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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 2021

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 decreased by approximately 91.4% to approximately RMB0.5 million from approximately RMB5.7 million for the six months ended 30 June 2020.
- The Group recorded a gross loss of approximately RMB5.6 million for the six months ended 30 June 2021, as compared with a gross profit of approximately RMB3.0 million for the six months ended 30 June 2020.
- Net loss for the six months ended 30 June 2021 was approximately RMB27.9 million, as compared with the Group's net loss amounting to approximately RMB6.5 million for the six months ended 30 June 2020.
- The Board does not recommend the payment of interim dividends in respect of the six months ended 30 June 2021 (the six months ended 30 June 2020: 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 2021 (the “**Reporting Period**”).

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	489	5,666
Cost of sales		(6,049)	(2,671)
Gross (loss)/profit		(5,560)	2,995
Other income and gains		822	5,373
Selling and distribution expenses		(605)	(675)
Administrative expenses		(7,388)	(8,341)
Impairment losses on financial assets		(21,329)	(5,656)
Finance costs		–	(332)
Other expenses		(102)	–
LOSS BEFORE TAX	5	(34,162)	(6,636)
Income tax credit	6	6,220	119
LOSS FOR THE PERIOD		(27,942)	(6,517)
Attributable to:			
Owners of the parent		(27,942)	(6,517)
LOSSES PER SHARE			
Basic and diluted	8	RMB(2.69) cents	RMB(0.65) cents

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
LOSS FOR THE PERIOD	<u>(27,942)</u>	<u>(6,517)</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>(559)</u>	<u>2,547</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	(559)	2,547
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(28,501)</u>	<u>(3,970)</u>
Attributable to: Owners of the parent	<u>(28,501)</u>	<u>(3,970)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	98	89
Prepayments, other receivables and other assets		83	92
Deferred tax assets		<u>26,194</u>	<u>20,224</u>
Total non-current assets		<u><u>26,375</u></u>	<u><u>20,405</u></u>
CURRENT ASSETS			
Inventories		99,825	105,400
Trade and notes receivables	10	137,617	162,871
Prepayments, other receivables and other assets		56,358	53,035
Financial assets at fair value through profit or loss	16	9,300	4,260
Cash and cash equivalents		<u>127,834</u>	<u>143,366</u>
Total current assets		<u><u>430,934</u></u>	<u><u>468,932</u></u>
CURRENT LIABILITIES			
Trade payables	11	4,572	6,433
Other payables and accruals		8,580	9,467
Tax payable		<u>17,641</u>	<u>18,169</u>
Total current liabilities		<u><u>30,793</u></u>	<u><u>34,069</u></u>
NET CURRENT ASSETS		<u><u>400,141</u></u>	<u><u>434,863</u></u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>426,516</u></u>	<u><u>455,268</u></u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>1,190</u>	<u>1,441</u>
Total non-current liabilities		<u><u>1,190</u></u>	<u><u>1,441</u></u>
Net assets		<u><u>425,326</u></u>	<u><u>453,827</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	36	36
Reserves		<u>425,290</u>	<u>453,791</u>
Total equity		<u><u>425,326</u></u>	<u><u>453,827</u></u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent					Total equity <i>RMB'000</i>
	Issued capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Foreign fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	
At 1 January 2021 (audited)	36	312,834	15,233	(1,834)	127,558	453,827
Loss for the period (unaudited)					(27,942)	(27,942)
Other comprehensive income for the period:						
Exchange differences on translation of the Company's financial statement (unaudited)	-	-	-	(559)	-	(559)
Total comprehensive income for the period (unaudited)	-	-	-	(559)	(27,942)	(28,501)
At 30 June 2021 (unaudited)	36	312,834	15,233	(2,393)	99,616	425,326

	Attributable to owners of the parent					Total equity <i>RMB'000</i>
	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>	
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)	36	312,834	13,554	2,355	121,494	450,273

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020.

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.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the 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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2020 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic.

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.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

During the 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Customer 1	N/A*	5,169
Customer 2	113	N/A*
Customer 3	79	N/A*
Customer 4	66	N/A*
Customer 5	51	N/A*
Customer 6	53	N/A*

* The corresponding revenue of the customers are not disclosed as the revenue did not individually account for 10% or more of the Group's revenue for the reporting period and corresponding period of last year.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers		
Licensing of broadcasting rights of TV series	489	5,666
	<u>489</u>	<u>5,666</u>

Note:

Revenue from contracts with customers

(i) Disaggregated revenue information

	For the six months ended	
	30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods or service		
Licensing of broadcasting rights of TV series	489	5,666
	<u>489</u>	<u>5,666</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.

5. LOSS BEFORE TAX

	For the six months ended	
	30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cost of inventories sold	40	2,671
Listing expense	–	1,976
Minimum lease payments under lease exemption	676	713
Depreciation	19	26
Depreciation of right-of-use assets	–	77
Bank interest income	(520)	(243)
Government grants	(252)	(4,500)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	1,931	1,782
Pension scheme contributions	178	124
Staff welfare expenses	130	74
	2,239	1,980
Write-down of inventories to net realisable value	6,009	–
Impairment of trade receivables	18,233	5,656
Impairment of other receivable	3,096	–
	27,677	12,370

6. INCOME TAX 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Income tax		
Current – Mainland China		
Charge for the year.	–	3,312
Deferred	(6,220)	(3,431)
	(6,220)	(119)
Total tax credit for the period	(6,220)	(119)

7. DIVIDENDS

The Board did not declare any interim dividend for the Reporting Period (the six months ended 30 June 2020: nil).

8. LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic losses per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of approximately RMB27,942,000 (six months ended 30 June 2020: approximately RMB6,517,000), and the weighted average number of ordinary shares of 1,037,500,000 (30 June 2020: 1,009,116,022) shares in issue during the Reporting Period, as adjusted to reflect the Global Offering and Over-allotment Shares during the Reporting Period.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount at beginning of period/year	89	103
Additions	28	34
Depreciation provided during the period/year	(19)	(48)
	<hr/>	<hr/>
Carrying amount at end of period/year	98	89

10. TRADE AND NOTES RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	178,725	186,016
Notes receivables	1,000	730
Impairment	(42,108)	(23,875)
	<hr/>	<hr/>
	137,617	162,871

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	114	84,355
3 to 6 months	–	1,372
6 to 12 months	79,990	174
1 to 2 years	26,123	57,660
2 to 3 years	30,390	18,580
	<u>136,617</u>	<u>162,141</u>

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At beginning of year	23,875	7,844
Impairment losses (<i>note 5</i>)	18,233	16,031
	<u>42,108</u>	<u>23,875</u>

11. TRADE PAYABLES

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 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	–	259
3 to 6 months	–	–
6 to 12 months	113	–
1 to 2 years	471	2,186
Over 3 years	3,988	3,988
	<u>4,572</u>	<u>6,433</u>
Total	<u>4,572</u>	<u>6,433</u>

12. SHARE CAPITAL

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (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 (2020: US\$0.000005)	<u>36</u>	<u>36</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 2020	2,000,000	–
Issue of shares on 16 January 2020	250,000,000	9
Issue of shares on 7 February 2020	37,500,000	1
Capitalisation of issue of shares	<u>748,000,000</u>	<u>26</u>
As 31 December 2020 and 1 January 2021 and 30 June 2021	<u>1,037,500,000</u>	<u>36</u>

13. CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: nil).

14. COMMITMENTS

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Contracted, but not provided for:		
Co-investment arrangement	<u>–</u>	<u>5,040</u>

15. RELATED PARTY TRANSACTIONS

- (a) 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short term employee benefits	506	451
Pension scheme contributions	61	28
	<hr/>	<hr/>
Total compensation paid to key management personnel	567	479
	<hr/> <hr/>	<hr/> <hr/>

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in unlisted investments, which represent 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. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable input to the valuation of financial instruments as at 30 June 2021 and 31 December 2020:

30 June 2021

	Valuation technique	Significant unobservable input	rate
Unlisted equity investments	Discounted cash flow	Discount rate	6.41%

31 December 2020

	Valuation technique	Significant unobservable input	rate
Unlisted equity investments	Discounted cash flow	Discount rate	6.41%

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss	–	–	9,300	9,300

As at 31 December 2020

	Fair value measurement using			Total <i>RMB'000</i> (Audited)
	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Audited)	Significant observable inputs (Level 2) <i>RMB'000</i> (Audited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Audited)	
Financial assets at fair value through profit or loss	–	–	4,260	4,260

The movements in fair value measurements within Level 3 during the period are as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
At 1 January	4,260	–
Purchases	5,040	–
At 30 June	9,300	–

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impact on the Group since 30 June 2021.

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 and web series as non-executive producer; and (iii) acting as distribution agent of TV series. The Group is also expanding its business in the production of web series in view of the growing popularity of web series and online movies. During the Reporting Period, the Company recorded a total revenue of approximately RMB0.5 million, which decreased by approximately 91.4% as compared with approximately RMB5.7 million for the corresponding period of last year. During the Reporting Period, our revenue was primarily generated from licensing of broadcasting rights of TV series, including Wild Roses* (紅薔薇) and The Eagle Corps* (野山鷹) while no revenue was generated from investing in TV series, web series and films as non-executive producer and acting as distribution agent of TV series.

Loss for the Reporting Period was approximately RMB27.9 million as compared with the Group's net loss amounting to approximately RMB6.5 million for the corresponding period of last year.

The significant increase in net loss was due to: (i) the decrease in revenue resulting from the failure of broadcast and/or production of certain TV series which the Group acted as executive producer and/or non-executive producer according to the expected schedule and the decision to defer investments in new TV series considering the market condition and macro-economic environment; and (ii) the increase in provision for impairment of financial assets due to the long-aged trade receivables from certain customers.

During the Reporting Period, the Group had licensed five TV series (including four self-produced and one purchased), such as the rerun of National Spirit* (共和國血脈) and Yan Yang Chun* (燕陽春).

Prospects and Future Plans

The Board is of the view that the general outlook of the industry and business environment in which the Group operates remain very challenging in the coming year and it is expected that the number of new TV series to be licensed would be very limited. As competition in the TV series business intensifies and with the growing popularity of web series and online movies, the Group intends to expand its business by developing and/or strengthening business relationship with online video platforms. To keep up with market trends by extending our distribution channels to new media channels and capture the emerging opportunities presented in the drama series market, the Group intends to exert more effort in its business of production and distribution of web series. The Board is of the view that the Group's effort in development of web series will enable the Group to better capture the business opportunities arising from the development of web series. Nonetheless, the Group will continue to closely monitor developments in the TV series market and continue to strengthen its business including production and licensing of broadcasting rights of TV series.

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

Looking forward, our Group will continue to adhere to prudent financial management in project selection and cost control. The Group has been exploring and experimenting with the investment in the production of web series and online movies and is currently engaged in the initial stages of production for two web series. The Group will continue to strengthen its development in this area by establishing business ties with major online video platforms and widely collecting and evaluating scripts for web series and online movies to increase the Group's project reserve in this area. It is believed that further expanding our business cooperation with new media channels could in the long run assist the Group in seizing future business opportunities and diversify our source of income, hence enhancing the profitability of our Group as a whole.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group recorded revenue of approximately RMB0.5 million (30 June 2020: approximately RMB5.7 million), representing a decrease of approximately 91.4% 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 The Eagle Corps* (野山鷹).

Cost of Sales and Gross Profit

During the Reporting Period, the cost of sales of our operations increased from approximately RMB2.7 million for the six months ended 30 June 2020 to approximately RMB6.0 million for the six months ended 30 June 2021, representing an increase of 126.5%. The increase in the cost of sales was primarily due to the increase in impairment loss of TV series as the Group made provision for two TV series as a result of the failure to broadcast the relevant TV series according to the expected schedule and a decrease in the estimated selling price considering the current market condition. The Group carries out an inventory review on a project-by-project basis at the end of each reporting period and makes provision for obsolete projects accordingly.

During the Reporting Period, the Group recorded a gross loss of approximately RMB5.6 million, as compared with a gross profit of approximately RMB3.0 million for the corresponding period of last year. The change in the financial position was as a result of the decrease in revenue and increase in the cost of sales for the six months ended 30 June 2021.

Other Income and Gains

During the Reporting Period, the other income and gains were approximately RMB0.8 million (30 June 2020: approximately RMB5.4 million). The decrease in other income and gains was mainly due to the decrease in government grant received from the People's Republic of China (the "PRC") government authorities.

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

Selling and Distribution Expenses

During the Reporting Period, the selling and distribution expenses remained relatively stable at approximately RMB0.6 million as compared to approximately RMB0.7 million for the six months ended 30 June 2020.

Administrative Expenses

During the Reporting Period, the administrative expenses were approximately RMB7.4 million, representing a decrease of approximately 11.4% as compared with approximately RMB8.3 million for the corresponding period of last year. The decrease in administrative expenses was mainly due to the decrease in listing expense.

Impairment losses on financial assets

The impairment losses on financial assets represent the impairment provision on long ageing trade and other receivables. The impairment losses on financial assets for the Reporting Period was approximately RMB21.3 million as compared with that of approximately RMB5.7 million due to the increase of long-aged trade receivables by certain 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 long-aged trade receivables as a result of deferred settlement by certain customers.

Finance Costs

During the Reporting Period, our finance costs were nil as compared with approximately RMB0.3 million for the corresponding period of last year. The finance costs decreased as the Group did not have any bank borrowings during the six months ended 30 June 2021.

Loss for the Reporting Period

During the Reporting Period, the loss attributable to owners of the parent was approximately RMB27.9 million, as compared with approximately RMB6.5 million loss attributable to owners of the parent for the corresponding period of last year. The increase in the loss 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 2021 and 31 December 2020, the Group had no bank loans. As at 30 June 2021, the Group had total cash and cash equivalents (including bank deposits and cash) of approximately RMB127.8 million (31 December 2020: approximately RMB143.4 million), and total net current assets of approximately RMB400.1 million (31 December 2020: RMB434.9 million). The Group monitors capital using a gearing ratio, which is total debt (of which debt is defined to include interest bearing payables) divided by total equity multiplied by 100% as at the date indicated. As at 30 June 2021, the gearing ratio of the Group was nil, the same as the end of 2020.

As at 30 June 2021, the equity attributable to the owners of the parent was approximately RMB425.3 million, of which share capital was approximately RMB36,000, the capital reserve was approximately RMB312.8 million, the statutory surplus reserve was approximately RMB15.2 million, exchange fluctuation reserve was approximately negative RMB2.4 million and retained earnings were approximately RMB99.6 million. The equity attributable to the owners of the parent decreased by approximately 6.3% from approximately RMB453.8 million as at the end of 2020, which was mainly attributable to the loss 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 2021, the Group did not have pledged assets.

As at 30 June 2021, the Group did not have any material contingent liabilities.

EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at 30 June 2021, 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 RMB3.0 million.

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 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 organised a series of trainings on licensing and producing of TV series.

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

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 2020: 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 2021.

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.

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices enabling its shareholders to evaluate, and the CG Code has been applied to the Company with effect from the date (the “**Listing Date**”) on which the shares of the Company were listed (the “**Listing**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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.

PROCEEDS FROM THE LISTING AND THE ISSUE OF THE OVER-ALLOTMENT 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 disclosed in the announcement of the Company dated 25 May 2021 (the “**May 2021 Announcement**”), the Board resolved to change the use of Net Proceeds as stated in the Prospectus by reallocating the Net Proceeds of approximately HK\$26.0 million from production of TV series to the production of web series.

As at 30 June 2021, the Group utilised approximately HK\$1.95 million for production of web series, representing approximately 1.9% of the Net Proceeds.

The table below sets out (i) the original allocation of Net Proceeds as stated in the Prospectus and the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”); (ii) the revised allocation of the Net Proceeds as stated in the May 2021 Announcement; (iii) the utilised and unutilised Net Proceeds as at 30 June 2021; and (iv) the latest expected timeline for utilising the unutilised Net Proceeds:

Use of Net Proceeds	Original allocation of Net Proceeds as stated in the Prospectus and the 2020 Annual Report <i>HK\$ million</i>	Revised allocation of the Net Proceeds as stated in the May 2021 Announcement <i>HK\$ million</i>	Utilised Net Proceeds as at 30 June 2021 <i>HK\$ million</i>	Unutilised Net Proceeds as at 30 June 2021 <i>HK\$ million</i>	Expected timeline for fully utilising the unutilised amount <i>(Note 1)</i> <i>HK\$ million</i>
Production of TV series <i>(Note 2)</i>	87.2	61.2	–	61.2	On or before 30 June 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series <i>(Note 3)</i>	13.2	13.2	–	13.2	On or before 30 June 2022
Production of web series	–	26.0	1.95	24.05	On or before 30 June 2023
Total	<u>100.4</u>	<u>100.4</u>	<u>1.95</u>	<u>98.45</u>	

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.
- As disclosed in the May 2021 Announcement, the Board 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 were 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

- As at the date of this announcement, the Group has been negotiating on the purchase of a TV series and expects that the allocated Net Proceeds thereto will be fully utilised on or before 30 June 2022.

As at 30 June 2021, the unutilised Net Proceeds were deposited in short-term deposits with the licensed banks in Hong Kong and the PRC.

As disclosed in the May 2021 Announcement, the changes in use of Net Proceeds were mainly due to the changing market trend and customer preferences as well as the fierce competition in the TV series business. The Group strives to minimise 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. 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)	100,622,500	9.69%
Mr. Xu Jun	Interest of a controlled corporation (Note 4)	86,872,500	8.37%

Notes:

- The letter “L” denotes long position in our Shares.
- 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. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. 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.
- The issued shares of SDJZ Investment Limited are owned as to approximately 91.00% by Mr. Shao Hui. Under the SFO, Mr. Shao Hui is deemed, or taken to be interested in the Shares beneficially owned by SDJZ Investment Limited.
- The issued shares of JMJ Group Limited are owned as to approximately 97.84% by Mr. Xu Jun. Under the SFO, Mr. Xu Jun 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%
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%
Suiyong Int'l Co., Limited (Note 4)	Beneficial owner	110,010,000	10.60%
Suiyong Holdings Company Limited (穗甬控股有限公司) (Note 4)	Interest of a controlled corporation	110,010,000	10.60%
SDJZ Investment Limited (Note 5)	Beneficial owner	100,622,500	9.69%
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 5)	Interest of a party to an agreement regarding interest in the Company	100,622,500	9.69%

Name	Capacity/Nature of interest	As at the date of this announcement	
		Number of Shares	Approximate percentage of shareholding
Tibet Langrun Investment Management Co., Ltd. (西藏朗潤投資管理有限公司) (Note 5)	Interest of a party to an agreement regarding interest in the Company	100,622,500	9.69%
Ms. Lu Min (Note 6)	Interest of spouse	100,622,500	9.69%
JMJ Group Limited	Beneficial owner	86,872,500	8.37%
Ms. Zhang Hui (Note 7)	Interest of a controlled corporation, interest of spouse	86,872,500	8.37%
SYYT Investment Limited	Beneficial owner	70,002,500	6.74%
Mr. Sun Xianliang (Note 8)	Interest of a controlled corporation	70,002,500	6.74%
Ms. Yu Jinmei (Note 9)	Interest of spouse	70,002,500	6.74%
Jinping Holding Limited	Beneficial owner	54,997,500	5.30%
Ms. Jin Ping (Note 10)	Interest of a controlled corporation	54,997,500	5.30%
Mr. Yao Changhui (Note 11)	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. Pursuant to the deed of acting in concert dated 27 August 2021, each of the Core Shareholders confirmed that they would continue to act in concert with each other in exercising their controls in BLW Investment Limited until otherwise terminated by them. 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) 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.

- (5) 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.
- (6) 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, which is disclosed in the section headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation” on page 23 of this announcement.
- (7) 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, which is disclosed in the section headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation” on page 23 of this announcement.
- (8) The issued shares of SYYT Investment Limited are owned as to approximately 40.62% by Mr. Sun Xianliang. Under the SFO, Mr. Sun Xianliang is deemed, or taken to be interested in the Shares beneficially owned by SYYT Investment Limited.
- (9) 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.
- (10) 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.
- (11) 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 AND CHIEF EXECUTIVES OF THE COMPANY

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

Name of Directors/ chief executives	Particulars	Effective date
Mr. Au Yeung Ming Yin Gordon	Appointed as alternate to Mr. Liu Naiyue	25 May 2021
Mr. Au Yeung Ming Yin Gordon	Ceased as alternate to Mr. Liu Naiyue	28 May 2021
Mr. Wu Tao	Resigned as chief executive officer	27 August 2021
Ms. Cai Xiaoxin	Appointed as chief executive officer	27 August 2021

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 9.64% 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 2021. 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.

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

Hong Kong, 27 August 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.