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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 2022**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the year ended 31 December 2022 amounted to approximately RMB63.8 million, representing a decrease of 83.6% from approximately RMB389.7 million in 2021.
- Profit for the year ended 31 December 2022 amounted to approximately RMB10.2 million, representing a decrease of 94.1% from approximately RMB173.3 million in 2021.
- Total assets for the year ended 31 December 2022 amounted to approximately RMB1,758.6 million, representing an increase of 5.3% from approximately RMB1,669.4 million in 2021.
- Net assets for the year ended 31 December 2022 amounted to approximately RMB1,314.6 million, representing an increase of 1.2% from approximately RMB1,299.4 million in 2021.
- Earnings per share for the year ended 31 December 2022 amounted to approximately RMB0.006, representing a decrease of RMB0.102 from approximately RMB0.108 in 2021.

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 2022 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2021 as follows:

## CONSOLIDATED FINANCIAL INFORMATION

### Consolidated statement of profit or loss for the year ended 31 December 2022

(Expressed in Renminbi (“RMB”))

	<i>Notes</i>	<b>2022</b> <b>RMB’000</b>	2021 <i>RMB’000</i> (Restated)
<b>Revenue</b>	4	<b>63,849</b>	389,692
Cost of sales		<b>(30,717)</b>	(130,573)
<b>Gross profit</b>		<b>33,132</b>	259,119
Other income/(expense), net	5	<b>11,914</b>	(2,676)
Selling and marketing expenses		<b>(3,775)</b>	(4,247)
General and administrative expenses		<b>(18,209)</b>	(100,997)
Loss on disposal of short-term investment		–	(607)
Impairment losses (recognised)/reversed on trade and other receivables, net		<b>(3,469)</b>	30,113
<b>Profit from operations</b>		<b>19,593</b>	180,705
Net finance income/(expenses)	6(a)	<b>1,550</b>	(1,609)
<b>Profit before taxation</b>	6	<b>21,143</b>	179,096
Income tax expense	7	<b>(10,915)</b>	(5,802)
<b>Profit attributable to equity shareholders of the Company for the year</b>		<b>10,228</b>	173,294
<b>Earnings per share</b>	8		
Basic and diluted (RMB)		<b>0.006</b>	0.108

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended 31 December 2022**  
(Expressed in RMB)

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000 (Restated)
<b>Profit for the year</b>	<b>10,228</b>	173,294
<b>Other comprehensive income/(expense) for the year (after tax)</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations into presentation currency of the Group	<u>135</u>	<u>(3,884)</u>
<b>Total comprehensive income attributable to equity shareholders of the Company for the year</b>	<b><u>10,363</u></b>	<b><u>169,410</u></b>

**Consolidated statement of financial position  
as at 31 December 2022**  
(Expressed in RMB)

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000 (Restated)
<b>Non-current assets</b>			
Property and equipment		<b>202</b>	302
Right-of-use assets		<b>9,564</b>	13,139
Deferred tax assets		<b>9,299</b>	9,099
		<u><b>19,065</b></u>	<u>22,540</u>
<b>Current assets</b>			
TV program investment		<b>329,370</b>	327,288
Program copyrights		<b>554,815</b>	530,442
Trade receivables	<i>9</i>	<b>506,106</b>	390,355
Prepayments and other receivables		<b>348,847</b>	395,166
Cash and cash equivalents		<b>436</b>	3,610
		<u><b>1,739,574</b></u>	<u>1,646,861</u>
<b>Current liabilities</b>			
Bank loans	<i>11</i>	<b>59,000</b>	20,000
Contract liabilities		<b>68,706</b>	69,552
Trade payables	<i>10</i>	<b>38,945</b>	34,356
Accruals and other payables		<b>160,430</b>	115,775
Lease liabilities		<b>3,622</b>	2,914
Current taxation		<b>106,716</b>	117,167
		<u><b>437,419</b></u>	<u>359,764</u>
<b>Net current assets</b>		<u><b>1,302,155</b></u>	<u>1,287,097</u>
<b>Total assets less current liabilities</b>		<u><b>1,321,220</b></u>	<u>1,309,637</u>

**Consolidated statement of financial position**  
**as at 31 December 2022 (continued)**  
*(Expressed in RMB)*

	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i> (Restated)
<b>Non-current liability</b>		
Lease liabilities	<u>6,597</u>	<u>10,219</u>
<b>Net assets</b>	<u><b>1,314,623</b></u>	<u>1,299,418</u>
<b>Equity</b>		
Share capital	73	73
Reserves	<u>1,314,550</u>	<u>1,299,345</u>
<b>TOTAL EQUITY</b>	<u><b>1,314,623</b></u>	<u>1,299,418</u>

## NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

*(Expressed in RMB unless otherwise indicated)*

### 1 GENERAL INFORMATION

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.

At 31 December 2022 and 2021, the Directors consider the immediate parent and ultimate 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 RETROSPECTIVE RESTATEMENT

For the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2022, the management reviewed all agreements entered into between the Group and the TV stations, they detected certain accounting errors (“**Accounting Errors**”), in particular to the accounting treatments on initial recognition and subsequent measurement of those agreements (“**Agreements**”) in relation to TV program investments (“**TV Program Investment**”), These Accounting Errors existed in the audited consolidated financial statements of the Group for the year ended 31 December 2021 (“**FY2021 AFS**”).

In assessing the financial impact of the Accounting Errors concerned, the management of the Company reviewed the terms and conditions of the Agreements and concluded that they did not fail within the scope of IFRS 15 – Revenue from Contract with Customers. Instead, the Agreements constitute investment in TV programs by the Group. The management of the Company has now concluded that, in substance, the TV Program Investment constitutes the financial assets at fair value through profit or loss (“**FVTPL**”) under IFRS 9 – Financial Instruments. In view of the above, the management of the Company is of the opinion that retrospective restatements are required to rectify the Accounting Errors in the FY2021 AFS.

The tables below disclose the impact or effects of the retrospective restatements made by the management of the Company to each line items on the consolidated statement of financial position as at 31 December 2021, the consolidated profit and loss and other comprehensive income for the year ended 31 December 2021 to reflect the correction of Accounting Errors. The restatements have been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

**Effect on the consolidated statement of financial position as at 31 December 2021**

	<b>As previously reported at 31 December 2021 RMB'000</b>	<b>Effect of retrospective restatements RMB'000</b>	<b>As at 31 December 2021 as restated RMB'000</b>
Deferred tax assets	50,374	(41,275)	9,099
Non-current assets	63,815	(41,275)	22,540
TV program investment	–	327,288	327,288
Trade receivables	552,543	(162,188)	390,355
Current assets	1,481,761	165,100	1,646,861
Net current assets	1,121,997	165,100	1,287,097
Total assets less current liabilities	1,185,812	123,825	1,309,637
Net assets	1,175,593	123,825	1,299,418
Reserves	1,175,520	123,825	1,299,345
Total equity	<u>1,175,593</u>	<u>123,825</u>	<u>1,299,418</u>

**Effect on the consolidated statement of profit or loss for the year ended 31 December 2021**

	<b>As previously reported RMB'000</b>	<b>Effect of retrospective restatements RMB'000</b>	<b>As restated RMB'000</b>
Revenue	302,941	86,751	389,692
Gross profit	172,368	86,751	259,119
Impairment losses on trade and other receivable (recognised)/reversed, net	(48,236)	78,349	30,113
Profit from operations	15,605	165,100	180,705
Profit before taxation	13,996	165,100	179,096
Income tax credit/(expense)	35,473	(41,275)	(5,802)
Profit attributable to equity shareholders of the Company for the year	49,469	123,825	173,294
Total comprehensive income attributable to equity shareholders of the Company for the year	45,585	123,825	169,410
Earnings per share			
Basic and diluted (RMB)	<u>0.031</u>	<u>0.077</u>	<u>0.108</u>

These adjustments take into account the fact and substance should the Agreements of TV Program Investment be accounted for under IFRS 9 in the FY2021 AFS since the business model of the Group's video content operation has been changed from the role of video program producer (to develop, market, produce and distribute video content for media platforms including TV stations and online video platforms) to a video program investor during the year ended 31 December 2021 following stringent control imposed by the government of the PRC in particular to those licensed video program producers. Details of the retrospective restatement are detailed as below:

- (i) To reclassify the gross amount of trade receivables of approximately RMB240,537,000 as investment costs of TV program investment, since the investment was financed by the trade receivables, and to reverse a loss allowance of approximately RMB78,349,000 provided against the trade receivables upon the initial recognition in accordance with IFRS 9.

- (ii) To account for the fair value gain of approximately RMB86,751,000 attributable to the TV Program Investment for the year ended 31 December 2021 in accordance with IFRS 9.
- (iii) To account for the deferred tax impact for items (i) & (ii) above.

### 3 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 3(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 investments in TV program investment 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.

#### (c) Application of new and amendments to 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, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	<i>Annual Improvements to HKFRS Standards 2018-2020</i>



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 Standards in issue but not yet effective***

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

	<b>Effective for accounting periods beginning on or after</b>
IFRS 17 – Insurance Contracts and the related Amendments	1 January 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

**4 REVENUE**

The principal activities of the Group are (i) video content operation; (ii) eCommerce promotion services; and (iii) TV program investment.

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
		(Restated)
Revenue from contract with customers within the scope of IFRS 15		
Content related program		
– Media platforms	<b>47,816</b>	11,793
– Corporate sponsors	–	49,627
	<b>47,816</b>	61,420
eCommerce promotion services	<b>13,951</b>	241,521
	<b>61,767</b>	302,941
Revenue from other sources		
Gain on TV program investment	<b>2,082</b>	86,751
	<b>63,849</b>	389,692

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

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Over time:		
– Revenue from advertising and licensing of IP	–	49,627
– Revenue from eCommerce promotion services	<b>13,951</b>	241,521
	<b>13,951</b>	291,148
A point in time:		
– Revenue from licensing of broadcasting rights of programs	<b>47,816</b>	11,793
	<b>61,767</b>	302,941

#### **Transaction price allocated to the remaining performance obligation for contracts with customers**

All goods or services provided by the Group are for contracts with original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### **5 OTHER INCOME/(EXPENSE), NET**

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Government grants ( <i>note i</i> )	<b>10,059</b>	1,585
Provision of claim ( <i>note ii</i> )	<b>(514)</b>	(4,284)
Others	<b>2,369</b>	23
	<b>11,914</b>	(2,676)

#### *Notes:*

- (i) During the year ended 31 December 2022, the Group recognised government grants of approximately RMB10,059,000 (2021: RMB1,585,000) in relations to the local subsidy provided by the People's Republic of China government. Under the terms of the grant, the Group is required to carry out business situated in Beijing, Dai Xian district. The condition period is 2 years from June 2020. The Group already fulfill the requirement. The amount of the government grants received should be recognised as the other income.
- (ii) During the year ended 31 December 2021, a subsidiary of the Group was defendant in a legal case involving the failure the subsidiary to settle the outstanding balance of trade payable due to plaintiff. A claim amount of approximately RMB4,284,000 was ordered by the court in Shanghai, the PRC.

During the year ended 31 December 2022, the Company was involved in a legal case in Hong Kong for failure to settle outstanding fee due to CS Legend Corporate Services Limited. The legal claim of approximately RMB514,000 was ordered by the High Court of The Hong Kong Special Administrative Region.

## 6 PROFIT BEFORE TAXATION

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

### (a) Net finance income/(expense)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance income:		
Interest income on loan receivables	12,900	9,711
Interest income on bank balances	354	10
	<u>13,254</u>	<u>9,721</u>
Finance cost:		
Interest expenses	(10,988)	(10,881)
Interest on lease liabilities	(681)	(393)
Net foreign exchange loss	(35)	(56)
	<u>(11,704)</u>	<u>(11,330)</u>
Net finance income/(expense)	<u>1,550</u>	<u>(1,609)</u>

### (b) Staff costs (including directors' remuneration)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	11,412	13,773
Contributions to defined contribution retirement plans	2,401	2,094
Equity-settled share-based payments	4,842	25,466
	<u>18,655</u>	<u>41,333</u>

(c) **Other items**

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Cost of program copyrights sold (included in cost of sale)	25,418	130,573
Short-term leases	–	2,343
Depreciation expenses		
– Property and equipment	100	494
– Right-of-use assets	3,575	2,303
Recognised/(reversal) of impairment losses on trade and other receivables, net	3,469	(30,113)
Allowance for program copyrights (included in cost of sale)	5,299	–
Auditors' remuneration		
– Audit service	2,630	1,200

**7 INCOME TAX EXPENSE**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
<b>Current taxation</b>		
PRC enterprise income tax:		
Provision for the year	11,115	14,901
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(200)	(9,099)
Income tax expense	10,915	5,802

**8 EARNINGS PER SHARE**

(i) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of approximately RMB10,228,000 (2021 (restated): RMB173,294,000) and the weighted average number of ordinary shares of 1,600,000,000 shares (2021: 1,600,000,000 shares).

(ii) **Diluted earnings per share**

For the years ended 31 December 2022 and 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.

## 9 TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Trade receivables	744,338	641,828
Less: loss allowance, net	<u>(238,232)</u>	<u>(251,473)</u>
	<u><b>506,106</b></u>	<u><b>390,355</b></u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Within 1 month	–	12,121
1 month to 3 months	48,870	2,438
3 months to 6 months	–	15,000
6 months to 1 year	–	20,655
1 to 2 years	411,793	335,189
2 to 3 years	<u>45,443</u>	<u>4,952</u>
	<u><b>506,106</b></u>	<u><b>390,355</b></u>

Credit terms of trade receivables were ranging from 30-360 days (2021: 30-360 days) from the date of billing.

## 10 TRADE PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	1,165	14,606
1 to 2 years	19,478	5,325
2 to 3 years	<u>18,302</u>	<u>14,425</u>
	<u><b>38,945</b></u>	<u><b>34,356</b></u>

## 11 BANK LOANS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Secured ( <i>note</i> )	<b>59,000</b>	20,000
Effect interest are Fixed-rate borrowings	<b>5%–6.5%</b>	3.6%

*Note:*

As at 31 December 2021, the bank loans of RMB10,000,000 of the Group were guaranteed by Beijing Xingzhan Rongda Financing Guarantee Co., Ltd. (北京興展融達融資擔保有限公司), a third party independent to the Group. China Bright Culture Group, parent company of the Company, Shanghai Yusheng, a subsidiary of the Group, and Mr. Xia Rui, an executive director of the Company, provided counter guarantees for the guarantee mentioned above. The amount was fully repaid during the year ended 31 December 2022.

As at 31 December 2022 and 2021, the bank loans of RMB10,000,000 of the Group were guaranteed by an executive director of the Company, Mr. Liu Mu. The amount of loan was fully repaid during the year ended 31 December 2022.

As at 31 December 2022, the bank loan of RMB9,000,000 of the Group were guaranteed by Mr. Liu Mu, an executive director of the Company. It is repayable within one year with fixed interest rate of 5% per annum.

As at 31 December 2022, the bank loan of RMB30,000,000 of the Group were guaranteed by the Company and Mr. Liu Mu, an executive director of the Company and were pledged by certain assets with the carrying value amount to RMB90,750,000. It is repayable within one year with fixed interest rate of 5% per annum.

As at 31 December 2022, the bank loan of RMB20,000,000 of the Group were pledged by certain assets with the carrying value amounted to RMB87,390,000. It is repayable within one year with fixed interest rate of 6.5% per annum.

## 12 DIVIDENDS

For the years ended 31 December 2022 and 2021, no dividends were declared to the shareholders of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2022, 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. The Group's annual revenue in 2022 decreased by 83.6% as compared to that of 2021 and the Group recorded a profit in 2022 decreased by 94.1% as compared to that of 2021. The Group's total assets increased by 5.3% as compared to the previous year.

In 2022, 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 reorganized its operations by geographical region, which has shown preliminary results and proceeded step by step.

In 2022, in order to cope with expansion in eCommerce, the Group commenced eCommerce promotion service to corporate client in the PRC to assist them to promote their products through social media platform in the PRC.

### 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 83.6% from approximately RMB389.7 million in 2021 to approximately RMB63.8 million in 2022. The following table sets forth the breakdown of revenue by source for the years indicated.

	For the year ended 31 December			
	2022		2021	
	Amount	Percentage	Amount	Percentage
	<i>(RMB'000, except for percentages)</i>			
<b>Content-related program</b>				
– Media platforms	47,815	74.9%	11,793	3.0%
– Corporate sponsors	–	–%	49,627	12.7%
<b>eCommerce promotion services</b>	13,951	21.8%	241,521	62.0%
<b>Gain on TV program investment</b>	2,083	3.3%	86,750	22.3%
<b>Total</b>	<b>63,849</b>	<b>100.0%</b>	<b>389,691</b>	<b>100.0%</b>

The Group's content-related revenue from media platforms increased by 305.1% from approximately RMB11.8 million in 2021 to approximately RMB47.8 million in 2022. The increase was primarily due to more TV programs productions have been completed during the year.

The Group's relevant revenue from corporate sponsors decreased by 100% from approximately RMB49.6 million in 2021. The decrease was primarily attributable to the restructuring of the cooperation model during the year ended 31 December 2022. TV stations cooperate with the Company and corporate sponsors since early of 2022. As a result, the revenue from corporate sponsors decrease as compared with 2021.

The Group's relevant revenue from e-commerce was newly commenced in 2022 and recorded approximately RMB14.0 million in 2022. 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. The decrease in e-commerce promotion services is mainly due to the temporary suspension of e-commerce at the first half of the year due to the COVID-19 pandemic and the increase in cost and competition in e-commerce business which caused the e-commerce promotion services was temporarily suspended.

The gain on TV program investment decreased by 97.6% from approximately RMB86.8 million in 2021 to approximately RMB2.1 million, the gain on TV program investment was recognised by the fair value change on TV program investment.

### **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 76.5% from approximately RMB130.6 million in 2021 to approximately RMB30.7 million in 2022, primarily due to the decrease in cost of e-commerce promotion services.

### **Gross Profit and Gross Profit Margin**

The Group recorded the gross profit of approximately RMB33.1 million and the gross profit margin of 51.9% in 2022, compared with the gross profit of approximately RMB259.1 million and the gross profit margin of 66.5% in 2021. The decrease in gross profit is mainly due to the decrease in revenue.

### **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 9.5% from approximately RMB4.2 million in 2021 to approximately RMB3.8 million in 2022, which was primarily due to the decrease in promotional expenses in 2022.



## **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 decreased by 82.0% from approximately RMB101.0 million in 2021 to approximately RMB18.2 million in 2022, such decrease was mainly due to the decrease in rental expenses, share option expenses and the services fee incurred.

## **Impairment losses on trade and other receivables**

The impairment losses on trade and other receivables decreased from approximately RMB30.1 million in 2021 to the impairment loss recognised of approximately RMB3.5 million reversed in 2022, which was mainly due to release of the accumulated loss of allowance to finance the TV program investment by trade receivables.

## **Net Finance Income/(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 turnaround from approximately RMB1.6 million in 2021 to income of approximately RMB1.6 million in 2022, primarily due to the increase in interest income from loan receivable.

## **Profit Before Taxation**

As a result of the foregoing, the Group's profit before taxation was approximately RMB21.1 million in 2022, representing a decrease of approximately RMB179.1 million in 2021.

## **Income Tax Expense**

The Group's income tax expenses amounted to approximately RMB10.9 million in 2022, compared to the Group's income tax expense of approximately RMB5.8 million in 2021, mainly due to the decreased in deferred taxation.

## **Profit for the Year**

As a result of the foregoing, the Group's profit was approximately RMB10.2 million in 2022, compared to the gain of approximately RMB173.3 million in 2021.

## **FINANCIAL POSITION**

### **Program Copyrights**

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

The Group's program copyrights increased by 4.6% from approximately RMB530.4 million as at 31 December 2021 to approximately RMB554.8 million in 2022, 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 2021 and 2022, the Group's total trade receivables (after deduction of loss allowance) were approximately RMB390.4 million and approximately RMB506.1 million, respectively, representing an increase of 29.6% as compared to 2021. The accumulated loss allowance decreased by 5.3% from approximately RMB251.5 million as of 31 December 2021 to approximately RMB238.2 million as of 31 December 2022.

### **TV Program Investment**

The Group's TV program investment consist of program production completed.

The Group's TV program investment increased by 0.6% from approximately RMB327.3 million as at 31 December 2021 to approximately RMB329.4 million in 2022, the increase was due to the fair value change on the TV program investment.

### **Prepayments and Other Receivables**

The Group's prepayments and other receivables primarily consist of (1) prepayments to eCommerce service providers; and (2) loan receivable of approximately RMB125.7 million due from independent third party. The Group's prepayments and other receivables decreased by 11.7% from approximately RMB395.2 million as of 31 December 2021 to approximately RMB348.8 million as of 31 December 2022.

### **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 increased by 13.1% from approximately RMB34.4 million as of 31 December 2021 to approximately RMB38.9 million as of 31 December 2022.

### **Liquidity and Capital Resources**

The Group's cash and cash equivalents amounted to approximately RMB0.4 million as of 31 December 2022, compared to approximately RMB3.6 million as at 31 December 2021.

Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB1,302.2 million and approximately RMB1,314.6 million, respectively, as of 31 December 2022, compared to approximately RMB1,287.1 million and approximately RMB1,299.4 million, respectively, as of 31 December 2021.

As of 31 December 2021 and 2022, the Group's bank loans payable within one year amounted to approximately RMB20 million and approximately RMB59 million, respectively. For the year ended 31 December 2022, the Group generated a net profit of RMB10.2 million and a net operating cash outflow of RMB18.3 million. The suspension of trading of the Company's shares since 1 April 2022 and the prolonged impact of Covid-19 have adverse impacts on the Group's operations. The Group 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.

### **Gearing Ratio**

As of 31 December 2022, the Group's gearing ratio (calculated by dividing bank loans by total equity as of the end of each year) was approximately 4.5%, compared to approximately 1.5% as of 31 December 2021.

### **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 2022, 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.

### **CAPITAL EXPENDITURE AND COMMITMENTS**

The Group's capital expenditures in 2022 primarily related to improvements to leased properties and purchase of electronic equipment and other office equipment. In 2022, no capital expenditures incurred by the Group, compared to approximately RMB0.5 million in 2021.

### **CONTINGENT LIABILITIES**

The Group had no material contingent liability as of 31 December 2022.

## **CHARGES ON GROUP ASSETS**

As of 31 December 2022, 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 2021 and 2022, 80% and 54% 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 2022. 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**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2023 due to the delay in the publication of the Annual Results.

References is made to the Announcement dated 24 May 2023. As the recommendation from the Audit Committee, McMillan Woods (Hong Kong) CPA Limited ("McMillan Woods") has been appointed as the new auditor of the Company with effect from 24 May 2023 to fill the casual vacancy following the resignation of Elite Partners and to hold office until the conclusion of the next annual general meeting of the Company.

Reference is made to the Announcement dated 25 July 2023 in relation to continuing connected transactions termination of the existing contractual arrangements and entering into the new contractual arrangements. For the purpose of conducting the Group's existing business of production and distribution of radio and television programs in the PRC, (i) the WFOE, the Existing OpCo and the registered shareholders of the Existing OpCo agreed to terminate the Existing Contractual Arrangements; and (ii) the WFOE entered into the New Contractual

Arrangements with the New PRC Operating Entity and the New Registered Shareholders, the effect of which would enable the Company to exercise control over and derive the economic benefits from the New PRC Operating Entity and its subsidiaries (if any) and consolidate their results into those of the Group.

In light of the Reorganisation, (i) the agreements under the Existing Contractual Arrangements would be terminated upon the signing of the New Contractual Arrangements and the completion of the transfer of the business of the Existing OpCo Group to the New PRC Operating Entity; and (ii) the New Contractual Arrangements were entered into on substantially the same terms and conditions as those currently in place under the Existing Contractual Arrangements with effect from 24 July 2023.

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 2022.

## **OUTLOOK AND PLANS**

Since 31 December 2022 and up to the date of this announcement, the Group maintained normal operation in all of its businesses.

In 2023, 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 2023, 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 2023. 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 2022, the Group had 61 full-time employees (2021: 84), all of whom were based in the PRC. The following table sets forth the number of our employees by function.

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. The purpose of the Share Option Scheme is to recognize and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group. As at 31 December 2022, the Company had 48,000,000 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 48,000,000 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, 48,000,000 options were granted to the 7 other individuals including 5 employees, an external consultant and an 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 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		Outstanding as at 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2022	Vesting period
					per share immediately prior to the date of grant (HKD)	Fair value of share options at the date of grant during the year (HKD)							
<b>Director</b>													
Xia Rui (note (iv))	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	0.64	16,000,000	-	-	(16,000,000)	-	-	-
<b>Others</b>													
5 employees	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	0.64	24,000,000	-	-	-	-	24,000,000	note (i)
an external consultant (note (v))	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	0.64	8,000,000	-	-	-	-	8,000,000	note (ii)
an employee	1 January 2021	1 January 2021 to 7 December 2030	1 January 2022 to 7 December 2030	0.97	0.97	0.64	16,000,000	-	-	-	-	16,000,000	note (iii)
							64,000,000	-	-	(16,000,000)	-	48,000,000	

**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.
- (iv) Mr. Xia Rui resigned as Director with effect from 21 July 2022.
- (v) These share options were granted to a consultant (“**Consultant**”), who is an independent third party, for being the investment consultant of the Company, offering Hong Kong and PRC investment consultancy services to the Company. As Consultant has provided services which contributed to the value of the Group, the Board believes that granting these share options to Consultant as consideration for its services was align with the objective of the Share Option Scheme.

**COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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 2022 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.



## **AUDIT COMMITTEE AND REVIEW OF AUDITED FINANCIAL STATEMENTS**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee, comprising two independent non-executive Directors, namely Ms. SUN Jing (the chairlady), and Dr. LU Di (with Ms. SUN Jing possessing the appropriate professional qualifications and accounting and auditing expertise) and one non-executive Director, namely Mr. WANG Daotie, has discussed with the management of the Company and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2022. The Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group’s financial position and results for the Year.

## **SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED**

The figures in respect of the preliminary announcement of the annual results of the Group for the Reporting Period have been agreed by McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Reporting Period. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

## **FINAL DIVIDEND**

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

## **THE AGM AND CLOSURE OF REGISTER OF MEMBERS**

The AGM of the Company will be held on Tuesday, 31 October 2023. 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](http://www.sinozsw.com) and the Stock Exchange at [www.hkexnews.hk](http://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 Wednesday, 25 October 2023 to Tuesday, 31 October 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 October 2023.

## **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](http://www.sinozsw.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 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, 21 September 2023

*As of the date of this announcement, executive Directors are Mr. LIU Mu and Mr. NIE Lei; non-executive Director is Mr. WANG Daotie and independent non-executive Directors are Mr. YU Xuezhong, Dr. LU Di and Ms. SUN Jing.*

\* *For identification purpose only*