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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)

PROFIT WARNING

This announcement is made by Values Cultural Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby informs the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2020, it is expected that the Group will record a net profit of no more than RMB2 million for the year ended 31 December 2020, as compared to the Group’s net profit amounting to approximately RMB24.64 million for the year ended 31 December 2019. The Board believes that the decrease in profit is due to a decrease in revenue of approximately RMB125 million and an increase in net impairment loss of approximately RMB19 million.

The Board believes that the expected deterioration of the Group’s financial performance was mainly due to: (i) the impact of the novel coronavirus (“**COVID-19**”) pandemic, which led to slowdown of the Group’s business activities. The delay in kicking off TV series projects under development by the Group, and certain TV series in which the Group acted as executive producer and/or non-executive producer failed to be broadcasted according to the expected schedule, have led to a decrease in revenue. Meanwhile, due to the COVID-19 pandemic, the Group reduced its marketing and promotion activities in order to comply with social distancing measures and therefore was not able to reach an agreement regarding the price and the broadcasting schedule of certain key TV series with its customers; and (ii) the increase in provision for impairment of financial assets due to the long-aged trade receivables from certain customers.

As at the date of this announcement, the Company is still in the course of preparing and finalising the annual results of the Group for the year ended 31 December 2020. The information contained in this announcement is only a preliminary assessment by the Board based on the information currently available and the unaudited consolidated management accounts for the year ended 31 December 2020, which have not been audited or reviewed by the Company’s independent auditor or reviewed by the Company’s audit committee. The annual results of the Group for the year ended 31 December 2020 may be subject to further adjustments and finalisation. Accordingly, Shareholders and potential investors are advised to refer to the annual results announcement of the Company for the year ended 31 December 2020, which is expected to be published in late March 2021.

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, 9 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.