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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)

(I) CHANGE IN USE OF PROCEEDS;

AND

(II) APPOINTMENT OF ALTERNATE DIRECTOR

(I) CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus issued by Values Cultural Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 December 2019 (the “**Prospectus**”) in relation to the listing of the shares on The Stock Exchange of Hong Kong Limited (the “**Listing**”); (ii) the announcement of the Company dated 7 February 2020 in relation to the full exercise of the over-allotment option described in the Prospectus in respect of an aggregate of 37,500,000 over-allotment shares (the “**Over-allotment Shares**”); and (iii) the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”) in which the use of proceeds from the Listing and the issue of the Over-allotment Shares up to 31 December 2020 was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Report.

After deducting the underwriting charges and relevant expenses, the net proceeds from the Listing and the issue of the Over-allotment Shares amounted to approximately HK\$100.4 million (the “**Net Proceeds**”). As disclosed in the Prospectus and the 2020 Annual Report, the Company intended to use the Net Proceeds for the following purposes: (i) production of 4 TV series; and (ii) purchasing of copyrights (or broadcasting rights) associated with the TV series.

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 changing market trend and customer preferences, and were deposited in short-term deposits with the licensed banks in Hong Kong and the PRC. For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” below, the Board has resolved to change the use of Net Proceeds by reallocating the Net Proceeds of approximately HK\$26.0 million from production of TV series to the production of web series. The table below sets out the original allocation of Net Proceeds, the change in use of Net Proceeds and the revised allocation of the unutilised Net Proceeds:

Use of Net Proceeds	Original allocation of Net Proceeds as stated in the Prospectus and 2020 Annual Report <i>HK\$ million</i>	Utilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised allocation of the unutilised Net Proceeds <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount (<i>Note 1</i>)
Production of TV series (<i>Note 2</i>)	87.2	–	87.2	61.2	On or before 30 June 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series	13.2	–	13.2	13.2	On or before 30 June 2021
Production of web series	–	–	–	26.0	On or before 30 June 2022
Total	100.4	0	100.4	100.4	

Notes:

- 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.
- The Board has resolved to suspend the production of one of the four planned TV series as stated in the Prospectus and the 2020 Annual Report. The estimated shooting period and estimated time for first-run broadcast on satellite channel of the four 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	Second half year of 2021 to 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	Suspended	Suspended
4. Legend	April 2022 to June 2022	First half year of 2023

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The planned use of Net Proceeds from the Listing and the issue of the Over-allotment Shares as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then future market conditions as at the latest practicable date of the Prospectus, while the Net Proceeds were applied in accordance with the actual development of the market from time to time.

According to the constant communication and negotiation with the potential customers as to the four planned TV series, the Directors expect that one of the four planned TV series may be less attractive to the potential customers and also it is difficult to reach an agreement with them on the purchase price and broadcasting schedule as expected due to the changing market trend and customer preference as well as the fierce competition in the TV series business.

As disclosed in the 2020 Annual Report, as competition in the TV series business intensifies and with the growing popularity of online TV series and online movies, the Group has determined to expand its business by developing business relationship with the online video platforms in the meanwhile keep strengthening the business of licensing of broadcasting rights of TV series. The Group has been exploring and experimenting with the investment in the production of online TV series and online movies, including (i) recruiting project planners with background in online TV series and online movies; (ii) establishing business ties with major online video platforms; (iii) attempting to invest in outstanding online TV series and online movies; and (iv) widely collecting and evaluating scripts for online TV series and online movies, and increasing the Group's project reserve in this area.

The Board is of the view that the use of proceeds should be appropriately adjusted to maintain maximum flexibility for better accommodation to the changing market conditions and industry environment so as to capture the emerging business opportunities arising from the popularity and development of web series.

The Directors consider that the development direction of the Company is still in line with the disclosures in the Prospectus in spite of the change in use of proceeds as stated above. The Directors consider that the change can serve the purpose of achieving more effective deployment of the Group's financial resources and is conducive to the Group's future diversified development and in the interests of the Group and the Shareholders as a whole.

The Board will continuously assess the plans for use of the Net Proceeds, and may revise or amend such plans where necessary to respond to the changing market conditions and strive for better business performance of the Group.

(II) APPOINTMENT OF ALTERNATE DIRECTOR

The Board hereby announces that Mr. Liu Naiyue (“**Mr. Liu**”), the chairman of the Board and an executive Director, has appointed Mr. Au Yeung Ming Yin Gordon (“**Mr. Au Yeung**”), one of the joint company secretaries of the Company (the “**Appointment**”), as his alternate to represent him to attend the annual general meeting of the Company (and at any adjournment thereof) to be held on 28 May 2021 (Friday) (the “**Meeting**”) with effect from 25 May 2021. The Appointment shall be ceased at the conclusion of the Meeting.

Mr. Au Yeung, aged 45, was appointed as one of the joint company secretaries of the Company. Mr. Au Yeung is the company secretary of Cocoon Holdings Limited (stock code: 428) since February 2019. He is the financial controller and company secretary of China Finance Investment Holdings Limited (stock code: 875) since May 2019. He is an independent non-executive director of Amco United Holding Limited (stock code: 630) since March 2018. He was the company secretary of L&A International Holdings Limited (stock code: 8195) from November 2019 to August 2020 and Success Dragon International Holdings Limited (stock code: 1182) from October 2017 to September 2019. He was the chief financial controller and company secretary of On Real International Holdings Limited (stock code: 8245) from August 2017 to February 2019. He was the chief financial officer and company secretary of Cocoon Holdings Limited (formerly known as Huge China Holdings Limited) (stock code: 428) from May 2015 to August 2017. He has over 20 years of experience in the areas of accounting and auditing. Since May 2000, Mr. Au Yeung held management positions in an accounting team in Beijing Sports and Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) (stock code: 1803) until January 2015.

Mr. Au Yeung is a member of the Hong Kong Institute of Certified Public Accountants. He obtained a degree in Bachelor of Business (Business Administration) from the RMIT University in Australia and a post graduate diploma in Professional Accounting from the Hong Kong Baptist University.

Save as disclosed above, as at the date of this announcement, Mr. Au Yeung does not hold any positions with the Company or its subsidiaries nor hold any directorships in any listed companies in Hong Kong or overseas in the past three years. Mr. Au Yeung does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Au Yeung has no interests in any shares, debentures or other securities in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong).

There is no service agreement between Mr. Au Yeung and the Company with respect to the Appointment. Mr. Au Yeung will not receive any remuneration in his capacity as an alternate director to Mr. Liu.

Save as disclosed above, there is no other information in relation to the Appointment that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and no other matters that needs to be brought to the attention of the shareholders of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 25 May 2021

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