the benefit under the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》, which were entitled to such EIT exemption for the years ended 31 December 2020 and 2019. According to Preferential Filing Record of EIT《企業所得稅優惠事項備案表》, Khorgas Values obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2017 to 31 December 2020, and Xinjiang Values registered with the PRC tax bureau for entitlement of EIT exemption from 1 July 2018 to 31 December 2020.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**3,004**	27,978
Tax at the statutory tax rate of 25% in Mainland China	**751**	6,995
Tax effect of tax exemption granted to subsidiaries	**(461)**	(7,949)
Effect of tax rate differences in other jurisdictions	**1,145**	2,770
Effect of expenses not deductible for tax	**565**	93
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**36**	349
Effect on deferred tax of change in tax rate	**(1,027)**	–
Tax losses not recognised	**769**	888
Tax charge at the Group's effective tax rate	**1,778**	3,146

9. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2019: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent approximately RMB1,226,000 (2019: 24,832,000), and the weighted average number of ordinary shares of 1,022,739,726 (2019: 749,411,740) in issue during the year, and assuming the capitalisation issue had been completed throughout the year ended 31 December 2020, as further detailed in note 16 to the financial statements

The calculation of basic earnings per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,226**	24,832

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,022,739,726**	749,411,740

The weighted average number of ordinary shares of approximately 749,411,740 for the year ended 31 December 2019 comprises the weighted average number of shares issued during the year ended 31 December 2019 and 748,000,000 ordinary shares issued pursuant to the capitalisation issue (note 16) in 2020 as if these additional shares issued under the share subdivision and capitalisation issue had been completed throughout the year ended 31 December 2019.

	Number of shares
	2019
	approximately
Issue of shares on 11 March 2019	8,665
Issue of shares on 14 June 2019	91,335
Effect of share subdivision on 11 December 2019	1,900,000
Effect of capitalisation issue	748,000,000
Weighted average number of ordinary shares	749,411,740

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the year.

11. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**20,191**	16,927
Finished goods	**85,209**	81,653
	105,400	98,580

12. TRADE AND NOTES RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**186,016**	199,438
Notes receivables	**730**	–
Impairment	**(23,875)**	(7,844)
	162,871	191,594

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 receivable 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**84,355**	41,983
3 to 6 months	**1,372**	18,465
6 to 12 months	**174**	96,458
1 to 2 years	**57,660**	27,102
2 to 3 years	**18,580**	7,586
	162,141	191,594

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	RMB'000	*RMB'000*
Other unlisted investments, at fair value	**4,260**	–

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

The above unlisted investments were investments under co-investment arrangements. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Such investments under co-investment arrangement are entitled to an investment return based on the proportion of the investment but not subject to any investment loss based on the contractual terms.

14. 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**259**	1,192
3 to 6 months	**–**	2,502
6 to 12 months	**–**	14,022
1 to 2 years	**2,186**	6,797
2 to 3 years	**–**	3,988
Over 3 years	**3,988**	–
	6,433	28,501

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

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Effective interest rate (%)	**Maturity**	**31 December 2020 RMB'000**
Current			
Bank loans – secured	–	–	–

	Effective interest rate (%)	Maturity	31 December 2019 *RMB'000*
Current			
Bank loans – secured	5.22	2020	19,000

	2020 ***RMB'000***	2019 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**–**	19,000

16. SHARE CAPITAL

	2020 ***RMB'000***	2019 *RMB'000*
Authorised:		
10,000,000,000 ordinary shares of US$0.000005 each	**336**	336
Issued and fully paid:		
1,037,500,000 ordinary shares of US$0.000005 each (2019: US$0.000005)	**36**	–

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	**1,900,000**	–
At 31 December 2019 and 1 January 2020	**2,000,000**	–
Issue of shares on 16 January 2020 *(note (b))*	**250,000,000**	9
Issue of shares on 7 February 2020 *(note (b))*	**37,500,000**	1
Capitalisation of issue of shares *(note (a))*	**748,000,000**	26
At 31 December 2020	**1,037,500,000**	36

(a) 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.

(b) On 16 January 2020, the Company was listed on the Main Board of 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. Pursuant to the over-allotment option granted by the Company to the International Underwriters, the Company allotted and issued 37,500,000 additional offer shares on 7 February 2020 at the offer price of HK$0.50 per share to cover over-allocation in the International Placing and to satisfy the obligation of the stabilising manager to return securities borrowed under the stock borrowing agreement.

17. CONTINGENT LIABILITIES

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

18. COMMITMENTS

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

	2020 ***RMB'000***	2019 *RMB'000*
Contracted, but not provided for the co-investment arrangement	**5,040**	11,003

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in the business of (i) licensing of broadcasting rights of TV series; (ii) investing in TV series as non-executive producer; and (iii) acting as distribution agent of TV series.

On 16 January 2020, the shares in the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange (the "**Listing**"). The Listing marks an important milestone in the Company's history as it is a recognition of the Company's effort in its business development.

The outbreak of the 2019 coronavirus disease ("**COVID-19**") has affected the Group's operations and financial position adversely. The Group's revenue and results in 2020 has accordingly been adversely affected.

As at the date of this announcement, the Group recorded a total revenue of approximately RMB87.6 million, which decreased by approximately 58.8% as compared with approximately RMB212.6 million for the corresponding period last year, among which, revenue from licensing of broadcasting rights of TV series was approximately RMB8.1 million, which decreased by approximately 96.0% when compared with approximately RMB204.7 million for the corresponding period last year; revenue from investing in TV series as non-executive producer was approximately RMB79.5 million, an increase of approximately 906.7% compared to approximately RMB7.9 million for the corresponding period last year.

As at the date of this announcement, the Group had licensed 8 TV series (including 6 self-produced TV series and 2 purchased TV series) to well-known TV stations for first-run broadcast and rerun broadcast, such as the rerun of Wild Roses*（紅薔薇）which was broadcast on well-known TV stations such as Jilin Radio and TV Station（吉林廣播電視台）. The Group invested in TV series as a non-executive producer, such as "Greater Pediatricians*（了不起兒科醫生）", during the Reporting Period, the Group recorded a revenue of approximately RMB79.5 million, representing an increase of approximately 906.7% from approximately RMB7.9 million for the corresponding period last year acting as non-executive producer. During the Reporting Period, no revenue was generated from acting as distribution agent of TV series.

During the Reporting Period, the Group acted as the non-executive producer and invested with the Group's existing capital in the production of the online movie Age of the Legend*（英雄年代之九龍秘鑰）, which was not broadcast during the Reporting Period.

The impact of COVID-19 pandemic on the Group for the Reporting Period 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) crew recruitment is forced to be postponed; (3) due to the said halt in new TV series production and the difficulty in obtaining relevant distribution licenses, the contribution of new TV series to the Group's revenue in the coming year is expected to be very limited; and (4) the Group's daily operation is interrupted to a certain degree due to the precautionary measures.

Facing these challenges, the Group will adopt the following measures and strategies: (i) revising existing scripts, so that the Group can immediately begin the filming of the relevant TV series when appropriate; (ii) reasonably recruiting well-qualified staff, in particular, sales staff; (iii) optimizing the promotion and broadcasting channels of the first-run TV series and exploring the rerun opportunities of the TV series in stock; (iv) purchasing suitable copyrights (or broadcasting rights) associated with the TV series and subsequently licensing the broadcasting rights to more customers; (v) striving to expand the Group's diversified revenue and expanding the Group's business relationship with online video platforms; and (vi) ensuring normal operation of the Group by means of telephone conference, internet communication and shift work.

With the recent signs that the COVID-19 has been easing and the relate control measures imposed by the governments have been gradually loosening in the PRC, we expect that the Group's operations will gradually recover soon. Looking forward, the Group may resume advertising and marketing activities upon the loosening of travel restrictions and quarantine regulations imposed by the government. Scheduled TV & Film expositions and fairs would also recommence, which allow the Company to reconnect with potential customers and investors, to engage in exhaustive discussions regarding future production plans and negotiations in securing suitable broadcasting schedules and price. The Group is confident that the business environment will improve, and the Group will achieve better performance and return in year 2021.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2019 and 2020, 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 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Licensing of broadcasting rights of TV series	**8,139**	204,745
Revenue from other sources		
Net licence fee received from investment in TV series, web series and films as non-executive producer	**79,449**	7,892
	87,588	212,637

Our total revenue decreased by approximately 58.8% from approximately RMB212.6 million for the year ended 31 December 2019 to RMB87.6 million for the year ended 31 December 2020, primarily due to the decrease in revenue from licensing of broadcasting rights of TV series.

Revenue by business segments

(i) Licensing of broadcasting rights of TV series

Revenue generated from licensing of broadcasting rights of TV series decreased by 96.0% from approximately RMB204.7 million for the year ended 31 December 2019 to approximately RMB8.1 million for the year ended 31 December 2020, primarily due to certain TV series, which the Group acted as executive producer, failed to be broadcasted in the Reporting Period according to the expected schedule as a result of the impact of the COVID-19 pandemic.

The following table sets forth a breakdown of our revenue from licensing of the broadcasting rights of TV series in which the Group acted as executive producer or purchased copyrights (or broadcasting rights) in absolute amounts and as percentages for the years ended 31 December 2019 and 2020:

	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Acted as executive producer	**2,416**	**29.7**	122,653	59.9%
Licensed purchased copyrights (or broadcasting rights)	**5,723**	**70.3**	82,092	40.1%
	8,139	**100.0**	204,745	100.0%

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

Revenue generated from net licence fee received from investment in TV series, web series and films as non-executive producer increased by approximately 906.7% from approximately RMB7.9 million for the year ended 31 December 2019 to approximately RMB79.5 million for the year ended 31 December 2020, primarily due to the net license fee received from the investment as non-executive producer in the TV series Greater Pediatrician*（了不起的兒科醫生）.

Cost of Sales

The following table sets forth our cost of sales by business segment for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Licensing of broadcasting rights of TV series	**4,159**	139,287
Investment in TV series, web series and films as non-executive producer	**50,122**	11,927
	54,281	151,214

Our cost of sales decreased by approximately 64.1% from approximately RMB151.2 million for the year ended 31 December 2019 to approximately RMB54.3 million for the year ended 31 December 2020, primarily due to the decrease in cost of licensing of broadcasting rights of TV series.

For the business segment of licensing of broadcasting rights of TV series, the cost of sales decreased by approximately 97.0% from approximately RMB139.3 million for the year ended 31 December 2019 to approximately RMB4.2 million for the year ended 31 December 2020, primarily due to the decrease in revenue from licensing of broadcasting rights of TV series.

For the business segment of investing in TV series, web series and films as non-executive producer, the cost of sales increased by approximately 320.2% from approximately RMB11.9 million for the year ended 31 December 2019 to approximately RMB50.1 million for the year ended 31 December 2020, primarily due to the recognition of cost of sales for our investment as a non-executive producer in the TV series Great Pediatrician*（了不起的兒科醫生）.

Gross profit and gross profit margin

Our gross profit decreased by approximately 45.8% from approximately RMB61.4 million for the year ended 31 December 2019 to approximately RMB33.3 million for the year ended 31 December 2020, primarily due to the decrease in revenue from licensing of broadcasting rights of TV series.

Our gross profit margin increased from approximately 28.9% for the year ended 31 December 2019 to approximately 38.0% for the year ended 31 December 2020.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments for the years ended 31 December 2019 and 2020:

	2020		2019	
	RMB'000	**Margin %**	*RMB'000*	Margin %
Licensing of broadcasting rights of TV series	**3,980**	**48.9**	65,458	32.0%
Investment in TV series, web series and films as non-executive producer	**29,327**	**36.9**	(4,035)	(51.1%)
	33,307	**38.0**	61,423	28.9%

(i) Licensing of broadcasting rights of TV series

The gross profit margin for the licensing of broadcasting rights of TV series segment increased from approximately 32.0% for the year ended 31 December 2019 to approximately 48.9% for the year ended 31 December 2020, primarily due to the low gross profit margin of our self-produced TV series National Spirit*（共和國血脈）in 2019.

The following table sets forth a breakdown of our gross profit and gross profit margin of TV series in which we acted as executive producer or purchased copyrights (or broadcasting rights) in the business segment of licensing of broadcasting rights of TV series for the years ended 31 December 2019 and 2020:

	2020		2019	
	RMB'000	**Margin %**	*RMB'000*	Margin %
Acted as executive producer	**1,370**	**56.7**	26,149	21.3%
Licensed purchased copyrights (or broadcasting rights)	**2,610**	**45.6**	39,309	47.9%
	3,980	**48.9**	65,458	32.0%

(ii) Investment in TV series, web series and films as non-executive producer

The gross profit margin for the investing in TV series as a non-executive producer increased from approximately negative 51.1% for the year ended 31 December 2019 to approximately 36.9% for the year ended 31 December 2020.

Other income and gains

The following table sets forth a breakdown of our other income and gain for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Government grants – related to income	**4,909**	227
Bank interest income	**805**	12
Interest income from loans receivable	**961**	–
Others	**451**	1,096
	7,126	1,335

Our other income and gains increased by 433.8% from approximately RMB1.3 million for the year ended 31 December 2019 to approximately RMB7.1 million for the year ended 31 December 2020, primarily due to the increase in government grants in relation to our success in listing on the Main Board of the Stock Exchange.

Selling and distribution expenses

The following table sets forth a breakdown of our selling and distribution expenses for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Advertising and marketing expenses	**77**	3,890
Staff costs	**913**	1,054
Entertainment and travelling expenses	**50**	438
Others	**11**	94
	1,051	5,476

Our selling and distribution expenses decreased by approximately 80.8% from approximately RMB5.5 million for the year ended 31 December 2019 to approximately RMB1.1 million for the year ended 31 December 2020, mainly attributable to to the travel restrictions and quarantine regulations imposed by the government, which subsequently led to the cancellation of scheduled TV & Film 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.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Listing expenses	**3,327**	16,179
Staff costs	**3,830**	3,182
Entertainment and travelling expenses	**2,514**	1,875
Auditor's remuneration	**1,200**	1,150
Professional service fees	**2,633**	648
Office related expenses	**1,867**	1,865
Miscellaneous taxes	**460**	563
Others	**125**	109
	15,956	25,571

Our administrative expenses decreased by approximately 37.6% from approximately RMB25.6 million for the year ended 31 December 2019 to approximately RMB16.0 million for the year ended 31 December 2020, primarily due to decrease in the listing expenses.

Impairment losses on financial assets

We recorded impairment loss on financial assets amounting to approximately RMB18.1 million. The recognition of impairment provision was primarily due to the increase in long outstanding trade receivables by our certain customers as at 31 December 2020.

Finance costs

The following table sets forth a breakdown of our finance costs for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**647**	1,017
Interest on other borrowings	**–**	1,059
Interest on discounted notes receivable	**–**	190
Interest on trade receivable factoring	**–**	2,335
Interest on lease liabilities	**6**	47
Less: Interest capitalised	**–**	–
	653	4,648

Our finance costs decreased by approximately 86.0% from approximately RMB4.6 million for the year ended 31 December 2019 to approximately RMB0.7 million for the year ended 31 December 2020, primarily due to (i) our settlement of bank loans and other borrowings; (ii) our factoring of trade receivables in the year ended 31 December 2019 (2020: Nil).

Income tax expense

The following table sets forth the major components of our income tax expense for the years ended 31 December 2019 and 2020:

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**5,754**	15,523
Deferred	**(3,976)**	(12,377)
Total tax charge for the year	**1,778**	3,146

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**3,004**	27,978
Tax at the statutory tax rate of 25% in Mainland China	**751**	6,995
Tax effect of tax exemption granted to subsidiaries	**(461)**	(7,949)
Effect of tax rate differences in other jurisdiction	**1,145**	2,770
Effect of expenses not deductible for tax	**565**	93
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**36**	349
Effect on deferred tax of change in tax rate	**(1,027)**	–
Tax losses not recognised	**769**	888
Tax charge at the Group's effective tax rate	**1,778**	3,146

Khorgas Values Culture Media Co., Ltd.*（霍爾果斯原石文化傳媒有限公司）("**Khorgas Values**") and Xinjiang Values Culture Media Co., Ltd.*（新疆原石文化傳媒有限公司）("**Xinjiang Values**"), the entities controlled by the Group through a series of contractual arrangements, enjoyed the preferential tax treatment under the Catalogue of Income Tax Preferences for Enterprises of Materially Encouraged Industries in Difficult Areas of Xinjiang. Khorgas Values and Xinjiang Values obtained the approval from the PRC tax bureau for entitlement of Enterprise Income Tax ("**EIT**") exemption from 1 July 2017 to 31 December 2020 and 1 July 2018 to 31 December 2020, respectively. Our effective tax rate ("**ETR**") were 59.2% for the year 31 December 2020, which increased by 48 basis point from 11.2% for the year ended 31 December 2019. The increase in ETR was mainly resulted from the decrease of our profit while the listing expense, with certain portion of which was not tax deductible.

Profit for the year and net profit margin

As a result of the foregoing, our profit decreased by approximately 95.1% from approximately RMB24.8 million for the year ended 31 December 2019 to approximately RMB1.2 million for the year ended 31 December 2020. Our net profit margin decreased from approximately 11.7% for the year ended 31 December 2019 to 1.4% for the year ended 31 December 2020.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividends by the Company for the year ended 31 December 2020 (2019: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Global Offering

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 11 March 2019. The Company carried out the global offering, comprising 250,000,000 Shares at HK$0.50 per Share and the Shares were listed on the Stock Exchange on the 16 January 2020 (the "**Listing Date**"). The gross proceeds therefrom amounted to HK$125 million.

The Over-allotment Option

On 7 February 2020, the Over-allotment Option described in the prospectus of the Company dated 31 December 2019 (the "**Prospectus**") has been fully exercised by the 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) to facilitate the return to BLW Investment Limited of the borrowed Shares under the stock borrowing agreement dated 9 January 2020 which were used to cover over-allocations under the placing by the International Underwriters. Such Over-allotment Shares are subject to a lock-up of six months from the Listing Date pursuant to the respective agreements, undertaking letter and rules as disclosed in the Prospectus. The Over-allotment Shares has been allotted and issued by the Company at HK$0.50 per Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), being the offer price per Share under the global offering.

The Over-allotment Shares were listed and traded on the Stock Exchange on 10 February 2020. The additional net proceeds from the issuance of the Over-allotment Shares were approximately HK$17.2 million (after deducting underwriting commissions, brokerage, transaction levy and transaction fee). Please refer to the paragraph headed "Use of Proceeds from the Listing and the issue of the Over-allotment Shares" in this announcement for the status of utilisation of the proceeds from the Listing and the issue of the Over-allotment Shares.

The issued share capital of the Company after the over-allotment was US$5,187.50 representing 1,037,500,000 Shares with a nominal value of US$0.000005 each. There has been no change in the capital structure of the Group since then.

The Group finances its liquidity and capital requirements primarily through bank loans and other borrowings, cash generated from our operations and equity contributions.

As at 31 December 2020, the Group reported net current assets of approximately RMB434.9 million (2019: RMB332.1 million). As at 31 December 2020, the Group's cash and bank balances was approximately RMB143.4 million, representing an increase of approximately RMB137.9 million as compared to approximately RMB5.5 million as at 31 December 2019.

Key Financial Ratios

Return on Equity

The return on equity decreased from approximately 7.4% for the year ended 31 December 2019 to approximately 0.3% for the year ended 31 December 2020.

Return on Total Assets

The return on total assets decreased from approximately 6.0% for the year ended 31 December 2019 to approximately 0.3% for the year ended 31 December 2020.

Current Ratio

The Group's current ratio increased from approximately 5.4 times as at 31 December 2019 to approximately 13.8 times as at 31 December 2020.

Gearing Ratio

The Group's gearing ratio decreased from approximately 5.5% as at 31 December 2019 to nil as at 31 December 2020, primarily due to the repayment of other borrowings and bank loans.

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 2019 and 2020.

OTHER COMMITMENTS

The Group had the following commitments at the end of the Reporting Period:

	2020	2019
	RMB'000	*RMB'000*
Contracted, but not provided for the co-investment arrangement	**5,040**	11,003

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 2020.

CONTINGENT LIABILITY

As at 31 December 2020, 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.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from the Listing and the issue of the Over-allotment Shares" in this announcement, the Group did not have any other immediate plans for material investment and capital assets as at the date of this announcement.

PLEDGE OF ASSETS

As at 31 December 2020, the Group had no pledge of assets (2019: RMB28,800,000).

FOREIGN CURRENCY RISK

In the year ended 31 December 2020, 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 2020, 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 2020, the Group employed 24 (2019: 22) employees 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 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. The Group believes that it maintain a positive working relationship with its employees.

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

The Shares were listed on the Stock Exchange on the Listing Date and 250,000,000 new Shares were issued at the offer price of HK$0.50 per Share. On 7 February 2020, the over-allotment option was fully exercised to issue further 37,500,000 new Shares. After deducting the underwriting charges and relevant expenses, the net proceeds from the Listing and the issue of the Over-allotment Shares amounted to approximately HK$100.4 million (the "**Net Proceeds**"). As 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 31 December 2020; and (iii) the expected timeline for fully utilising the unutilised amount:

Use of Net Proceeds	**Intended allocation of Net Proceeds**	**Approximate percentage of Net Proceeds**	**Utilised Net Proceeds up to 31 December 2020**	**Unutilised Net Proceeds up to 31 December 2020**	**Expected timeline for fully utilising the unutilised amount** *(Note 3)*
	HK$ million		*HK$ million*	*HK$ million*	
Production of 4 TV series *(Note 1)*	87.2	86.9%	nil	87.2	On or before 30 June 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series *(Note 2)*	13.2	13.1%	nil	13.2	On or before 30 June 2021
Total	100.4	100%	nil	100.4	

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 2021 and expects that the allocated Net Proceeds thereto will be fully utilised on or before 30 June 2023. 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	First quarter of 2022	Second half year of 2022 to first half year of 2023
2. Family drama	Second half year of 2021	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 31 December 2020, the Group was 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.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices enabling its shareholders to evaluate, and the CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2020 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year ended 31 December 2020 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 2020, 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 2020 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 28 May 2021, 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 RESULTS AND THE 2020 ANNUAL REPORT

The Company's annual report for the year ended 31 December 2020 will be despatched to the Shareholders. 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 Tricor Investor Services Limited, the Company's Hong Kong 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 28 May 2021, the register of members of the Company will be closed from 25 May 2021 to 28 May 2021 (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, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 May 2021.

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 2020. 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 C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance had been expressed by Ernst & Young on this announcement.

EVENTS AFTER THE REPORTING PERIOD

After the end of the Reporting Period, the Group (i) licensed the broadcasting rights of 4 TV series and (ii) invested as non-executive producer with the Group's existing capital in the web series Closer to You II*（我的刺猬女孩II）.

The Group will continue to monitor the impact of the COVID-19 pandemic and adjust our business contingency plans as appropriate. Save as disclosed above, the Directors are not aware of any material events occurred after the end of the Reporting Period to the date of this announcement which are required to be disclosed.

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

Hong Kong, 29 March 2021

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.

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