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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)

FURTHER CHANGE IN USE OF PROCEEDS

References are made to the announcement of the Company dated 25 May 2021 (the “**May 2021 Announcement**”) in relation to the change in use of proceeds. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the May 2021 Announcement.

USE OF PROCEEDS DISCLOSED IN THE MAY 2021 ANNOUNCEMENT

As disclosed in the May 2021 Announcement, 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, and such Net Proceeds have been revised as follows: (i) approximately HK\$61.2 million for production of three TV series; (ii) approximately HK\$13.2 million for purchasing of copyrights (or broadcasting rights) associated with the TV series; and (iii) approximately HK\$26.0 million for production of web series.

FURTHER CHANGE IN USE OF PROCEEDS

For reasons set out in the paragraph headed “Reasons for and Benefits of the Further 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\$14.2 million from production of TV series to production of web series. The table below sets out the revised allocation of the Net Proceeds as disclosed in the May 2021 Announcement, the further revised allocation of the Net Proceeds as at the date of this announcement, the amount of utilised and unutilised Net Proceeds as at the date of this announcement and the expected timeline for utilising the unutilised Net Proceeds:

Use of Net Proceeds	Revised allocation of the Net Proceeds as stated in the May 2021 Announcement <i>HK\$ million</i>	Further revised allocation of the Net Proceeds as at the date of this announcement <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>	Expected timeline for fully utilising the unutilised amount <i>(Note 1)</i>
Production of TV series <i>(Note 2)</i>	61.2	47.0	2.0	45.0	On or before 31 December 2022
Purchasing of copyrights (or broadcasting rights) associated with the TV series	13.2	13.2	13.2	–	N/A
Production of web series	26.0	40.2	23.9	16.3	On or before 30 June 2023
Total	100.4	100.4	39.1	61.3	

Notes:

1. 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.
2. As at the date of this announcement, the Board has resolved to suspend the production of one of the three planned TV series as stated in the May 2021 Announcement. The estimated shooting period and estimated time for first-run broadcast on satellite channel of these 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 half year of 2022	First half year of 2023
2. Family drama	First quarter of 2022	First half year of 2023
3. Legend	Suspended	Suspended

REASONS FOR AND BENEFITS OF THE FURTHER CHANGE IN USE OF PROCEEDS

The revised use of Net Proceeds as disclosed in the May 2021 Announcement was based on the best estimation made by the Group in relation to the future market conditions as at the date of the May 2021 Announcement, while the Net Proceeds should be applied in accordance with the actual development of the market from time to time.

According to the recent communication with the potential customers with regard to the script of the TV series under the genre "legend", the Directors expect that this TV series may be less attractive to the potential customers, especially first-tier TV stations, and it is difficult to reach an agreement with the potential customers on the purchase price due to the changing market trend and customer preference as well as the fierce competition in the TV series business. As set out in the paragraph headed "Further Change in Use of Proceeds" above, the Board has resolved to suspend the above TV series and reallocate approximately HK\$14.2 million of the Net Proceeds from production of this TV series to production of web series. As stated in the May 2021 Announcement, approximately HK\$26.0 million of the Net Proceeds was reallocated for production of web series. As at the date of this announcement, approximately HK\$23.9 million has already been utilised. Since the Group is in the process of producing five new web series, an addition of approximately HK\$14.2 million is required.

As disclosed in the May 2021 Announcement, as competition in the TV series business intensifies and with the growing popularity of web series and online movies, the Group has determined to expand its business by developing business relationship with online video platforms. To keep up with the market trends with a change of customer preferences, and be able to capture the new opportunities presented in the market, the Board is of the view that the use of proceeds should be appropriately adjusted to provide more flexibility to the Group so that the Group can better accommodate to the industry environment. The further change of use of the Net Proceeds will enable the Company to better meet the 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 and the aforesaid change in use of Net Proceeds is in the best interest of the Company and its Shareholders as a whole and it will not have any material adverse effect on the existing business and operations of the Group. 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.

Shareholders of the Company 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, 12 January 2022

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.