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China Bright Culture Group

煜盛文化集團*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1859)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to approximately RMB302.9 million, representing a decrease of 40.1% from approximately RMB505.8 million in 2020.
- Profit for the year ended 31 December 2021 amounted to approximately RMB49.5 million, representing a turnaround of the Group's financial performance from a loss of approximately RMB198.6 million in 2020.
- Total assets for the year ended 31 December 2021 amounted to approximately RMB1,545.6 million, representing an increase of 6.9% from approximately RMB1,446.5 million in 2020.
- Net assets for the year ended 31 December 2021 amounted to approximately RMB1,175.6 million, representing an increase of 6.4% from approximately RMB1,104.5 million in 2020.
- Earnings per share for the year ended 31 December 2021 amounted to approximately RMB0.031, representing a turnaround from loss per share of approximately RMB0.131 in 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 “**Director(s)**”, each a “**Director**”) of China Bright Culture Group (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED FINANCIAL INFORMATION

Consolidated statement of profit or loss for the year ended 31 December 2021 (Expressed in Renminbi (“RMB”))

	Notes	2021 RMB’000	2020 RMB’000
Revenue	3	302,941	505,848
Cost of sales		<u>(130,573)</u>	<u>(244,042)</u>
Gross profit		172,368	261,806
Other (expense)/income, net	4	(2,676)	1,392
Selling and marketing expenses		(4,247)	(16,009)
General and administrative expenses		(100,997)	(88,153)
Loss on disposal of short-term investment		(607)	–
Impairment losses on trade and other receivables		<u>(48,236)</u>	<u>(278,034)</u>
Profit/(loss) from operations		15,605	(118,998)
Net finance expenses	5(a)	(1,609)	(21,792)
Fair value changes on investments measured at fair value through profit or loss		<u>–</u>	<u>3,754</u>
Profit/(loss) before taxation	5	13,996	(137,036)
Income tax credit/(expenses)	6	<u>35,473</u>	<u>(61,539)</u>
Profit/(loss) attributable to equity shareholders of the Company for the year		<u>49,469</u>	<u>(198,575)</u>
Earnings/(loss) per share	7		
Basic and diluted (RMB)		<u>0.031</u>	<u>(0.131)</u>

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021**

(Expressed in RMB)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year	49,469	(198,575)
Other comprehensive income for the year		
(after tax and reclassification adjustments)		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the		
Group	<u>(3,884)</u>	<u>(35,073)</u>
Other comprehensive income for the year	<u>(3,884)</u>	<u>(35,073)</u>
Total comprehensive income attributable to equity shareholders		
of the Company for the year	<u>45,585</u>	<u>(233,648)</u>

**Consolidated statement of financial position
as at 31 December 2021**

(Expressed in RMB)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Property and equipment		302	796
Right-of-use assets		13,139	7,118
Deferred tax assets		50,374	—
		63,815	7,914
Current assets			
Short-term investment		—	20,066
Program copyrights		530,442	346,573
Trade receivables	8	552,543	593,795
Prepayments and other receivables		395,166	475,653
Restricted bank deposit		—	1,220
Cash and cash equivalents		3,610	1,292
		1,481,761	1,438,599
Current liabilities			
Bank loans		20,000	36,000
Contract liabilities		69,552	22,745
Trade payables	9	34,356	65,319
Accruals and other payables		115,775	115,672
Lease liabilities		2,914	1,903
Current taxation		117,167	95,020
		359,764	336,659
Net current assets		1,121,997	1,101,940
Total assets less current liabilities		1,185,812	1,109,854

Consolidated statement of financial position
as at 31 December 2021 (continued)
(Expressed in RMB)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	<u>10,219</u>	<u>5,312</u>
Net assets	<u>1,175,593</u>	<u>1,104,542</u>
Equity		
Share capital	73	73
Reserves	<u>1,175,520</u>	<u>1,104,469</u>
Equity attributable to the equity shareholders of the Company	<u>1,175,593</u>	<u>1,104,542</u>
TOTAL EQUITY	<u>1,175,593</u>	<u>1,104,542</u>

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 PRINCIPAL ACTIVITIES AND ORGANISATION

China Bright Culture Group (the “Company”) was incorporated in the Cayman Islands on 28 May 2019 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 March 2020 (the “Listing Date”). The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the video content operation (the “Video Content Business”) and eCommerce promotion services which was newly commenced during the current year.

At 31 December 2021 and 2020, the Directors consider the immediate parent of the Company to be Double K Limited, which was incorporated in the British Virgin Islands and the ultimate controlling party of the Company to be Mr. Liu Mu, who is also the Chairman and executive director of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation and presentation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that other investments in debt securities are stated at their fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Going concern basis

For the year ended 31 December 2021, the Group incurred a net operation cash outflow of approximately RMB213,125,000. The Group faced relatively long trade receivables turnover days which may result in increase in net operating cash outflows in the next twelve months. The Group will be unable to fund the Group's operating activities and repay the bank loans and other borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- Subsequent to the reporting period, the Group received RMB100,000,000 from a bank in the PRC by entering into a non-recourse factoring agreement to factor its trade receivables with carrying amounts of RMB121,000,000;
- Subsequent to the reporting period, the Group received RMB50,000,000 from a debtor of the settlement of loan receivable;
- The Group is putting extra efforts on collecting its trade and other receivables and will make use of factoring facilities with banks to improve the liquidity position of the Group; and
- The Group will continue to pay close attention to the television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations.

The Directors have reviewed the Group's cash flow projection covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the Directors, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

(c) Application of new and amendments to International Financial Reporting Standards (“IFRSs”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time in the current year, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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 Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued by IASB in March 2018 (the “Conceptual Framework”) instead of the International Accounting Standards Committee’s Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010);
- add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities

Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3 REVENUE

The principal activities of the Group are video content operation and eCommerce promotion services.

eCommerce promotion services were newly commenced by the Group during the year ended 31 December 2021. The amount of each significant category of revenue is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Content related program		
– Media platforms	11,793	267,977
– Corporate sponsors	49,627	237,871
	<u>61,420</u>	<u>505,848</u>
eCommerce promotion services	241,521	–
	<u>302,941</u>	<u>505,848</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Over time:		
– Revenue from advertising and licensing of IP	49,627	396,414
– Revenue from eCommerce promotion services	241,521	–
	<u>291,148</u>	<u>396,414</u>
Point in time:		
– Revenue from licensing of broadcasting rights of programs	11,793	109,434
	<u>302,941</u>	<u>505,848</u>

4 OTHER (EXPENSE)/INCOME, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants	1,585	1,864
Provision of claim (<i>note</i>)	(4,284)	–
Others	23	(472)
	<u>(2,676)</u>	<u>1,392</u>

Note: A subsidiary of the Group is defendant in a legal case involving the failure of the subsidiary to settle the outstanding balance of trade payable due to plaintiff. The legal claim of approximately RMB4,284,000 was ordered by the court in Shanghai, the PRC.

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance expenses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income:		
Interest income on loan receivables	9,711	—
Interest income on bank balances	10	292
	<u>9,721</u>	<u>292</u>
Finance cost:		
Interest expenses	(10,881)	(20,662)
Interest on lease liabilities	(393)	(738)
Net foreign exchange loss	(56)	(684)
	<u>(11,330)</u>	<u>(22,084)</u>
Net finance expenses	<u>(1,609)</u>	<u>(21,792)</u>

(b) Staff costs (including directors' remuneration)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	13,773	15,050
Contributions to defined contribution retirement plans (<i>note</i>)	2,094	134
Equity-settled share-based payments	25,466	—
	<u>41,333</u>	<u>15,184</u>

Note: During the year ended 31 December 2020, in an effort to provide financial support to enterprises during the COVID-19 pandemic, the PRC government authorise have granted partial exemption on the Group's contributions to the defined contribution retirement plans. The total exempted amount was approximately RMB2,085,000.

(c) **Other items**

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of program copyrights	130,573	244,042
Short-term leases	2,343	214
Depreciation expenses		
– Property and equipment	494	1,090
– Right-of-use assets	2,303	4,022
Impairment losses on trade and other receivables	48,236	278,034
Auditors' remuneration		
– Audit service	1,200	3,700
– Other services	–	108
	<u> </u>	<u> </u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current taxation		
Provision for the year	14,901	53,027
Deferred taxation		
Origination and reversal of temporary differences	<u>(50,374)</u>	<u>8,512</u>
Income tax (credit)/expense	<u>(35,473)</u>	<u>61,539</u>

7 EARNINGS/(LOSS) PER SHARE

(i) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company of approximately RMB49,469,000 (2020: loss of RMB198,575,000) and the weighted average number of ordinary shares of 1,600,000,000 shares (2020: 1,521,311,000 shares in issue upon the completion of the Pre-IPO reorganisation were deemed to have been issued since 1 January 2020 and adjusted for the effect of capitalisation issue on 13 March 2021), calculated as follows:

Calculation of weighted average number of ordinary shares is as follows:

	2021 '000	2020 '000
Issued ordinary shares at 1 January	1,600,000	1,200,000
Effect of shares issued by initial public offering on the Listing Date	—	321,311
	<u>1,600,000</u>	<u>1,521,311</u>
Weighted average number of ordinary shares in issue during the year	<u>1,600,000</u>	<u>1,521,311</u>

(ii) Diluted earnings/(loss) per share

For the year ended 31 December 2021, the computation of diluted earnings per share did not assume the exercise of outstanding share options of the Company since the exercise price of the share options was higher than the average market price of shares. For the year ended 31 December 2020, there was no dilutive potential shares outstanding.

8 TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	882,365	894,031
Less: loss allowance, net	<u>(329,822)</u>	<u>(300,236)</u>
	<u>552,543</u>	<u>593,795</u>

(a) Ageing analysis

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	12,121	97,481
1 month to 3 months	2,438	117,328
3 months to 6 months	15,000	20,085
6 months to 1 year	20,655	164,733
1 to 2 years	497,377	162,853
2 to 3 years	4,952	31,315
	<u>552,543</u>	<u>593,795</u>

9 TRADE PAYABLES

The following is an ageing analysis of trade payables, based on the invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	14,606	47,924
1 to 2 years	5,325	16,880
Over 2 to 3 years	14,425	515
	<u>34,356</u>	<u>65,319</u>

10 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

11 EQUITY-SETTLED SHARE-BASED PAYMENTS

The Company has adopted a share option scheme on 7 February 2020 (“**Share Option Scheme**”) and shall be valid and effective for a period of 10 years from the date of its adoption and the options granted have a 10-year exercise period. Accordingly, the Share Option Scheme shall expire on 6 February 2030. Under the Share Option Scheme, the Directors may, at its discretion, offer to grant an option to the following eligible participants to subscribe for such number of new shares as the directors may determine at an exercise price determined in accordance with the terms of the Share Option Scheme:

- any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

- any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and
- any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the directors, will contribute or have contributed to the Company and/or any of its subsidiaries.

On 8 December 2020, the Directors approved the grant of options (“Options”) under the Share Option Scheme to ten grantees, of which eight grantees have accepted the Options on 1 January 2021 upon the agreement of the vesting conditions attached to the Options.

Details of shares granted are as follows:

Date of grant	Exercise price	Number of options granted	Vesting period	Exercisable period
Option granted to a director of the Company				
1 January 2021	HK\$0.97	2,672,000	Note (i(a))	1 January 2022 to 7 December 2030
1 January 2021	HK\$0.97	5,328,000	Note (i(b))	1 January 2023 to 7 December 2030
1 January 2021	HK\$0.97	8,000,000	Note (i(c))	1 January 2024 to 7 December 2030
		<u>16,000,000</u>		
Option granted to 4 employees and a former employee of the Company				
1 January 2021	HK\$0.97	4,008,000	Note (i(a))	1 January 2022 to 7 December 2030
1 January 2021	HK\$0.97	7,992,000	Note (i(b))	1 January 2023 to 7 December 2030
1 January 2021	HK\$0.97	12,000,000	Note (i(c))	1 January 2024 to 7 December 2030
		<u>24,000,000</u>		
Option granted to an external consultant				
1 January 2021	HK\$0.97	8,000,000	Note (ii)	1 January 2022 to 7 December 2030
Option granted to an employee				
1 January 2021	HK\$0.97	16,000,000	Note (ii)	1 January 2022 to 7 December 2030

Notes:

- The options granted are exercisable in accordance with the following vesting schedule: subject to the fulfilment of business performance or both service assessment condition and business performance condition for each of the financial years 2021, 2022 and 2023 as set out in the grant letter, (a) the first 16.7% of the options granted to the relevant grantee, is exercisable commencing from 12 months after the date of acceptance of the relevant options; (b) the next 33.3% of the options granted to the relevant grantee, is exercisable commencing from 24 months after the date of acceptance of the relevant options; and (c) the remaining 50.0% of the options granted to the relevant grantee, is exercisable commencing from 36 months after the date of acceptance of the relevant options.
- The options granted are exercisable in accordance with the fulfilment of the service assessment condition for the financial years 2021 as set out in the grant letter.

DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE REPORTING PERIOD

In accordance with Rule 13.49(3)(ii)(b) of the Listing Rules, we set forth below the differences between the unaudited management accounts for the Reporting Period contained in the announcement (“**Preliminary Results Announcement**”) of the Company dated 31 March 2022 and the audited financial information contained in this announcement. The reasons giving rise to such differences are also set out in the respective notes below.

Consolidated statement of profit or loss

For the year ended 31 December 2021

		Disclosure in this announcement (Audited) RMB'000	Disclosure in the Preliminary Results Announcement (Unaudited) RMB'000	Difference RMB'000
	Notes			
Revenue		302,941	302,941	–
Cost of sales		(130,573)	(130,573)	–
Gross profit		172,368	172,368	–
Other (expense)/income, net	(i)	(2,676)	1,608	(4,284)
Selling and marketing expenses		(4,247)	(4,247)	–
General and administrative expenses	(ii)	(100,997)	(87,778)	(13,219)
Loss on disposal of short-term investment		(607)	(607)	–
Impairment losses on trade and other receivables	(ii)	(48,236)	(62,945)	14,709
Profit from operations		15,605	18,399	(2,794)
Net finance expenses		(1,609)	(1,609)	–
Fair value changes on investments measured at fair value through profit or loss		–	–	–
Profit before taxation		13,996	16,790	(2,794)
Income tax credit		35,473	26,272	9,201
Profit attributable to equity shareholders of the Company for the year		49,469	43,062	6,407
Earnings per share				
Basic and diluted (RMB)		0.031	0.027	0.004

Consolidated statement of financial position

As at 31 December 2021

		Disclosure in this announcement (Audited) RMB'000	Disclosure in the Preliminary Results Announcement (Unaudited) RMB'000	Difference RMB'000
	Notes			
Non-current assets				
Property and equipment		302	302	—
Right-of-use assets		13,139	13,139	—
Deferred tax assets	(iii)	50,374	44,500	5,874
		<u>63,815</u>	<u>57,941</u>	<u>5,874</u>
Current assets				
Short-term investment		—	—	—
Program copyrights		530,442	530,442	—
Trade receivables	8	552,543	552,543	—
Prepayments and other receivables	(iv)	395,166	393,676	1,490
Restricted bank deposit		—	—	—
Cash and cash equivalents		3,610	3,610	—
		<u>1,481,761</u>	<u>1,480,271</u>	<u>1,490</u>
Current liabilities				
Bank loans		20,000	20,000	—
Contract liabilities		69,552	69,552	—
Trade payables	9	34,356	34,356	—
Accruals and other payables	(i)	115,775	111,491	4,284
Lease liabilities		2,914	2,914	—
Current taxation		117,167	120,494	(3,327)
		<u>359,764</u>	<u>358,807</u>	<u>957</u>
Net current assets		<u>1,211,997</u>	<u>1,121,464</u>	<u>—</u>
Total assets less current liabilities		<u>1,185,812</u>	<u>1,179,405</u>	<u>6,407</u>
Non-current liabilities				
Lease liabilities		10,219	10,219	—
Net assets		<u>1,175,593</u>	<u>1,169,186</u>	<u>6,407</u>

Notes:

- (i) Being adjustment for provision of legal claim.
- (ii) Being re-classification of expense items and adjustment for recognition of impairment loss.
- (iii) Being adjustment for deferred tax assets relating to the recognition of impairment loss.
- (iv) Being relocation of account balance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, under the pressure of the changing media environment and COVID-19 pandemic, the Group proactively sought changes and continued to deepen the development of the industry while strengthening its principal business. In addition to proactively seeking changes while providing quality content products, the Group increased its investment in e-commerce business to ensure the Group's business development. The Group's annual revenue in 2021 decreased by 40.1% as compared to that of 2020 and the Group recorded a profit in 2021 as compared with the loss recorded by the Group in 2020. The Group's total assets increased by 6.8% as compared to the previous year.

In 2021, the Group increased its investment in content related industry by successively entering into strategic cooperation agreements with industry partners such as China Record Group, Poly Culture, CCTV Animation Group Limited* and China Youth Daily Newspaper Office*, and gradually began its deployment in animation related products, music industry and theater performances.

In addition, in response to the changes in the media environment, the Group's business operation based on geographical regions has shown preliminary results, as demonstrated by the official commencement of operation of the Nanjing Content Center in the Yangtze River Delta region.

In 2021, in order to cope with expansion of e-commerce, the Group commenced e-commerce promotion service to corporate client in the PRC to assist them to promote their products through social media platform in the PRC.

The Group recorded revenue of RMB241.5 million in 2021 which was quite encouraging given the operation was newly commenced in 2021.

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 40.1% from approximately RMB505.8 million in 2020 to approximately RMB302.9 million in 2021. The following table sets forth the breakdown of revenue by source for the years indicated.

	For the year ended 31 December			
	2021		2020	
	Amount	Percentage	Amount	Percentage
	<i>(RMB'000, except for percentages)</i>			
Content-related program				
– Media platforms	11,793	3.9%	267,977	53.0%
– Corporate sponsors	49,627	16.4%	237,871	47.0%
eCommerce promotion services	241,521	79.7%	–	–
Total	302,941	100.0%	505,848	100.0%

The Group's content-related revenue from media platforms decreased by 95.6% from approximately RMB268.0 million in 2020 to approximately RMB11.8 million in 2021. The decrease was primarily due to the fact that the Group reduced the cooperation with traditional platforms such as TV stations on content production while increased the investments in the content produced for end-customers amid the COVID-19 pandemic.

The Group's relevant revenue from corporate sponsors decreased by 79.1% from approximately RMB237.9 million in 2020 to approximately RMB49.6 million in 2021. The decrease was primarily attributable to the commencement of direct cooperation with corporate sponsors to produce most of our content through the production and placement of customised content for specific brands and their products in light of the habit change of a number of users and the continuously strengthened corporate mission that content is produced to directly serve consumer value, which had a direct impact on the brands and the sales of their products and resulted in the increase in both the number of programs produced and the revenue generated from our services.

The Group's relevant revenue from e-commerce was newly commenced in 2021 and recorded approximately RMB241.5 million in 2021. This is mainly due to the launch of e-commerce business, which is mainly about traffic promotion services, allowing sales scenes (including live streaming product promotions and webpage advertising of products) to be seen by more people and converted more efficiently.

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 Group's cost of sales decreased by 46.5% from approximately RMB244.0 million in 2020 to approximately RMB130.6 million in 2021, primarily due to the decrease in the procurement costs of the production of programs in respect of which we recognised revenue.

Gross Profit and Gross Profit Margin

The Group recorded the gross profit of approximately RMB172.4 million and the gross profit margin of 56.9% in 2021, compared with the gross profit of approximately RMB261.8 million and the gross profit margin of 51.8% in 2020. The higher percentage in the gross profit margin was primarily due to the decrease in the procurement costs for the production and a reduction in production time for certain programs in 2021.

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 73.8% from approximately RMB16.0 million in 2020 to approximately RMB4.2 million in 2021, which was primarily due to the decrease in promotional expenses in 2021.

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 14.6% from approximately RMB88.1 million in 2020 to approximately RMB101.0 million in 2021, such increase was mainly due to the recognition of share based payment of RMB25.5 million.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables decreased from approximately RMB278 million in 2020 to approximately RMB48 million in 2021, which was mainly due to the good quality of receivables, strong realisation and market recognition of the buyout.

Net Finance Expenses

The Group's net finance expenses represent (1) interest income on bank deposits and loan receivable; (2) interest expenses on bank loans and other borrowings, amounts due to 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 due to the fluctuations in U.S. dollars to Renminbi exchange rate. The Group's net finance expenses decreased by 92.7% from approximately RMB21.8 million in 2020 to approximately RMB1.6 million in 2021, primarily due to the decrease in interest expenses on bank loans and increase in interest income from loan receivable.

Profit/(loss) Before Taxation

As a result of the foregoing, the Group's profit before taxation was approximately RMB14.0 million in 2021, representing a turnaround from the loss before taxation of approximately RMB137.0 million in 2020.

Income Tax (Credit)/Expense

The Group's income tax credit amounted to approximately RMB35.5 million in 2021, compared to the Group's income tax expense of approximately RMB61.5 million in 2020, mainly due to the recognition as deferred tax assets.

Profit/(loss) for the Year

As a result of the foregoing, the Group's profit was approximately RMB49.5 million in 2021, compared to the loss of approximately RMB198.6 million in 2020.

FINANCIAL POSITION

Program Copyrights

The Group's program copyrights consist of programs under production.

The Group's program copyrights increased by 53.0% from approximately RMB346.6 million as at 31 December 2020 to approximately RMB530.4 million in 2021, primarily due to the increase in production of certain programs and purchase of program under production.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from its customers. As of 31 December 2020 and 2021, the Group's total trade receivables (after deduction of loss allowance) were approximately RMB593.8 million and approximately RMB552.5 million, respectively, representing a decrease of 7.0% as compared to 2020. The decrease was attributable to due to the good quality of receivables, strong realisation and market recognition of the buyout. The accumulated loss allowance increased by 9.9% from approximately RMB300.2 million as of 31 December 2020 to approximately RMB329.8 million as of 31 December 2021.

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 of the dates indicated:

	As of 31 December	
	2021	2020
	<i>(RMB'000)</i>	
Within one month	12,121	97,481
One month to three months	2,438	117,328
Three months to six months	15,000	20,085
Six months to one year	20,655	164,733
One year to two years	497,377	162,853
Two years to three years	4,952	31,315
	<hr/>	<hr/>
Total	<u>552,543</u>	<u>593,795</u>

Prepayments and Other Receivables

The Group's prepayments and other receivables primarily consist of (1) prepayments to for eCommerce service providers; and (2) loan receivable of approximately RMB188.7 million due from independent third party. Accordingly the Group's prepayments and other receivables decreased by 16.9% from approximately RMB475.7 million as of 31 December 2020 to approximately RMB395.2 million as of 31 December 2021.

Trade Payables

The Group's trade payables primarily relate to payments due to third party suppliers for services such as content arrangement, video, lighting and sound. Its trade payables decreased by 47.3% from approximately RMB65.3 million as of 31 December 2020 to approximately RMB34.4 million as of 31 December 2021, primarily due to the decrease in payables to suppliers in relation to program production expenses.

Liquidity and Capital Resources

The Group's cash and cash equivalents amounted to approximately RMB3.6 million as of 31 December 2021, compared to approximately RMB1.3 million as at 31 December 2020.

Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB1,122.0 million and approximately RMB1,175.6 million, respectively, as of 31 December 2021, compared to approximately RMB1,101.9 million and approximately RMB1,104.5 million, respectively, as of 31 December 2020.

As of 31 December 2020 and 2021, the Group's bank loans payable within one year amounted to approximately RMB36.0 million and approximately RMB20.0 million, respectively. For the year ended 31 December 2021, the Group generated a net profit of RMB49.5 million and a net operating cash outflow of RMB213.1 million. The suspension of trading of the Company's shares since 1 April 2021 and the prolonged impact of Covid-19 have adverse impacts on the Group's operations. The Group also faced longer average trade receivables turnover days than its average trade payables turnover days. In view of this, the measures that the Group has taken and will continue to take to manage its liquidity requirements and improve its financial position include, but are not limited to: (i) continuing to pay close attention to the television media industry and making good use of its resources with an aim to attain positive and sustainable cash flow from operations; and (ii) putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series.

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

	As of 31 December	
	2021	2020
	<i>(RMB'000)</i>	
Net cash used in operating activities	(213,125)	(186,285)
Net cash generated from/(used in) investing activities	254,511	(475,934)
Net cash (used in)/generated from financing activities	(34,904)	653,492
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<u>6,482</u>	<u>(8,727)</u>

Net Cash Used in Operating Activities

In 2021, the net cash used in operating activities was approximately RMB213.1 million, primarily due to the increase in program production expenses and the launch of e-commerce business.

Net Cash Generated From Investing Activities

In 2021, the net cash generated from investing activities was approximately RMB254.5 million, comprise of provision of loan receivable of RMB179 million and receive of Promissory Note of RMB414.0 million.

Net Cash Used In Financing Activities

In 2021, the net cash used in financing activities was approximately RMB34.9 million, primarily due to the repayment of bank loans and interest bearing borrowings.

Gearing Ratio

As of 31 December 2021, the Group's gearing ratio (calculated by dividing bank loans by total equity as of the end of each year) was approximately 1.7%, compared to approximately 3.3% as of 31 December 2020.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not have any significant investment held, material acquisitions or disposals of subsidiaries and associates.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of 31 December 2021, save as disclosed in the Company's prospectus published on 28 February 2020 and the section headed "Outlook and Plans" in 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 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 RMB303.1 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:

Use of proceeds as described in the Prospectus	Expected amounts to be utilised as disclosed in the Prospectus (RMB'000)	Amounts unutilised as at 1 January 2021 (RMB'000)	Movement after the redemption of USD64.0 million from the AMTD Investments during the six months ended 30 June 2021 (RMB'000)	Amount utilised during the six months ended 30 June 2021 (RMB'000)	Amounts unutilised as at 30 June 2021 (RMB'000)	Amount utilised during the six months ended 31 December 2021 (RMB'000)	Amount unutilised as at 31 December 2021 (RMB'000)
A. Funding the development of our new pipeline programs	636,799	–	266,522	(266,522)	–	–	–
A(1). Of which: Funding the programs that are expected to be released in 2020	524,423	–	266,522	(266,522)	–	–	–
Of which: A(1)(a) TV variety programs in the food, work/career, youth and police/crime genres	217,260	–	86,186	(86,186)	–	–	–
A(1)(b) TV drama series in the urban and police/crime genres	202,278	–	114,561	(114,561)	–	–	–
A(1)(c) Made-for-internet drama series in the urban, youth and police/crime genres	104,885	–	65,775	(65,775)	–	–	–
A(2). Funding the programs that are expected to be released in 2021	112,376	–	–	–	–	–	–
B. Expanding our team	37,459	–	28,330	(28,330)	–	–	–
C. For working capital and general corporate purposes	74,918	–	8,269	(8,269)	–	–	–
IPO proceeds sub-total	749,176	–	303,121	(303,121)	–	–	–
Temporary usages							
The AMTD Investments	–	448,000 ⁽³⁾⁽⁴⁾	(448,000) ⁽³⁾	–	–	–	–
The Loan	–	–	144,879	–	144,879	–	144,879
Total	749,176	448,000		(303,121)⁽¹⁾	144,879	–	144,879

Notes:

- (1) The amount utilised as at 30 June 2021 includes the Group's purchase of the three program copyrights of drama in the urban, youth and police/crime genres of the amount of RMB161 million (of which two of the three programs with the amount of RMB101 million is under the "TV drama series in the urban and police/crime genres", and the remaining one program with the amount of RMB60 million is under the "made-for-internet drama series in the urban, youth and police/crime genres") as mentioned in Note 17(iv) to the consolidated financial information as disclosed in the 2020 Results Announcement.

- (2) For illustration purpose only, conversion of USD into RMB in the table above are based on the exchange rate USD1.00: RMB7.00. Such conversion shall not be construed as representations that amount of such currency was or may have been converted into RMB and vice versa at such rates or any other exchange rates.
- (3) For more details in relation to the acquisition and redemption of the AMTD Investments and the reasons therefor, please refer to the announcement of the Company dated 3 September 2021 and the section headed “Change in use of proceeds from the Global Offering” in this announcement.

The use of proceeds from the Global Offering on (i) AMTD Investments and (ii) the Loan constituted a change in use of proceeds as disclosed in the Prospectus. For the reasons for entering into the AMTD Investments, please refer to the announcement of the Company dated 28 August 2020. 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 AMTD Investments.

There were several major variety programs production progress in 2020, namely completion of broadcasting of “The Taste of Time” (《穿越時間的味道》), release of “Hello! Interviewer” (《你好! 面試官》). Preparations for the production of new projects such as the “New Super Winner” (《新超級大贏家》) had also been commenced. 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 decided to redeem the AMTD Investments and had fully redeemed the same between November 2020 and June 2021. As at 31 December 2021, the AMTD Investments had been fully redeemed without any interests or any return from the AMTD Investments.

The Company would like to clarify that, the respective section headed “Use of Proceeds from the Global Offering” in the Company’s 2020 Results Announcement, 2020 Annual Report and 2021 Interim Results Announcement did not reflect (i) the change in use of proceeds from the Global Offering as a result of the AMTD Investments; and (ii) the respective amount used in the AMTD Investments will be applied back to the intended use of proceeds as disclosed in the Prospectus upon redemption of the AMTD Investments. For detailed movement of the use of proceeds from the Global Offering, please refer to the table in this section and the section headed “Change in Use of Proceeds from the Global Offering” in the announcement of the Company dated 3 September 2021. 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. The Company will make an announcement to notify the Shareholders and potential investors of the Company as soon as possible if there is any material change of use of proceeds.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group’s capital expenditures in 2021 primarily related to improvements to leased properties and purchase of electronic equipment and other office equipment. In 2021, the Group incurred capital expenditures of approximately RMB0.5 million, compared to approximately RMB0.5 million in 2020.

CONTINGENT LIABILITIES

The Group had no material contingent liability as of 31 December 2021.

CHARGES ON GROUP ASSETS

As of 31 December 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 of 31 December 2020 and 2021, 84.1% and 26.5% 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 AND FUNDING AND TREASURY POLICY

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

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended 31 December 2021. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the financial information disclosed in this announcement and the sections headed "Significant Investments, Acquisitions and Disposals" and "Outlook and Plans" in this announcement, no significant event took place subsequent to 31 December 2021.

OUTLOOK AND PLANS

Since 31 December 2021 and up to the date of this announcement, there was no material and adverse change in the business or financial performance of the Company. As at the date of this announcement, the Group maintained normal operation in all of its businesses.

In 2022, the Group will maintain sufficient projects on-hand under the rapidly developing new consumption mode. In addition to the continuous expansion of the existing business scale, the IP cooperation with China Media Group and the new cultural and creative business cooperation with China Youth Daily are under orderly progression.

Based on the promotional highlights and the investment focuses of enterprises in the market in 2022, the Group begins to focus on vertical areas, dedication and other aspects in terms of the research and development of projects, and signifies the achievements of real economy by following the consumption preference in terms of content development. By adhering to its strategic objective of "Business Value First", the Group focuses more on the front-end communication between the market and the platform for all of its projects in 2022. For the copyright and content creation of films and TV dramas, the Group upholds the principle that the platform will only be initiated with customization. For variety shows, the Group holds fast to the business red line that large investment scale will only be implemented after attaining 70% of the business solicitation, thereby safeguarding project safety and profitability to a certain extent.

According to the new trend of industry development, in terms of profitability model, the Group is also constantly deepening the development of industrial chain and expanding the scale of peripheral income by leveraging new retail business to realize the "Lifestyle + Culture" dual-wheel-driven business model. It is expected that the Youth Digital Culture Industrial Base will be established in both Beijing and Hangzhou in 2022, which will result in a sharp rise in the Group's earnings and assets. In addition, the new content retailing model focusing on certain sub-segments is expected to generate revenue of scale.

HUMAN RESOURCES

As at 31 December 2021, the Group had 84 full-time employees (2020: 88), 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	40	47.6
Marketing	19	22.6
Administrative and human resources	4	4.8
Finance and capital raising	11	13.1
Management and support	10	11.9
Total	84	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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

On 7 February, 2020, the Company conditionally adopted the Share Option Scheme.

On 8 December 2020, the Directors approved the grant of 77,000,000 options ("Options") under the Share Option Scheme to ten grantees ("Grantees") pursuant to the Share Option Scheme, of which eight Grantees have accepted the an aggregate of 64,000,000 Options on 1 January 2021 upon the agreement of the vesting conditions attached to the Options. As at 31 December 2021, the Company had 64,000,000 share options outstanding ("Outstanding Share Options") under the Share Option Scheme. The Outstanding Share Options were granted with both service condition and performance condition to purchase 64,000,000 ordinary shares with an exercise price of HK\$0.97 per share (which was same as the closing price of the shares on the date immediately before the date of grant), all of which were granted to the Grantees based on the mutual understanding of the key terms and conditions of the performance conditions. Among the Outstanding Share Options, 16,000,000 options were granted to Mr. Xia Rui, an executive Director and 48,000,000 options were granted to the 7 other individuals

including employees, former employee and external consultant and employee. The validity period of the options granted is 10 years from the date of grant (i.e. from 1 January 2021 to 7 December 2030). Save as disclosed above, no share options have been granted or agreed to be granted, exercised, lapsed or cancelled under the Share Option Scheme during the Reporting Period.

The following table sets out the details of the options under the Share Option Scheme:

Type/name of the grantee	Date of grant	Validity Period	Exercise period	Exercise price per share (HKD)	Closing price per share immediately prior to the date of grant (HKD)	Outstanding as at 1 January 2021	Number of options Granted/ Exercised/ lapsed/ cancelled during the Reporting Period	Outstanding as at 31 December 2021	Vesting period
Director									
Xia Rui	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	–	16,000,000	16,000,000	Please refer to note (i) below.
Others									
4 employees and a former employee of the Company	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	–	24,000,000	24,000,000	Please refer to note (i) below.
an external consultant	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	–	8,000,000	8,000,000	Please refer to note (ii) below.
an employee	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	–	16,000,000	16,000,000	Please refer to note (iii) below.
						–	64,000,000	64,000,000	

Notes:

- (i) The options granted are exercisable in accordance with the following vesting schedule: subject to the fulfilment of business performance or both service assessment condition and business performance condition for each of the financial years 2021, 2022 and 2023 as set out in the grant letter, (a) the first 16.7% of the options granted to the relevant grantee, is exercisable commencing from 12 months after the date of acceptance of the relevant options; (b) the next 33.3% of the options granted to the relevant grantee, is exercisable commencing from 24 months after the date of acceptance of the relevant options; and (c) the remaining 50.0% of the options granted to the relevant grantee, is exercisable commencing from 36 months after the date of acceptance of the relevant options.
- (ii) The options granted are exercisable in accordance with the fulfilment of the service assessment condition for the financial years 2021 as set out in the grant letter.
- (iii) The options granted are exercisable in accordance with the fulfilment of service assessment condition for the financial years 2021 as set out in the grant letter.

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 of the Company.

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and complied with the applicable code provisions throughout the period from the Listing Date to 31 December 2021 and the date of this announcement, except for the deviation from paragraph A.2.1 of the CG Code (which has been renumbered as C.2.1 of the CG Code since 1 January 2022), as follows:

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders.

In accordance with paragraph A.2.1 of the CG Code (which has been renumbered as C.2.1 of the CG Code since 1 January 2022), the roles of the chairman and chief executive should be separate 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. The Board currently comprises two executive Directors (including Mr. LIU) and four independent non-executive Directors and therefore has a strong independence element in its composition.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant requirements under the Listing Rules and to protect the interests of the Company's shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules as its model code for securities transactions by the Directors. Specific enquiries have been made with all Directors by the Company and they have confirmed that they have complied with the relevant Model Code throughout the Relevant Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are subject to the Model Code. No incident of non-compliance of the Model Code by the employees was identified by the Company throughout the Relevant Period.

REVIEW OF AUDITED FINANCIAL STATEMENTS

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee, comprising Ms. RAN Hua (the Chairman), Mr. YANG Chengjia and Ms. YAO Li, has discussed with the management of the Company and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on 12 June 2022. The notice of the AGM will be issued and despatched to the Shareholders, and will also be made available on the websites of the Company at www.sinozsw.com and the Stock Exchange at www.hkexnews.hk. To determine the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2022 to 10 June 2022, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 June 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the respective websites of the Company at www.sinozsw.com and the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended December 31, 2021 will be despatched to the Shareholders and will also be made available on the above websites in due course.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, business partners and staff for their continuous support to the Group.

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

Beijing, the PRC, 29 April 2022

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