

**IPO FACT SHEET**
**Values Cultural Investment Limited (1740)**
**ISSUE STATISTICS**

<b>Offer Size:</b>	HK\$125m – HK\$185m
<b>Placement Tranche:</b>	250m
<b>Price:</b>	HK\$0.50 – HK\$0.74
<b>Board lot:</b>	5,000
<b>Entry fee:</b>	HK\$3,737.29
<b>Historical PE</b>	6.86x – 10.16x
<b>Net tangible asset per share:</b>	HK\$0.49 – HK\$0.53
<b>Market Cap (post-IPO):</b>	HK\$500m – HK\$740m
<b>Open:</b>	30 Dec 2019
<b>Close:</b>	12.00 noon on 8 Jan 2020
<b>Trading:</b>	16 Jan 2020
<b>Sponsor:</b>	Zhongtai International Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	99,266	-2.7%
2018	154,085	55.2%
Profit for the year/period		
2017	6,691	-79.6%
2018	64,483	863.7%

**BACKGROUND**

- Their Group was established in 2013 and is principally engaged in the business of (i)licensing of broadcasting rights of TV series; (ii) investment in TV series as non-executive producer; and (iii) acting as distribution agent of TV series.
- Their customers include TV stations (including their operating entities), companies which are engaged in the business of distribution of TV series, executive producers and copyright owners of the TV series. Since their incorporation and as at the Latest Practicable Date, they had produced and licensed more than 15 TV series covering a wide spectrum of genres.
- Their TV series are broadcast on well-known TV stations such as CCTV, Tianjin Radio & Television Station (天津廣播電視台), Shandong Radio and Television (山東廣播電視台) and Anhui Broadcasting Corporation (安徽廣播電視台) and online video platforms such as iqiyi.com (愛奇藝), v.qq.com (騰訊視頻), fun.tv (風行網) and pptv.com (PP視頻).
- Their business of licensing of broadcasting rights of TV series involves the licensing of broadcasting rights of TV series produced by them as executive producer or TV series that they have purchased the copyrights (or broadcasting rights).
- They produce TV series either solely by themselves or jointly with an investor under a co-investment arrangement.
- Their Group purchases copyrights (or broadcasting rights) associated with the TV series from copyright owners of the TV series and in turn license the broadcasting rights to their customers.
- They reach a co-investment arrangement with the executive producer of the TV series through which they act as non-executive producer and minority investor of the TV series.
- They act as distribution agent for copyright owners of TV series who approach them from time to time given their well established relationship with their customers and their reputation in the industry.

**BUSINESS STRATEGIES**

- Continue to strengthen and expand their business of licensing of broadcasting rights of TV series.
- Expanding their business by developing business relationship with the online video platforms.
- Further expand their in-house team and capacity to cope with future business opportunities.

#### COMPETITIVE STRENGTHS

- Well established track record of successful TV series with experienced and professional management team.
- Well-developed and diversified network of customers.
- Established and stable relationships with a variety of reliable suppliers.
- Well-positioned to combine and leverage on operations of their different business segments.

#### KEY RISKS

- They have to keep up with the preferences and expectations of their customers and produce high-quality TV series, or they may lose support from their customers which could materially and adversely affect their business and financial condition.
- They have limited experience in co-operating with online video platforms and they may not be able to successfully implement their strategy of developing business relationship with them.
- They recorded negative cash flows from their operating activities for each of the three years ended 31 December 2018 and are subject to liquidity risk arising from cash flow mismatch and long cash conversion cycle.
- Revisions made to the estimation of the total revenue to be generated from their TV series may result in understatement or overstatement of their cost of sales and adversely affect their financial results in relevant financial year/period(s).
- They are subject to credit risk in collecting trade receivables from their customers.
- Their business, financial condition and results of operations are heavily dependent on the market recognition of their reputation.
- They depend on the continuing efforts of their executive Directors and senior management members and their ability to recruit and retain competent and dedicated personnel.

#### DIVIDEND POLICY

- No fixed dividend policy.

#### USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be applied for production of the following TV series.	100	86.9%
Will be applied for purchasing of copyrights (or broadcasting rights) associated with the TV series.	15.1	13.1%
<b>Total:</b>	<b>115.1</b>	<b>100.0%</b>

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