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, 2021

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the first half of 2021 amounted to approximately RMB310.2 million, representing a decrease of 2.9% from approximately RMB319.4 million for the first half of 2020.

The profit for the period of the Group for the first half of 2021 amounted to approximately RMB57.8 million, representing an increase of 15.1% from approximately RMB50.2 million for the first half of 2020.

Total assets of the Group as at June 30, 2021 amounted to approximately RMB1,477.5 million, representing an increase of 2.1% from the total assets of approximately RMB1,446.5 million as at December 31, 2020.

Net assets of the Group as at June 30, 2021 amounted to approximately RMB1,159.1 million, representing an increase of 4.9% from the net assets of approximately RMB1,104.5 million as at December 31, 2020.

Earnings per share of the Group for the first half of 2021 amounted to approximately RMB0.04, representing an increase of 33.3% from approximately RMB0.03 for the first half of 2020.

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 "**Directors**" and each a "**Director**") 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, 2021 (the "**Reporting Period**") together with the comparative figures for the six months ended June 30, 2020.

* *For identification purposes only*

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

	Notes	Six months ended June 30, 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	**310,190**	319,375
Cost of sales		**(130,062)**	(159,149)
Gross profit		**180,128**	160,226
Other net income		**937**	1,294
Selling and marketing expenses		**(2,057)**	(6,927)
General and administrative expenses		**(26,169)**	(15,815)
Impairment losses on trade and other receivables, net		**(82,800)**	(61,649)
Profit from operation		**70,039**	77,129
Net finance expenses	4(a)	**(1,128)**	(7,585)
Fair value changes on investments measured at fair value through profit or loss		**(596)**	2,011
Profit before taxation	4	**68,315**	71,555
Income tax	5	**(10,503)**	(21,307)
Profit attributable to equity shareholders of the Company for the period		**57,812**	50,248
Earnings per share			
Basic and diluted (RMB)	6	**0.04**	0.03

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**57,812**	50,248
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the Group	**3,259**	7,866
Other comprehensive income for the period	**3,259**	7,866
Total comprehensive income attributable to equity shareholders of the Company for the period	**61,071**	58,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	7(b)	**653**	796
Right-of-use assets	7(a)	**5,858**	7,118
		6,511	7,914
Current assets			
Short-term investment		**–**	20,066
Program copyrights	8	**517,892**	346,573
Trade receivables	9	**605,225**	593,795
Prepayments and other receivables	10	**345,650**	475,653
Restricted bank deposit		**–**	1,220
Cash and cash equivalents		**2,259**	1,292
		1,471,026	1,438,599
Current liabilities			
Bank loans		**25,000**	36,000
Contract liabilities		**30,209**	22,745
Trade payables	11	**65,955**	65,319
Accruals and other payables		**86,521**	115,672
Lease liabilities		**1,372**	1,903
Current taxation		**104,774**	95,020
		313,831	336,659
Net current assets		**1,157,195**	1,101,940
Total assets less current liabilities		**1,163,706**	1,109,854

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at June 30, 2021

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	**4,610**	5,312
NET ASSETS	**1,159,096**	1,104,542
Equity		
Share Capital	**73**	73
Reserves	**1,159,023**	1,104,469
Equity attributable to the equity shareholders of the Company	**1,159,096**	1,104,542
TOTAL EQUITY	**1,159,096**	1,104,542

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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, and is compliance with the requirements of International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). This interim financial report was authorised for issue on August 31, 2021.

Except for the changes in accounting policies which are expected to be reflected in the annual financial statements for the year of 2021, the interim financial report has adopted the same accounting policies as those adopted in the financial statements for the year of 2020. Details of the changes in accounting policies are set out in note 2.

The management has made judgements, estimates and assumptions that affect the application of policies and the amounts of assets, liabilities, income and expenses presented on a year to date basis when preparing the interim financial report in conformity with the requirements of the International Accounting Standard 34. Actual results may differ from these estimated amounts.

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 publication of the annual financial statements for the year of 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for 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:

- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark (IBOR) Reform – Phase 2*

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:

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Content related program		
– Media platforms	**116,772**	227,752
– Corporate sponsors	**193,418**	91,623
	310,190	319,375

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:

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**131,288**	*
Customer B	**86,331**	185,383
Customer C	*	41,929

* 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:

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Point in time	**182,071**	97,400
Over time	**128,119**	221,975
	310,190	319,375

(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

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**(7)**	(121)
Interest expense	**942**	7,069
Interest on lease liabilities	**168**	409
Net foreign exchange loss	**25**	228
Net finance expenses	**1,128**	7,585

(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.

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of program copyrights	**37,738**	159,149
Short-term leases	**75**	137
Depreciation and amortisation		
– Property, plant and equipment	**143**	466
– Right-of-use assets	**889**	2,443

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	For the six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC		
Enterprise Income Tax		
Provision for the period	**10,503**	36,625
Deferred tax expense		
Origination and reversal of temporary differences	**–**	(15,318)
	10,503	21,307

The Group has no assessable profit in Hong Kong for the six months ended June 30, 2021 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% for the six months ended June 30, 2021.

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.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB57,812,000 (six months ended June 30, 2020: RMB50,248,000) and the weighted average number of ordinary shares of 1,600,000,000 shares (six months ended June 30, 2020: 1,441,758,000 ordinary shares in issue) in issue during the interim period.

There were no dilutive potential ordinary shares in existence for the six months ended June 30, 2021 and June 30, 2020.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended June 30, 2021, the Group did not enter into additional lease agreements for use of certain buildings for its office and business operation (for the six months ended June 30, 2020: RMB7,518,000).

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2021, the Group did not acquire items of office and electronic equipment and others (six months ended June 30, 2020: RMB223,000). No items of plant and machinery was disposed of during the six months ended June 30, 2021 and June 30, 2020.

8 PROGRAM COPYRIGHTS

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

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Programs under production	**517,892**	346,573

(b) Movements of program copyrights are as follows:

	2021	2020
	RMB'000	*RMB'000*
At January 1,	**346,573**	356,103
Additions	**209,057**	234,512
Recognised as cost of sales	**(37,738)**	(244,042)
At June 30,/ December 31,	**517,892**	346,573

9 TRADE RECEIVABLES

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amounts due from third parties	**988,769**	894,031
Less: loss allowance	**(383,544)**	(300,236)
	605,225	593,795

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:

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**102,630**	97,481
1 month to 3 months	**15,450**	117,328
3 months to 6 months	**184,824**	20,085
6 months to 1 year	**35,858**	164,733
1 to 2 years	**255,495**	162,853
2 to 3 years	**10,968**	31,315
	605,225	593,795

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

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Prepayments		
Prepayments to third parties (i)	**163,237**	47,587
Other receivables		
Loan to third party (ii)	**179,000**	–
Receivables from disposal of a subsidiary	**–**	548
Promissory note	**–**	417,594
Redemptive investment in transit	**–**	6,523
Others	**16,849**	17,345
	195,849	442,010
Less: loss allowance	**(13,436)**	(13,944)
	182,413	428,066
	345,650	475,653

Notes:

i. Prepayments to third parties represent the prepayments to suppliers and prepayments related to the programs of which production has yet to commence.

ii. On June 16, 2021, the Group's wholly-owned subsidiary, Yueying Xingyao Information Technology (Tianjin) Company Limited ("**Yueying Xingyao**", 月影星耀信息技術(天津)有限公司), entered into a loan agreement with Tianjin Fangzhou Technology Development Company Limited ("**Tianjin Fangzhou**", 天津方舟科技發展有限公司), a limited liability company established in the PRC (the "**Loan Agreement**"). Pursuant to the Loan Agreement, Yueying Xingyao (lender), made available a principal amount of RMB179.0 million to Tianjin Fangzhou (borrower) for a term ending on December 31, 2021 and with an annual interest rate of 10%. Such loan is secured by 35% of the total issued shares of Tianjin Fangzhou owned by its ultimate beneficial owner.

11 TRADE PAYABLES

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Payables to third parties	**65,955**	65,319

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

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Within 1 year	**9,231**	47,924
1 to 2 years	**56,209**	16,880
2 to 3 years	**515**	515
	65,955	65,319

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, 2021, no dividends were declared to the shareholders of the Company (during the six months ended June 30, 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue primarily consists of revenue related to the content that it developed, marketed, produced and distributed, including revenue from media platforms and revenue from corporate sponsors. The total revenue of the Group decreased by 2.9% from RMB319.4 million in the first half of 2020 to RMB310.2 million in the first half of 2021. The following table sets forth the breakdown of revenue by source for the periods indicated:

	For the six months ended June 30,			
	2021		2020	
	Amount *(RMB'000)* (Unaudited)	**Percentage**	Amount *(RMB'000)* (Unaudited)	Percentage
Content-related				
Media platform	**116,772**	**37.6%**	227,752	71.3%
Corporate sponsors	**193,418**	**62.4%**	91,623	28.7%
Total	**310,190**	**100%**	319,375	100%

The Group's content-related revenue from media platforms decreased by 48.7% from RMB227.8 million for the first half of 2020 to RMB116.8 million for the first half of 2021. The decrease was primary due to the decrease in the number of programs we produced and delivered and the decrease in the revenue from sales of broadcasting rights.

The Group's content-related revenue from corporate sponsors increased by 111.1% from RMB91.6 million for the first half of 2020 to RMB193.4 million for the first half of 2021, primarily attributable to the commencement of new content e-commerce business.

Cost of sales

The Group's cost of sales primarily consists of the cost of sales related to the content that 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,			
	2021		2020	
	Amount ***(RMB'000)*** **(Unaudited)**	**Percentage**	Amount *(RMB'000)* (Unaudited)	Percentage
Content-related	**130,062**	**100.0%**	159,149	100.0%

The Group's cost of sales decreased by 18.3% from RMB159.1 million for the first half of 2020 to RMB130.1 million for the first half of 2021, primarily due to the decrease in the number of programs we produced and delivered.

Gross Profit and Gross Profit Margin

The Group recorded the gross profit of RMB180.1 million for the first half of 2021, representing an increase of 12.4% from RMB160.2 million for the first half of 2020. The gross profit margin for the first half of 2021 was 58.1%, compared to 50.2% for the first half of 2020.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (1) staff costs of our employees for content development, production and sales and marketing; (2) marketing and promotional expenses for our programs; and (3) traveling and transportation expenses in relation to selling and marketing activities. The Group's selling and marketing expenses decreased by 70.3% from RMB6.9 million for the first half of 2020 to RMB2.1 million for the first half of 2021, primarily due to the decrease in 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 amortisation; (3) expenses for rent, office, transportation and traveling; and (4) professional service fees for legal and accounting services. The Group's general and administrative expenses increased by 65.5% from RMB15.8 million for the first half of 2020 to RMB26.2 million for the first half of 2021, primarily due to the increase in professional service fees 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 and loans from third parties; (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 decreased by 85.1% from RMB7.6 million for the first half of 2020 to RMB1.1 million for the first half of 2021, primarily due to the decrease 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 2021 decreased by 4.5% from approximately RMB71.6 million for the first half of 2020 to RMB68.3 million for the first half of 2021.

Income Tax

The Group's income tax expense decreased by 50.7% from approximately RMB21.3 million for the first half of 2020 approximately RMB10.5 million for the first half of 2021.

Profit for the Period

For the foregoing reasons, the Group's profit for the period for the first half of 2021 increased by 15.1% from RMB50.2 million for the first half of 2020 to RMB57.8 million for the first half of 2021.

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 at the dates indicated:

	As at June 30, 2021 *RMB'000* (Unaudited)	As at December 31, 2020 *RMB'000* (Audited)
Programs under production	**517,892**	346,573

The Group's program copyrights increased by 49.4% from RMB346.6 million as at December 31, 2020 to RMB517.9 million as at June 30, 2021, primarily due to the new pipeline programs.

Trade Receivables

Our trade receivables represent outstanding amounts due from our customers. As at December 31, 2020 and June 30, 2021, the Group's total trade receivables (net of loss allowance) were RMB593.8 million and RMB605.2 million, respectively. The increase of 1.9% was attributable to the revenue growth brought by the business expansion of the Group.

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

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Within 1 month	**102,630**	97,481
1 month to 3 months	**15,450**	117,328
3 months to 6 months	**184,824**	20,085
6 months to 1 year	**35,858**	164,733
1 year to 2 years	**255,495**	162,853
2 years to 3 years	**10,968**	31,315
	605,225	593,795

Trade Payables

	As at June 30, 2021 *RMB'000* **(Unaudited)**	As at December 31, 2020 *RMB'000* (Audited)
Within 1 year	**9,231**	47,924
1 to 2 years	**56,209**	16,880
2 to 3 years	**515**	515
	65,955	65,319

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 increased by 1.0% from RMB65.3 million as at December 31, 2020 to RMB66.0 million as at June 30, 2021.

Liquidity and Capital Resources

The Group's cash and cash equivalents amounted to RMB1.3 million as at December 31, 2020, compared to RMB2.3 million as at June 30, 2021. Working capital (current assets less current liabilities) and the total equity of the Group amounted to RMB1,101.9 million and RMB1,104.5 million, respectively, as at December 31, 2020, compared to RMB1,157.2 million and RMB1,159.1 million, respectively, as at June 30, 2021.

The Group continued to maintain a strong financial position. Total assets increased from RMB1,446.5 million as at December 31, 2020 to RMB1,477.5 million as at June 30, 2021, whereas the total liabilities decreased from RMB342.0 million as at December 31, 2020 to RMB318.4 million as at June 30, 2021. The debt to asset ratio decreased from 23.6% as at December 31, 2020 to 21.6% as at June 30, 2021. As at the same dates, the Group's bank loans and other borrowings payable within one year amounted to RMB36.0 million and RMB25.0 million, respectively. The fixed annual interest rates of the Group's bank loans and other borrowings for the six months ended June 30, 2021 ranged from 3.9% to 5.0%, while the relevant fixed interest rates for the year of 2020 ranged from 4.1% to 6.5%. The Directors are of the opinion that the Group is in a strong and sound 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,	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(488,140)**	(172,168)
Net cash generated from/(used in) investing activities	**436,846**	(532,488)
Net cash (used in)/generated from financing activities	**(24,232)**	693,284
Net decrease in cash and cash equivalents	**(75,526)**	(11,372)

Net Cash Used in Operating Activities

In the first half of 2021, the net cash used in operating activities was RMB488.1 million, primarily due to the increase in program production expenses.

Net Cash Generated from Investing Activities

In the first half of 2021, the net cash generated from investing activities was RMB436.8 million, primarily due to the redemption of wealth management products.

Net Cash Used in Financing Activities

In the first half of 2021, the net cash used in financing activities was RMB24.2 million, primarily due to the increase in the Group's initial repayment of borrowings.

Net Current Assets

As at June 30, 2021, the net current assets of the Group amounted to RMB1,157.2 million, compared to RMB1,101.9 million as at December 31, 2020.

Gearing Ratio

As at June 30, 2021, the Group's gearing ratio (calculated by dividing bank loans and other borrowings by total equity as at the end of each period) was approximately 2.2%, compared to 3.3% as at December 31, 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2021, 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 sectors 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

In the first half of 2021, the Group did not incur any capital expenditure, compared to RMB0.2 million in the first half of 2020.

As at June 30, 2021, there were no significant capital commitments outstanding against the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at June 30, 2021.

CHARGES ON GROUP ASSETS

As at June 30, 2021, the Group did not have any charges on its assets.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk primarily arisen from the cash balances denominated in foreign currencies generated from bank deposits. The currency giving rise to such risk mainly consists of U.S. dollars. The Group did not hedge against any fluctuation in foreign exchange during the Reporting Period but will closely monitor the exposure and take measures when necessary to ensure that the foreign exchange risk is under control.

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 arises when it has significant exposure to individual customers. As at December 31, 2020 and June 30, 2021, 84.1% and 88.9% of the total trade receivables were 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 capital for the short and medium term.

OUTLOOK AND PLANS

In 2021, the Group has adhered to the development plan of "developing the cultural products and services industry and promoting the prosperous cultural development through industry growth". In addition to its continuous efforts made to expand the principal cultural business, the Group has also continued to firmly implement its business strategies of operating based on geographical locations and content e-commerce business according to its existing plans and successfully achieved certain results. In the second half of the year, the Company will continue to follow its established directions and strive to make achievements in the following aspects:

I. making more efforts to promote originality of vertical content by launching a series of new content products through the combination with prevailing hot events;

II. developing content e-commerce business on an ongoing basis by expanding the e-commerce business leveraging the foundation laid during the first half of the year, while starting to combine the high-quality content produced by the Group to guide consumer behavior, thereby striving to create flagship products in 1 to 2 segments; and

III. commencing the operation of cultural data business to promote the Internet ecological model of data-based content production.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 13, 2020 (the "**Listing Date**"), and the subscription price was HK$2.26 per share. The Company received net proceeds of approximately HK$829.9 million (approximately RMB749.2 million) (after deduction of underwriting commission and related costs and expenses) from the issuance of 400 million shares under the global offering. During the Reporting Period, the amount utilised by the Company for funding the expenditures of the production of its principal projects was approximately RMB298.0 million. The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the Prospectus while the proceeds will be applied based on the actual development of the Group's business and the industry.

Details of the use of proceeds are as follows:

	Amounts unutilised as at January 1, 2021 *(RMB'000)*	Actual amounts utilised during the Reporting Period *(RMB'000)*	**Amounts unutilised as at June 30, 2021** ***(RMB'000)***	Expected time of use
Funding the development of our new pipeline programs	379,688	266,522	**113,166**	June 30, 2022
Of which: Funding the programs that are expected to be released in 2020[2]	353,492	266,522	**86,970**	June 30, 2022
Of which: TV variety programs in the food, work/career, youth and police/crime genres	106,477	86,186	**20,291**	June 30, 2022
TV drama series in the urban and police/crime genres	143,479	114,561	**28,918**	June 30, 2022
Made-for-internet drama series in the urban, youth and police/crime genres	103,536	65,776	**37,760**	June 30, 2022
Funding the programs that are expected to be released in 2021	26,196	–	**26,196**	June 30, 2022
Expanding our team	36,196	23,287	**12,909**	June 30, 2022
For working capital and general corporate purposes	27,073	8,269	**18,804**	June 30, 2022
Total	442,957	298,078[2]	**144,879[1]**	

Notes:

(1) Approximately RMB144.9 million of the net proceeds has been used to fund the secured loan ("**Loan**") provided to Tianjin Fangzhou Technology Development Company Limited* (天津方舟科技發展有限公司) ("**Tianjin Fangzhou**") pursuant to the loan agreement ("**Loan Agreement**") dated June 16, 2021, and the remaining principal amount of the Loan (i.e. RMB34.1million) was funded by its internal resources. For more details, please refer to the announcement of the Company dated August 12, 2021 and the disclosure in this section below.

(2) The use of net proceeds for programs that are expected to be released in 2020 were delayed due to adverse impact of the COVID-19 pandemic and were partially incurred in 2021.

With a view to expand our principal business in order to embrace the aforementioned change and development in industry trend and mitigate the possible impact of slower production of conventional pipeline programs, the Company officially launched its content e-commerce business in second quarter of 2021 with an aim to expand its source of income from our corporate sponsors. Unlike conventional programs, the content e-commerce business includes live broadcast programs or advertisements which usually involve direct sales and marketing channels via online media platforms and real-time interaction between sellers and consumers. The Company expects to strategically and gradually increase its budget in this business line. Further information on the content e-commerce business and the Loan is set out below:

Content e-commerce business

Our content e-commerce business derives from our content-related operations. Under the existing content-related revenue model, a portion of our revenue came from our corporate sponsors for advertising such as product placement advertising and TV commercials. Since second quarter of 2021, in addition to advertising revenue, we have been providing direct sales channel (including product placements and live broadcasts on various media platforms) for products of our corporate sponsors thus generating extra revenue under the existing content-related operations. Suppliers in our content e-commerce business include media platform for live broadcasts, key-opinion leaders (KOLs) or internet influencers and media marketing solution providers with multi-channel network ("**MCN institutions**").

The Loan

Reference is made to the announcement ("**DT Announcement**") of the Company dated August 12, 2020 in relation to the Loan Agreement dated June 16, 2020 entered into between the Yueying Xingyao Information Technology (Tianjin) Company Limited* (月影星耀信息技術(天津)有限公司) ("**Yueying Xingyao**"), a wholly-owned subsidiary of the Company as lender, and Tianjin Fangzhou as borrower, pursuant to which Yueying Xingyao granted the Loan of RMB179.0 million to Tianjin Fangzhou with an interest rate of 10% per annum for a term ending and the maturity date falling on December 31, 2021. The Loan is secured by 35% of the total issued shares of Tianjin Fangzhou owned by its ultimate beneficial owner. As at December 31, 2020, the net asset value of Tianjian Fangzhou was approximately RMB49.8 million.

Tianjin Fangzhou is one of the suppliers in our content e-commerce business. It is a multi-channel network (MCN) institution with integrated digital marketing capabilities. The business relationship between the Borrower and the Group can be traced back to 2020 where a project manager of Tianjin Fangzhou participated in the Group's tendering process for content e-commerce proposal under the program titled "Home Coming from the End of the Yangtze River" 《從長江盡頭回家》. The program was subsequently awarded with the Magnolia Awards for "Best TV Variety Show" at the 27th Shanghai International TV Festival in June 2021. In second quarter of 2021, Tianjin Fangzhou commenced discussion with our Group in relation to our official launch of content e-commerce business. On 16 June 2021, Tianjin Fangzhou entered into a media marketing and technical service contract ("**Service Contract**") with Yueying Xingyao which is a framework agreement without contract sum for the provision of integrated digital marketing service which includes, among others, market and consumer data collection, big data analysis, preparation of customised sales and marketing proposals, advertisement and content placement on media platforms and search engines.

In view to expand the content e-commerce business line, the Company expects to increase the expenses in the business line including the budget on Tianjin Fangzhou. Therefore, at the same time of the entering into of the Service Contract, under which Tianjin Fangzhou shall provide media marketing and technical services relating to advertisement and content placement on media platforms such as Bilibili, Douyin, Kuaishou, Weibo etc., Yueying Xingyao entered into the Loan Agreement with Tianjin Fangzhou. During the period between June 23, and June 25, 2021, Yueying Xingyao advanced the amount of RMB179.0 million to Tianjin Fangzhou pursuant to the Loan Agreement. The Board is of the view that entering into the Loan Agreement would be in furtherance of the existing cooperation and business relationship with Tianjin Fangzhou in content e-commerce business.

In order to assess the financial background of Tianjin Fangzhou, certain due diligence measures was performed on Tianjin Fangzhou including (i) background search, (ii) review of financial statements of Tianjin Fangzhou for the year ended December 31, 2020; and (iii) internal analysis of comparable companies (sizeable MCN institutions in the PRC by making reference to the profits after tax, P/E ratio, earning per share and market capitalisation of the comparable company and also Tianjin Fangzhou) prepared by our finance team of the Company which demonstrates the sufficiency of the collaterals under the Loan.

After taking into consideration (i) the due diligence work mentioned above, (ii) the ongoing business relationship between Tianjin Fangzhou and the Group since 2020, (iii) the provision of media marketing and technical services by Tianjin Fangzhou under the Service Contract in June 2021 regarding the Group's content e-commerce business, the Board is satisfied that Tianjin Fangzhou is credible, has a healthy financial position and the security provided is sufficient to safeguard the Loan and that no impairment provision is required for the Loan in the interim results for the Reporting Period.

Change in use of proceeds

Reference is made to the announcements of the Company dated 28 August 2020, 31 March 2021 and 24 June 2021 in relation to the asset management agreement ("**Asset Management Agreement**") dated 13 March 2020 entered into between the Company and AMTD Global Markets Limited ("**AMTD**") for investments of an aggregate amount of USD70.8 million ("**AMTD Investments**"). After making a comprehensive planning on the Company's cash demand and operation development, and considering the changes on overall market conditions, including the swift recovery from the COVID-19 pandemics in the PRC, the Company had during the period between November 2020 and June 2021 fully redeemed the AMTD Investments. On 24 June 2021, a termination agreement was entered into with AMTD to terminate the Asset Management Agreement. For more details of the AMTD Investments and the redemption thereof, please refer to the annual results announcement of the Company for the year ended 30 December 2020 ("**2020 Results Announcement**") dated 27 August 2021 and the 2020 Annual Report.

The use of proceeds on (i) AMTD Investments and (ii) the Loan constituted a change in use of proceeds as disclosed in the prospectus dated February 28, 2020. For the reasons for entering into the AMTD Investments, please refer to the announcement dated 28 August 2020. As disclosed in the 2020 Results Announcement and the 2020 Annual Report, due to the impact of COVID-19 pandemic, it was estimated that approximately 60% to 70% of the net proceeds would not be immediately required by the Company in implementing the business strategies as disclosed in the prospectus. In order to preserve and make use of the anticipated idle proceeds, the Board resolved to change the use of the idle proceeds on the AMTD Investments. The AMTD Investments were subsequently fully redeemed in June 2021 due to change in market conditions and our operation development. For the reasons for entering into the Loan, please refer to the discussion in the paragraph headed "The Loan" above. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the prospectus. In light of the interests rates under the AMTD Investments and the Loan Agreement, the Board considers the above change in the use of the net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group by bringing investment return and/or loan interest to the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised net proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

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, 2021, the Group had 83 full-time employees (as compared with 88 full-time employees as at December 31, 2020), all of whom were based in the PRC. The following table sets forth the number of our employees by function:

	Number of employees	**% of total**
Content development	45	54.2%
Marketing	15	18.1%
Administrative and human resources	5	6.0%
Finance and capital raising	5	6.0%
Management and support	13	15.7%
Total	83	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 thereof and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonuses, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The remuneration policy for the employees of the Group is formulated by the Board on the basis of their merit, qualifications 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 did not make 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 THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries or any of its consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities.

LEGAL PROCEEDINGS AND COMPLIANCE

For the six months ended June 30, 2021, the Company complied with the relevant laws and regulations that have a significant impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the sections headed "Outlook and Plans" in this announcement, no significant event took place subsequent to June 30, 2021.

REVIEW OF FINANCIAL STATEMENTS

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

CORPORATE GOVERNANCE

The Group 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 shareholders (the "**Shareholders**) of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained 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 Reporting Period, the Company complied with all applicable code provisions set out in the CG Code, except for the following deviations from code provision A.2.1 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 separate and should not be performed by the same individual. Mr. Liu Mu ("**Mr. Liu**") is the chairman and chief executive officer of the Company. Mr. Liu is mainly responsible for overseeing the 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 at the date of this announcement, the Board comprises two executive Directors (including Mr. Liu) and four independent non-executive Directors and therefore has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company 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 model code for securities transactions by the Directors. Having made specific enquiries to all Directors, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

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

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the respective websites of the Stock Exchange at www.hkexnews.hk and 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-mentioned websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our staff members 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.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021, and will remain suspended until further notice pending, among other matters, the fulfilling of the guidance for the resumption of trading in the shares by the Stock Exchange.

Shareholders and potential investors of the Company should exercise caution when dealing in the Company's securities.

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

Beijing, the PRC, August 31, 2021

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

* *For identification purposes only*