China Bright Culture Group
煜盛文化集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1859)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the first half of 2020 amounted to approximately RMB319.4 million, representing an increase of 227.6% from approximately RMB97.5 million for the first half of 2019.

The profit for the period of the Group for the first half of 2020 amounted to approximately RMB50.2 million, representing an increase of 154.9% from approximately RMB19.7 million for the first half of 2019.

Total assets of the Group as at June 30, 2020 amounted to approximately RMB1,711.2 million, representing an increase of 81.8% from approximately RMB941.3 million as at December 31, 2019.

Net assets of the Group as at June 30, 2020 amounted to approximately RMB1,396.3 million, representing an increase of 144.0% from approximately RMB572.3 million as at December 31, 2019.

Earnings per share of the Group for the first half of 2020 amounted to approximately RMB0.03, representing an increase of 50.0% from approximately RMB0.02 for the first half of 2019.

In this announcement, "**we**", "**us**" and "**our**" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Director(s)**") of China Bright Culture Group (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the six months ended June 30, 2020 (the "**Reporting Period**") together with the comparative figures for the six months ended June 30, 2019.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

Consolidated statement of profit or loss for the six months ended June 30, 2020 — unaudited

(Expressed in Renminbi ("RMB"))

		Six months ended June 30,	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	3	**319,375**	97,491
Cost of sales		**(159,149)**	(51,062)
Gross profit		**160,226**	46,429
Other net income		**1,294**	60
Selling and marketing expenses		**(6,927)**	(4,148)
General and administrative expenses		**(15,815)**	(10,757)
Impairment losses on trade and other receivables		**(61,649)**	(2,890)
Profit from operations		**77,129**	28,694
Net finance expenses	4(a)	**(7,585)**	(3,591)
Fair value changes on investments measured at fair value through profit or loss		**2,011**	—
Profit before taxation	4	**71,555**	25,103
Income tax	5	**(21,307)**	(5,389)
Profit for the period		**50,248**	19,714
Attributable to:			
Equity shareholders of the Company		**50,248**	19,714
Non-controlling interests		**—**	—
Profit for the period		**50,248**	19,714
Earnings per share	6		
Basic and diluted (RMB)		**0.03**	0.02

Consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2020 — unaudited

(Expressed in RMB)

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**50,248**	19,714
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the Group	**7,866**	—
Other comprehensive income for the period	**7,866**	—
Total comprehensive income for the period	**58,114**	19,714
Attributable to:		
Equity shareholders of the Company	**58,114**	19,714
Non-controlling interests	**—**	—
Total comprehensive income for the period	**58,114**	19,714

Consolidated statement of financial position at June 30, 2020 — unaudited

(Expressed in RMB)

	Note	**At June 30, 2020** *RMB'000*	At December 31, 2019 *RMB'000*
Non-current assets			
Property, plant and equipment	7(b)	**1,183**	1,427
Right-of-use assets	7(a)	**16,179**	16,928
Deferred tax assets		**23,830**	8,512
		41,192	26,867
Current assets			
Short-term investment		**535,098**	—
Program copyrights	8	**341,090**	356,103
Trade receivables	9	**659,475**	491,254
Prepayments and other receivables		**96,537**	23,257
Restricted bank deposit		**35,978**	34,881
Cash and cash equivalents	10	**1,791**	8,982
		1,669,969	914,477
Current liabilities			
Bank loans and other borrowings		**101,000**	111,000
Contract liabilities		**9,170**	16,506
Trade payables	11	**30,099**	33,724
Accruals and other payables		**79,691**	144,914
Lease liabilities		**2,902**	4,392
Current taxation		**78,756**	46,108
		301,618	356,644
Net current assets		**1,368,351**	557,833
Total assets less current liabilities		**1,409,543**	584,700

Consolidated statement of financial position at June 30, 2020 — unaudited (continued)

(Expressed in RMB)

	At June 30, 2020 *RMB'000*	At December 31, 2019 *RMB'000*
Non-current liabilities		
Lease liabilities	**13,239**	12,416
NET ASSETS	**1,396,304**	572,284
Equity		
Share capital	**73**	45
Reserves	**1,396,231**	572,239
Equity attributable to the equity shareholders of the Company	**1,396,304**	572,284
TOTAL EQUITY	**1,396,304**	572,284

Condensed consolidated cash flow statement for the six months ended June 30, 2020 — unaudited

(Expressed in RMB)

	Note	Six months ended June 30, 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Net cash used in operations		**(168,191)**	(110,625)
Income taxes paid		**(3,977)**	(397)
Net cash used in operating activities		**(172,168)**	(111,022)
Cash flows from investing activities			
Interest received		**121**	16
Proceeds from sale of subsidiaries		**700**	—
Payments for the purchase of property, plant and equipment		**(223)**	(793)
Purchases of short-term investment		**(533,086)**	—
Net cash used in investing activities		**(532,488)**	(777)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares relating to the initial public offering, net of issuance		**768,083**	—
Capital injection from owners of companies comprising the Group		**—**	16,500
Proceeds from interest-bearing borrowings		**44,677**	45,000
Borrowings from a related party		**6,000**	28,800
Increase of restricted bank deposit		**(1,097)**	—
Repayment of interest-bearing borrowings		**(112,857)**	(30,000)
Borrowing costs paid		**(8,751)**	(2,270)
Interest element of lease rentals paid		**(409)**	(383)
Capital element of lease rentals paid		**(2,362)**	(1,913)
Repayment to a related party		**—**	(7,500)
Net cash generated from financing activities		**693,284**	48,234
Net decrease in cash and cash equivalents		**(11,372)**	(63,565)
Cash and cash equivalents at the beginning of the period		**8,982**	64,368
Effect of exchange rate fluctuations on cash held		**4,181**	—
Cash and cash equivalents at the end of the period	10	**1,791**	803

Notes to the unaudited interim financial report

(Expressed in RMB unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on August 28, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are video content operation.

The amount of each significant category of revenue is as follows:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Content related program		
— Media platforms	**227,752**	92,303
— Corporate sponsors	**91,623**	5,188
	319,375	97,491

During the period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective periods are set out below:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Customer A	**185,383**	*
Customer B	**41,929**	90,252

* Transactions with this customer did not exceed 10% of the Group's revenue or did not have any transactions in the respective periods.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Point in time	**97,400**	90,252
Over time	**221,975**	7,239
	319,375	97,491

(b) Segment reporting

The Group has one reportable segment. The Group's revenue is substantially generated from operation of program copyright in the PRC. The Group's operating assets and non-current assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

4 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) Net finance expenses

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Interest income on bank deposits	**(121)**	(16)
Interest expense	**7,069**	3,224
Interest on lease liabilities	**409**	383
Net foreign exchange loss	**228**	—
Net finance expenses	**7,585**	3,591

(b) Other items

The following expenses are included in cost of sales, selling and marketing expenses, general and administration expenses and research and development expenses.

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Cost of program copyrights	**159,149**	51,062
Short-term leases	**137**	163
Depreciation and amortisation		
— Property, plant and equipment	**466**	375
— Right-of-use assets	**2,443**	2,213

5 Income tax in the consolidated statements of profit or loss

(a) Income tax in the consolidated statements of profit or loss represents:

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
Current tax-PRC		
Enterprise Income Tax		
Provision for the period	**36,625**	7,491
Deferred tax expense		
Origination and reversal of temporary differences	**(15,318)**	(2,102)
	21,307	5,389

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong for the six months ended June 30, 2020 and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate is 16.5%.

In accordance with the Enterprise Income Tax Law ("**Income Tax Law**") of the PRC, enterprise income tax rate for the Group's PRC subsidiaries is 25%, except for certain subsidiaries of the Group which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended June 30, 2020.

According to the relevant PRC income tax law, the Company's subsidiary, Yili Zhongsheng Quanxing Media Co., Ltd. ("**Yili Zhongsheng**") (伊犁中盛全興影視傳媒有限公司) *, which was incorporated in Horgos, is exempted from income taxes from 2016 to 2020.

According to the relevant PRC income tax law, the Company's subsidiary, Yueying Xingyao information technology (Tianjin) Co., Ltd. ("**Yueying Xingyao**") (月影星耀信息技術(天津)有限公司)*, was certified as a small and micro enterprise, and is entitled to reduce taxable income by half and enjoys a preferential PRC Corporate Income Tax rate of 20% for the six months ended June 30, 2020.

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

6 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB50,248,000 (six months ended June 30, 2019: RMB19,714,000) and the weighted average of 1,441,758,000 ordinary shares (2019: 1,061,651,000 shares in issue upon the completion of the Pre-IPO reorganisation were deemed to have been issued since January 1, 2019 and adjusted for the effect of capitalisation issue in 2019) in issue during the interim period.

There were no dilutive potential ordinary shares in existence for the six months ended June 30, 2020.

7 Property, plant and equipment

(a) Right-of-use assets

During the six months ended June 30, 2020, the Group entered into a number of lease agreements for use of certain buildings for its office and business operation, and therefore recognised the additions to right-of-use assets of RMB7,518,000.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2020, the Group acquired items of office and electronic equipment and others with a cost of RMB223,000 (six months ended June 30, 2019: RMB874,000). No items of plant and machinery was disposed of during the six months ended June 30, 2020 and June 30, 2019.

8 Program copyrights

(a) Program copyrights in the consolidated statement of financial position comprise:

	At June 30, 2020 *RMB'000*	At December 31, 2019 *RMB'000*
Programs under production	**341,090**	341,591
Completed programs	**—**	14,512
	341,090	356,103

(b) Movements of program copyrights are as follows:

	2020	2019
	RMB'000	*RMB'000*
At January 1,	**356,103**	64,390
Additions	**144,136**	500,098
Recognised as cost of sales	**(159,149)**	(208,385)
At June 30,/December 31,	**341,090**	356,103

Note: No impairment was charged during the six months ended June 30, 2020

9 Trade receivables

	At June 30, 2020	At December 31, 2019
	RMB'000	*RMB'000*
Amounts due from third parties	**756,426**	526,556
Less: loss allowance	**(96,951)**	(35,302)
	659,475	491,254

Ageing analysis

As at the end of the reporting period, the ageing analysis of trade receivables, based on the transaction date and net of loss allowance, is as follows:

	At June 30, 2020	At December 31, 2019
	RMB'000	*RMB'000*
Within 1 month	**228,307**	134,458
1 month to 3 months	**17,418**	80,806
3 months to 6 months	**58,372**	124,132
6 months to 1 year	**243,376**	81,652
1 to 2 years	**87,735**	70,206
2 to 3 years	**24,267**	—
	659,475	491,254

The credit terms agreed with customers are normally 30–360 days from the date of billing. No interests are charged on trade receivables.

10 Cash and cash equivalents

	At June 30, 2020 *RMB'000*	At December 31, 2019 *RMB'000*
Cash on hand	**17**	17
Deposits with banks	**37,752**	43,846
	37,769	43,863
Less: restricted bank deposit	**(35,978)**	(34,881)
Cash and cash equivalents	**1,791**	8,982

The bank deposit restricted for use as at June 30, 2020 was deposit paid to secure the bank loan borrowed by Beijing Sino-Prosperity Culture Group Co., Ltd. ("**Zhongguang Yusheng**").

11 Trade payables

	At June 30, 2020 *RMB'000*	At December 31, 2019 *RMB'000*
Amounts due to third parties	**30,099**	33,724

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At June 30, 2020 *RMB'000*	At December 31, 2019 *RMB'000*
Within 1 year	**29,584**	33,188
1 to 2 years	**515**	536
	30,099	33,724

All of the trade payables are expected to be settled within one year or are repayable on demand.

12 Dividends

During the six months ended June 30, 2020, no dividends were declared to the shareholders of the Company.

13 Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has put in place various contingency measures. These contingency measures include but not limited to reassessing changes (if any) to the customers' preferences on the types of programs to be broadcasted, assessing the readiness of the production units and revisiting the progress of programs, increasing monitoring of the business environment of the Group's customers, and improving the Group's cash position by expediting debtor settlements and negotiating with suppliers on payment extensions.

As far as the Group's businesses are concerned, the COVID-19 did not result in a material negative impact on the Group's businesses and program pipelines due to the Company's business nature and the demands from the audience and media platforms. The directors of the Company will continue to pay close attention to the development of the COVID-19 epidemic situation, assess and take proactive actions to mitigate its impacts on the operating results and financial position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue primarily consists of revenue related to the content it developed, marketed, produced and distributed, including revenue from media platforms and revenue from its corporate sponsors. The total revenue of the Group increased by 227.6% from RMB97.5 million for the first half of 2019 to RMB319.4 million for the first half of 2020. The following table sets forth the breakdown of revenue by source for the periods indicated:

	For the six months ended June 30,			
	2019		**2020**	
	Amount	Percentage	**Amount**	**Percentage**
	(RMB in thousands, except for percentages)			
	(unaudited)		**(unaudited)**	
Content-related				
Media platforms	92,303	94.7%	**227,752**	**71.3%**
Corporate sponsors	5,188	5.3%	**91,623**	**28.7%**
Total	97,491	100%	**319,375**	**100%**

The Group's content-related revenue from media platforms increased by 146.7% from RMB92.3 million in the first half of 2019 to RMB227.8 million in the first half of 2020. The increase is primarily due to the increase in the number of programs we produced and delivered and revenue growth from sales of broadcasting rights.

The Group's content-related revenue from corporate sponsors increased by 1,666.1% from RMB5.2 million in the first half of 2019 to RMB91.6 million in the first half of 2020, primarily due to the increase in the number of our programs released and revenue growth from advertising services.

Cost of Sales

The Group's cost of sales primarily includes the cost of sales related to the content it developed, marketed, produced and distributed. The following table sets forth the cost of sales for the periods indicated:

	For the six months ended June 30,			
	2019		**2020**	
	Amount	Percentage	**Amount**	**Percentage**
	(RMB in thousands, except for percentages)			
	(unaudited)		**(unaudited)**	
Content-related	51,062	100.0%	**159,149**	**100.0%**

The Group's cost of sales increased by 211.7% from RMB51.1 million in the first half of 2019 to RMB159.1 million in the first half of 2020, primarily due to the increase in the number of programs we completed the production and delivered.

Gross Profit and Gross Profit Margin

The Group's gross profit for the first half of 2020 was RMB160.2 million, representing an increase of 245.1% from RMB46.4 million in the first half of 2019. The gross profit margin for the first half of 2020 was 50.2% as compared to 47.6% for the first half of 2019.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (1) staff costs of our content development, production and sales and marketing employees; (2) marketing and promotion expenses for our programs; and (3) selling and marketing related traveling and transportation expenses. The Group's selling and marketing expenses increased by 67.0% from RMB4.1 million in the first half of 2019 to RMB6.9 million in the first half of 2020, primarily due to the increase in the number of programs.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of (1) staff costs for the Group's administrative staff; (2) depreciation and amortization; (3) rent, office, transportation and travel expenses; and (4) professional services fee for legal and accounting services. The Group's general and administrative expenses increased by 47.0% from RMB10.8 million in the first half of 2019 to RMB15.8 million in the first half of 2020, primarily due to the increase in professional services fee for the corresponding legal and accounting services upon the Group's listing.

Net Finance Expenses

The Group's net finance expenses represent (1) interest income on bank deposits; (2) interest expenses on bank loans and other borrowings, loans from third parties and amounts due to Mr. LIU Mu ("**Mr. Liu**"), one of the executive Directors; (3) interest on lease liabilities; and (4) net foreign exchange loss from the depreciation of certain U.S. dollar bank deposits due to U.S. dollar to Renminbi exchange rate fluctuations. The Group's net finance expenses increased by 111.2% from RMB3.6 million in the first half of 2019 to RMB7.6 million in the first half of 2020, primarily due to the increase in interest expenses on bank loans and other borrowings.

Profit Before Taxation

As a result of the foregoing, the Group's profit before taxation for the first half of 2020 increased by 185.0%, from approximately RMB25.1 million in the first half of 2019 to RMB71.6 million in the first half of 2020.

Income Tax

The Group's income tax expense increased by 295.4% from RMB5.4 million for the first half of 2019 to RMB21.3 million for the first half of 2020, primarily due to the growth of profit before taxation and the increase of effective tax rate. Other than Yili Zhongsheng Quanxing Media Co., Ltd.* (伊犁中盛全興影視傳媒有限公司) and Yueying Xingyao Information Technology (Tianjin) Co., Ltd.* (月影星耀信息技術(天津)有限公司), our operating entities in the People's Republic of China (the "**PRC**") are subject to standard enterprise income tax ("**EIT**") rate of 25% under the EIT law. The Group's effective tax rate was 29.8% for the first half of 2020 as compared to 21.5% for the first half of 2019.

Profit for the Period

For the foregoing reasons, the Group's profit for the first half of 2020 increased by 154.9%, from RMB19.7 million in the first half of 2019 to RMB50.2 million in the first half of 2020.

FINANCIAL POSITION

Program Copyrights

The Group's program copyrights consist of (1) programs under production and (2) programs that have completed production. The following table sets forth the breakdown of program copyrights as of the dates indicated:

	As at December 31, 2019		**As at June 30, 2020**	
	Amount (audited)	Percentage	**Amount (unaudited)**	**Percentage**
	(RMB in thousands, except for percentages)			
Programs under production	341,591	95.9%	**341,090**	**100.0%**
Completed programs	14,512	4.1%	**—**	**0.0%**
Total	356,103	100%	**341,090**	**100%**

The Group's program copyrights decreased by 4.2% from RMB356.1 million as of December 31, 2019 to RMB341.1 million as of June 30, 2020, primarily due to the temporary decrease in the expenditures of programs under production resulted from the public health emergencies.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from its customers. As of December 31, 2019 and June 30, 2020, the Group's total trade receivable (after deduction of loss allowances) were RMB491.3 million and RMB659.5 million, respectively. The increase of 34.2% was due to the revenue growth as a result of the business expansion of the Group. The loss allowances increased by 174.6% from RMB35.3 million as of December 31, 2019 to RMB97.0 million as of June 30, 2020.

The following table sets forth an ageing analysis of the Group's overall trade receivables, based on the transaction date and net of loss allowances, as of the dates indicated:

	As at December 31, 2019	**As at June 30, 2020**
	(RMB in thousands)	
	(audited)	**(unaudited)**
Within one month	134,458	**228,307**
One to three months	80,806	**17,418**
Three to six months	124,132	**58,372**
Six months to one year	81,652	**243,376**
One to two years	70,206	**87,735**
Two to three years	—	**24,267**
Total	491,254	**659,475**

Trade Payables

The Group's trade payables primarily relate to payments due to third party suppliers for services such as choreography, video, lighting and sound. Its trade payables decreased by 10.7%, from RMB33.7 million as of December 31, 2019 to RMB30.1 million as of June 30, 2020, primarily due to the decrease of program production fees payable to suppliers.

Liquidity and Capital Structure

The Group's cash and cash equivalents was RMB9.0 million as at December 31, 2019 compared to RMB1.8 million as at June 30, 2020. We also hold short-term wealth management products amounted to RMB535.1 million, primarily denominated in US dollars. We adopt conservative treasury policies in cash and financial management to achieve better risk control and reduce the cost of funds. Working capital (calculated by current assets less current liabilities) and the total equity of the Group amounted to RMB557.8 million and RMB572.3 million, respectively, as at December 31, 2019, as compared to RMB1,368.4 million and RMB1,396.3 million, respectively, as at June 30, 2020.

The Group continued to maintain a sound financial position. Total assets increased from RMB941.3 million as at December 31, 2019 to RMB1,711.2 million as at June 30, 2020, and total liabilities decreased from RMB369.1 million as at December 31, 2019 to RMB314.9 million as at June 30, 2020. The debt asset ratio decreased from 39.2% as at December 31, 2019 to 18.4% as at June 30, 2020. As of the same dates, the Group's bank loans and other borrowings payable within one year was RMB111.0 million and RMB101.0 million, respectively. The fixed interest rates of the Group's bank loans and other borrowings for the six months end June 30, 2020 ranged from 4.05% to 6.50%, while the relevant fixed interest rates for the year of 2019 ranged from 5.23% to 6.50%. The Directors are of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

The following table sets forth the information from the Group's consolidated statement of cash flows for the periods indicated:

	For the six months ended June 30,	
	2019	**2020**
	(RMB in thousands)	
	(unaudited)	**(unaudited)**
Net cash used in operating activities	(111,022)	**(172,168)**
Net cash used in investing activities	(777)	**(532,488)**
Net cash generated from financing activities	48,234	**693,284**
Net decrease in cash and cash equivalents	(63,565)	**(11,372)**

Net Cash Used in Operating Activities

In the first half of 2020, the net cash used in operating activities was RMB172.2 million, primarily due to the increase in program production spending.

Net Cash Used in Investing Activities

In the first half of 2020, the net cash used in investing activities was RMB532.5 million, primarily due to the purchase of wealth management products with temporarily idle funding.

Net Cash Generated from Financing Activities

In the first half of 2020, the net cash generated from financing activities was RMB693.3 million, primarily due to the increase in the Group's IPO financing.

Net Current Assets

As of June 30, 2020, the net current assets of the Group was RMB1,368.4 million, as compared to RMB557.8 million as of December 31, 2019.

Gearing Ratio

As of June 30, 2020, the Group's gearing ratio (calculated by dividing bank loans and other borrowings by total equity as of the end of each period) was approximately 7.2%, as compared to 19.4% as of December 31, 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2020, save as disclosed in the Group's prospectus dated February 28, 2020 (the "**Prospectus**") and this announcement, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business areas and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's capital expenditures in the first half of 2020 primarily relate to improvements to leased properties and purchase of electronic equipment and other office equipment. In the first half of 2020, the Group incurred RMB0.2 million in relations to capital expenditures as compared to RMB0.9 million in the first half of 2019.

As of June 30, 2020, there were no significant capital commitments outstanding against the Group.

CONTINGENT LIABILITIES

The Group had no contingent liability as of June 30, 2020.

CHARGES ON GROUP ASSETS

Save for restricted bank deposit of RMB36.0 million, as of June 30, 2020, the Group did not have any other charges over its assets.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk primarily through deposits with banks which give rises to cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily U.S. dollars. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period but will closely monitor the exposure and take measures when necessary to make sure the foreign exchange risks are manageable.

CREDIT RISK

The Group's credit risk is primarily attributable to trade receivables and influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. Therefore, significant concentration of credit risk primarily arises when it has significant exposure to individual customers. As of December 31, 2019 and June 30, 2020, 82.3% and 84.6% of the total trade receivables was due from our five largest customers, respectively. These customers were mainly TV networks and advertising agent companies with diversified end-customers.

LIQUIDITY RISK

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and funding for the short and medium term.

OUTLOOK AND PLANS

The Group has been keeping close tabs on the impact of the outbreak of novel strain of coronavirus COVID-19 (the "**Outbreak**"). As of the date of this announcement, the Outbreak did not result in a material negative impact on the Group's business and program pipelines due to the Company's business nature and the demands from the audience and media platforms. During the Reporting Period and as of the date of this announcement, "The Shining Girl" was released in January 2020, the broadcasting of "The Taste of Time" was completed in January 2020, "Our Bands" was released in March 2020, Season 8 of "Hello! Interviewer" was released in June 2020, the production of "Mind the Gap" was completed in January 2020 with its editing work being finished remotely, and the filming of "Campus Brotherhood Story" (formerly known as "Beijing Drifters' Love Story 2") was completed in July 2020. In the second half of 2020, the Company will continue to promote the production of variety programs and TV drama series as planned. At the same time, we will also continue to expand into new areas and diversify the Company's business and product lines.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 13, 2020 (the "**Listing Date**"). The Company received net proceeds (after deduction of underwriting commission and related costs and expenses) from its global offering (the "**Global Offering**") of approximately HK$829.9 million. During the period from the Listing Date to June 30, 2020 (the "**Relevant Period**"), the net proceeds from the Global Offering were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, with the balance amounted to approximately RMB533.1 million. The balance of fund will continue to be utilized according to the manner as disclosed in the Prospectus. In the second half of 2020, the Company will use the proceeds raised from the Global Offering in accordance with its development strategies, market conditions and intended use of such proceeds. Details are set out in the following table:

	Net amount available as at the Listing Date *(RMB'000)*	**Actual amount utilized during the Relevant Period** *(RMB'000)*	**Unutilized amount as at June 30, 2020** *(RMB'000)*
Funding the development of our pipeline programs	636,799	184,135	452,664
Of which: Funding the programs expected to be released in 2020	524,423	122,773	401,650
Of which: TV variety programs in the food, work/career, youth and police/crime genres	217,260	78,235	139,025
TV drama series in the urban and police/crime genres	202,278	44,254	158,024
made-for-internet drama series in the urban, youth and police/crime genres	104,885	284	104,601
Funding the programs expected to be released in 2021	112,376	61,362	51,014
Expanding the working team	37,459	640	36,819
For working capital and general corporate purposes	74,918	31,315	43,603
Total	749,176	216,090	533,086

As of the date of this announcement, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 7 to the unaudited interim condensed consolidated financial statements.

HUMAN RESOURCES

As at June 30, 2020, the Group had 88 full-time employees (as compared to 84 as at December 31, 2019), all of whom were based in China. The following table sets forth the number of our employees by function:

	Number of employees	% of total
Content development	46	52.3%
Marketing	26	29.5%
Administrative and human resources	5	5.7%
Finance and capital raising	5	5.7%
Management and support	6	6.8%
Total	88	100.0

The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or any of their respective connected persons.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, none of the Company nor any of its subsidiaries or any of its consolidated affiliated entities has purchased, sold or redeemed any of the Company's securities.

LEGAL PROCEEDINGS AND COMPLIANCE

For the six months ended June 30, 2020, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

The Outbreak has disrupted the Group's business and may adversely affect its operations and financial position. The Group has been closely monitoring the development of the Outbreak and reviewing its impact on the Group's business.

REVIEW OF FINANCIAL STATEMENT

The audit committee of the Company, comprising Mr. HUANG Victor, Ms. RAN Hua and Mr. YANG Chengjia, has discussed with the management and reviewed the unaudited interim consolidated financial statements of the Group for the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all of shareholders of the Company (the "**Shareholders**"). The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance.

During the Relevant Period, the Company has complied with all applicable code provisions set out in the CG Code, except for the following deviations from code provisions A.2.1 and A.5.5 (2) of the CG Code.

In accordance with paragraph A.2.1 of the CG Code, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Liu is the chairman and chief executive officer of the Company. Mr. Liu is responsible for overseeing overall operation and management, strategic planning and major decision-making of the Group, and he has considerable experience in strategic planning and has been assuming day-to-day responsibilities in operating and managing the Group since August 2015. The Board considers that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication with the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. As of the date of this announcement, the Board comprised of three executive Directors (including Mr. Liu) and four independent non-executive Directors and therefore has a strong independence element in its composition.

Mr. HUANG Victor ("**Mr. Huang**") was re-elected as an independent non-executive Director at the annual general meeting of the Company held on June 28, 2020 (the "**AGM**"). The Board reviewed the track record of Mr. Huang in attending the Company's meetings since his appointment, showing that Mr. Huang had a high level of participation at board meetings and committee meetings. The Board believes that Mr. Huang will still be able to devote sufficient time to the Board in the future notwithstanding that he has been holding the directorship of seven or more listed companies since June 2020. Such assessment of the Board was not disclosed in the circular or the notice of the AGM as required under paragraph A.5.5 (2) of the CG Code. The Company commits to comply with such code provision for future election of independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Relevant Period.

The Group's employees, who are likely to be in possession of inside information of the Group, are also subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company.

INTERIM DIVIDENDS

The Board has resolved not to recommend the payment of an interim dividend for the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.sinozswh.com. The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our staff and the management team for their unremitting efforts, strong teamwork and valuable contributions over the past half year. I would also like to extend the Board's sincere gratitude to all of our shareholders, partners and stakeholders for their continued support.

By Order of the Board
China Bright Culture Group
LIU Mu
Chairman

Beijing, PRC, August 28, 2020

As at the date of this announcement, the Board comprises Mr. LIU Mu, Ms. CHEN Jia and Mr. XIA Rui as executive Directors; and Ms. RAN Hua, Mr. HUANG Victor, Mr. ZHANG Yiwu and Mr. YANG Chengjia as independent non-executive Directors.