

煜盛文化集團*



煜盛文化
CHINA BRIGHT CULTURE GROUP

CHINA BRIGHT CULTURE GROUP

(Incorporated in the Cayman Islands with limited liability)

CHINA BRIGHT

Stock Code: 1859

CULTURE GROUP

2021
Interim Report

* For identification purposes only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Mu (*Chairman and Chief Executive Officer*)

Mr. XIA Rui

Independent non-executive Directors

Ms. RAN Hua

Mr. ZHANG Yiwu

Mr. YANG Chengjia

Ms. YAO Li

AUDIT COMMITTEE

Ms. RAN Hua (*Chairwoman*)

Mr. YANG Chengjia

Ms. YAO Li

REMUNERATION COMMITTEE

Mr. ZHANG Yiwu (*Chairman*)

Ms. RAN Hua

Mr. XIA Rui

NOMINATION COMMITTEE

Mr. LIU Mu (*Chairman*)

Ms. RAN Hua

Mr. ZHANG Yiwu

COMPANY SECRETARY

Mr. NGAI Tsz Hin Michael

AUTHORISED REPRESENTATIVES

Mr. LIU Mu

Mr. NGAI Tsz Hin Michael

LEGAL ADVISER

Khoo & Co.

15/F & 16/F, Tern Centre Tower 2

251 Queen's Road Central

Hong Kong

COMPLIANCE ADVISER

Capital 9 Limited

Room 1219, 12/F, Bank of America Tower

12 Harcourt Road

Central

Hong Kong

REGISTERED OFFICE

Floor 4, Willow House

Cricket Square

Grand Cayman

KY1-9010

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Tern Centre Tower 2

251 Queen's Road Central

Hong Kong

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS IN CHINA**

Yard 4
Wanhui Cultural, Sports and Leisure Industrial Park
No. 2 Guangbai East Road
Chaoyang District
Beijing
PRC

COMPANY WEBSITE

www.sinozsw.com

STOCK CODE

1859

**CAYMAN ISLANDS PRINCIPAL SHARE
REGISTRAR AND TRANSFER OFFICE**

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
P.O. Box 268
Grand Cayman, KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Bank of Communications, Beijing East District Branch
No. 21 Guangqu Avenue
Chaoyang District, Beijing
PRC

China Merchants Bank, Beijing Wantong Centre Branch
1st Floor, Wantong Centre
No. A6 Chaoyangmennei Avenue
Chaoyang District, Beijing
PRC

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of sales

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

	For the six months ended June 30,			
	2021		2020	
	Amount (RMB'000) (Unaudited)	Percentage	Amount (RMB'000) (Unaudited)	Percentage
Content-related	130,062	100.0%	159,149	100.0%

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

Gross Profit and Gross Profit Margin

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

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (1) staff costs of our employees for content development, production and sales and marketing; (2) marketing and promotional expenses for our programs; and (3) traveling and transportation expenses in relation to selling and marketing activities. The Group's selling and marketing expenses decreased by 70.3% from RMB6.9 million for the first half of 2020 to RMB2.1 million for the first half of 2021, primarily due to the decrease in number of programs.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of (1) staff costs for the Group's administrative staff; (2) depreciation and amortisation; (3) expenses for rent, office, transportation and traveling; and (4) professional service fees for legal and accounting services. The Group's general and administrative expenses increased by 65.5% from RMB15.8 million for the first half of 2020 to RMB26.2 million for the first half of 2021, primarily due to the increase in professional service fees for the corresponding legal and accounting services upon the Group's listing.

Net Finance Expenses

The Group's net finance expenses represent (1) interest income on bank deposits; (2) interest expenses on bank loans and other borrowings and loans from third parties; (3) interest on lease liabilities; and (4) net foreign exchange loss from the depreciation of certain U.S. dollar bank deposits due to U.S. dollar to Renminbi exchange rate fluctuations. The Group's net finance expenses decreased by 85.1% from RMB7.6 million for the first half of 2020 to RMB1.1 million for the first half of 2021, primarily due to the decrease in interest expenses on bank loans and other borrowings.

Profit Before Taxation

As a result of the foregoing, the Group's profit before taxation for the first half of 2021 decreased by 4.5% from approximately RMB71.6 million for the first half of 2020 to RMB68.3 million for the first half of 2021.

Income Tax

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

Profit for the Period

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

FINANCIAL POSITION

Program Copyrights

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

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

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

Trade Receivables

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

Management Discussion and Analysis (Continued)

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

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

Trade Payables

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

The Group's trade payables primarily relate to payments due to third party suppliers for services such as choreography, video, lighting and sound. Its trade payables increased by 1.0% from RMB65.3 million as at December 31, 2020 to RMB66.0 million as at June 30, 2021.

Management Discussion and Analysis (Continued)

Liquidity and Capital Resources

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

The Group continued to maintain a strong financial position. Total assets increased from RMB1,446.5 million as at December 31, 2020 to RMB1,477.5 million as at June 30, 2021, whereas the total liabilities decreased from RMB342.0 million as at December 31, 2020 to RMB318.4 million as at June 30, 2021. The debt to asset ratio decreased from 23.6% as at December 31, 2020 to 21.6% as at June 30, 2021. The Group's bank loans and other borrowings payable within one year amounted to RMB25.0 million as at June 30, 2021 and RMB36.0 million as at December 31, 2020. The fixed annual interest rates of the Group's bank loans and other borrowings for the six months ended June 30, 2021 ranged from 3.9% to 5.0%, while the relevant fixed interest rates for the year of 2020 ranged from 4.1% to 6.5%. The Directors are of the opinion that the Group is in a strong and sound financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

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

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash used in operating activities	(397,347)	(172,168)
Net cash generated from/(used in) investing activities	436,846	(532,488)
Net cash (used in)/generated from financing activities	(32,225)	693,284
Net increase/(decrease) in cash and cash equivalents	7,274	(11,372)

Net Cash Used in Operating Activities

In the first half of 2021, the net cash used in operating activities was approximately RMB397.3 million, primarily due to the increase in program production expenses.

Net Cash Generated from Investing Activities

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

Net Cash Used in Financing Activities

In the first half of 2021, the net cash used in financing activities was approximately RMB32.2 million, primarily due to the increase in the Group's repayment of borrowings.

Net Current Assets

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

Gearing Ratio

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2021, save as disclosed in this report, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associated companies and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2021, save as disclosed in the Prospectus and this report, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business sectors and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

CAPITAL EXPENDITURE AND COMMITMENTS

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

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

CONTINGENT LIABILITIES

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

CHARGES ON GROUP ASSETS

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

FOREIGN EXCHANGE RISK

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

Management Discussion and Analysis (Continued)

CREDIT RISK

The Group's credit risk is primarily attributable to trade receivables and influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. Therefore, significant concentration of credit risk arises when it has significant exposure to individual customers. As at December 31, 2020 and June 30, 2021, 84.1% and 88.9% of the total trade receivables were due from our five largest customers, respectively. These customers were mainly TV networks and advertising agent companies with diversified end-customers.

LIQUIDITY RISK

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

OUTLOOK AND PLANS

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

- I. making more efforts to promote originality of vertical content by launching a series of new content products through the combination with prevailing hot events;
- II. developing content e-commerce business on an ongoing basis by expanding the e-commerce business leveraging the foundation laid during the first half of the year, while starting to combine the high-quality content produced by the Group to guide consumer behavior, thereby striving to create flagship products in 1 to 2 segments; and
- III. commencing the operation of cultural data business to promote the Internet ecological model of data-based content production.

CHANGE IN 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 January 1, 2021 (RMB'000)	Movement after the redemption of USD64.0 million from the AMTD Investments during the Reporting Period (RMB'000)	Amount utilised during the Reporting Period (RMB'000)	Amounts unutilised as at June 30, 2021 (RMB'000)	Intended use of the proceeds upon maturity and repayment of the Loan (RMB'000)
A. Funding the development of our new pipeline programs	636,799	–	266,522	(266,522)	–	118,209
A(1). Of which: Funding the programs that are expected to be released in 2020	524,423	–	266,522	(266,522)	–	92,013
Of which: A(1)(a) TV variety programs in the food, work/career, youth and police/crime genres	217,260	–	86,186	(86,186)	–	25,334
A(1)(b) TV drama series in the urban and police/crime genres	202,278	–	114,561	(114,561)	–	28,918
A(1)(c) Made-for-internet drama series in the urban, youth and police/crime genres	104,885	–	65,775	(65,775)	–	37,761
A(2). Funding the programs that are expected to be released in 2021	112,376	–	–	–	–	26,196
B. Expanding our team	37,459	–	28,330	(28,330)	–	7,866
C. For working capital and general corporate purposes	74,918	–	8,269	(8,269)	–	18,804
IPO proceeds sub-total	749,176	–	303,121	(303,121)	–	144,879
Temporary usages						
The AMTD Investments	–	448,000 ⁽³⁾⁽⁴⁾	(448,000) ⁽³⁾	–	–	–
The Loan	–	–	144,879	–	144,879	(144,879) ⁽²⁾
Total	749,176	448,000		(303,121)⁽¹⁾	144,879	–

Management Discussion and Analysis (Continued)

Notes:

- (1) The amount utilised as at June 30, 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) The approximately RMB144.9 million of the net proceeds has been used to fund the secured loan of principal amount of RMB179 million (the "**Loan**") to Tianjin Fangzhou Technology Development Company Limited* (天津方舟科技發展有限公司) ("**Tianjin Fangzhou**") pursuant to the loan agreement dated June 16, 2021 ("**Loan Agreement**"), and the remaining principal amount of the Loan (i.e. RMB34.1 million) was funded by its internal resources. For more details, please refer to the announcements of the Company dated August 12, 2021 and September 3, 2021 and the paragraphs headed "The Loan" in this report. For such amount of RMB144.9 million, upon maturity and repayment of the Loan, it is expected to be utilised by June 30, 2022 in the same intended proportion on the same categories as disclosed in the Prospectus.
- (3) 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.
- (4) 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 September 3, 2021 and the section headed "Change in use of proceeds from the Global Offering" in this report.

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 August 28, 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 June 30, 2021, the AMTD Investments had been fully redeemed without any interests or any return from the AMTD Investments.

For the reasons for entering into the Loan, the Board is of the view that entering into the Loan Agreement would be in furtherance of the existing cooperation and business relationship with the Borrower in content e-commerce business. Please refer to the announcement of the Company dated August 12, 2021 for more details. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. In light of the interests rates under the AMTD Investments and Loan Agreement, the Board considers the above change in the use of the net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group by bringing investment return and/or loan interest to the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Company would like to clarify that, the respective section headed “Use of Proceeds from the Global Offering” in the 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 the Loan; and (ii) the respective amount used in the AMTD Investments and the Loan will be applied back to the intended use of proceeds as disclosed in the Prospectus upon redemption of the AMTD Investments and repayment of the Loan. 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 September 3, 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.

Further information on our Content E-Commerce Business and the Loan

Content e-commerce business

Our content e-commerce business derives from our content-related operations. Under the existing content-related revenue model, a portion of our revenue came from our corporate sponsors for advertising such as product placement advertising (i.e. physical placements, host-read advertisements and special thanks at the end of programs) and TV commercials. Since 2nd quarter of 2021, in addition to advertising revenue, we have been providing direct sales channel (including product placements and live broadcasts on various media platforms) for products of our corporate sponsors thus generating extra revenue under the existing content-related operations. Suppliers in our content e-commerce business include media platform for live broadcast, key-opinion-leaders (KOLs) or internet influencers and media marketing solution providers with multi-channel network institutions (“**MCN institutions**”).

The Board considered the content e-commerce business is an extension of the existing content-related operations and based on the evaluation of performance from the trial operation since 2020, it was the view of the Board that it would be in the interests of the Group to continue to develop and increase our budget gradually in the content e-commerce business.

The Loan

Reference is made to the announcement of the Company dated August 12, 2021 in relation to the Loan Agreement entered into between the Yueying Xingyao Information Technology (Tianjin) Company Limited* (月影星耀信息技術(天津)有限公司) (“**Yueying Xingyao**”), a wholly-owned subsidiary of the Company as lender, and Tianjin Fangzhou as borrower, pursuant to which Yueying Xingyao granted the Loan of RMB179.0 million to Tianjin Fangzhou with an interest rate of 10% per annum for a term ending and the maturity date falling on December 31, 2021. The Loan is secured by 35% of the total issued shares of Tianjin Fangzhou (i.e. amounted to approximately RMB17.5 million) owned by its ultimate beneficial owner. As at December 31, 2020, the net asset value of Tianjian Fangzhou was approximately RMB49.8 million.

Management Discussion and Analysis (Continued)

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

In view to expand the content e-commerce business line, the Company expects to increase the expenses in the business line. Therefore, at the same time of the entering into of the Service Contract, under which Tianjin Fangzhou shall provide media marketing and technical services relating to advertisement and content placement on media platforms such as Bilibili, Douyin, Kuaishou, Weibo etc., Yueying Xingyao entered into the Loan Agreement with Tianjin Fangzhou to provide loan interests income in addition to the revenue to be generated in the content e-commerce business during the cooperation between the parties. According to Tianjin Fangzhou, it is expected that the proceeds of the Loan will be used on its own business operations. During the period between June 23, and June 25, 2021, Yueying Xingyao advanced the amount of RMB179.0 million to Tianjin Fangzhou pursuant to the Loan Agreement. There is no set off or other settlement arrangement related to service fees and repayment of the Loan as at the date of this report.

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

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

PROPERTY, PLANT AND EQUIPMENT

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

HUMAN RESOURCES

As at June 30, 2021, the Group had 83 full-time employees (as compared with 88 full-time employees as at December 31, 2020), all of whom were based in the PRC. The following table sets forth the number of our employees by function:

	Number of employees	% of total
Content development	45	54.2%
Marketing	15	18.1%
Administrative and human resources	5	6.0%
Finance and capital raising	5	6.0%
Management and support	13	15.7%
Total	83	100.0%

The Company's employee benefit expense (excluding directors' remuneration), including salaries, bonuses and other employee's benefits, amounted to approximately RMB5.5 million for the Reporting Period (June 30, 2020: approximately RMB5.1 million). The increase in staff costs was mainly due to the decrease in exemption of contributions to defined contribution retirement plans during the Reporting Period.

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

LOAN AND GUARANTEE

During the Reporting Period, the Group did not make any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or any of their respective connected persons.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2021, save as disclosed below and to the best knowledge of the Directors, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Directors and Chief Executives in the Company or Associated Corporation of the Company

Name	Name of Corporation	Capacity/ Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of the Shareholding (%)
Mr. LIU Mu	The Company	Interest in controlled corporations ⁽¹⁾	774,263,739	Long position	48.39%
	Double K Limited	Beneficial owner	741,365,961	Long position	46.34%
	Zhongguan Yusheng	Beneficial owner	N/A ⁽²⁾	Long position	79.56%
Mr. XIA Rui	The Company	Beneficial owner ⁽³⁾	16,000,000	Long position	1.00%

Notes:

- (1) The Shares are registered under the name of Double K Limited and Blueberry Culture Limited, the issued share capital of which is owned as to 100% by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Double K Limited and Blueberry Culture Limited for the purpose of Part XV of the SFO.
- (2) Zhongguan Yusheng is a limited liability company established in the PRC without issued shares.
- (3) Mr. XIA Rui holds 16,000,000 underlying shares under the options granted under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2021, save as disclosed below and to the best knowledge of the Directors, the Directors were not aware of any persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. LIU Mu ⁽¹⁾	Interest in controlled corporations	774,263,739	Long position	48.39%
Ms. CHANG Xing ⁽²⁾	Interest of spouse	774,263,739	Long position	48.39%
Double K Limited ⁽¹⁾	Beneficial owner	741,365,961	Long position	46.34%
China Zenith Limited ⁽³⁾	Beneficial owner	106,752,945	Long position	6.67%
Star Fortune Investment Holdings Limited ⁽³⁾	Interest in a controlled corporation	106,752,945	Long position	6.67%
Mr. LIU Chuanjun ⁽³⁾	Interest in a controlled corporation	106,752,945	Long position	6.67%
Eastern Pearl Capital Fund SPC-Eastern Pearl Caelus Fund SP	Beneficial owner	166,626,000	Long position	10.30%
Ms. LIU Yang ⁽⁴⁾	Interest in controlled corporations	160,001,000	Long position	10.00%
Atlantis Capital Group Holdings Limited ⁽⁴⁾	Interest in controlled corporations	160,001,000	Long position	10.00%
Atlantis Investment Management Limited ⁽⁴⁾	Interest in controlled corporations	160,001,000	Long position	10.00%
OBOR Stable Growth Fund Limited ⁽⁴⁾	Beneficial owner	125,001,000	Long position	7.81%

Notes:

- (1) The entire issued share capital of Double K Limited is directly owned by Mr. Liu. Mr. Liu is also the beneficial owner of Blueberry Culture Limited which directly holds 32,897,778 Shares. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Double K Limited and Blueberry Culture Limited.
- (2) Ms. CHANG Xing (常星) is the spouse of Mr. Liu. Accordingly, she is deemed to be interested in the relevant Shares.
- (3) The entire issued share capital of China Zenith Limited is wholly owned by Star Fortune Investment Holdings Limited, which is wholly owned by Mr. LIU Chuanjun (劉傳軍), an independent third party of the Group. Accordingly, each of Star Fortune Investment Holdings Limited and Mr. LIU Chuanjun is deemed to be interested in the Shares held by China Zenith Limited.
- (4) The entire issued share capital of OBOR Stable Growth Fund Limited is wholly owned by Atlantis Investment Management Limited, which is wholly owned by Atlantis Capital Group Holdings Limited. Atlantis Capital Group Holdings Limited is wholly owned by Ms. LIU Yang (劉央). Accordingly, Atlantis Capital Group Holdings Limited and Ms. LIU Yang are respectively deemed to be interested in the Shares held by Atlantis Investment Management Limited and OBOR Stable Growth Fund Limited.

Other Information (Continued)

SHARE OPTION SCHEME

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

As at June 30, 2021, the Company had 77,000,000 share options outstanding (“**Outstanding Share Options**”) under the Share Option Scheme. On December 8, 2020, the Board has approved the grant of the Outstanding Share Options to 10 grantees including 1 Director and 9 employees (the “**Grantees**”) under the Share Option Scheme. The Outstanding Share Options were granted with both service condition and performance condition to purchase 77,000,000 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 61,000,000 options were granted to the other 9 employees. The validity period of the options granted is 10 years from the date of grant (i.e. from December 8, 2020 to December 7, 2030). For details, please refer to the announcement of the Company dated December 8, 2020. 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)	Number of options			Vesting period	
						Outstanding as at January 1, 2021	Granted/ Exercised/ lapsed/ cancelled during the Reporting Period	Outstanding as at June 30, 2021		
Director										
Xia Rui	December 8, 2020	December 8, 2020 to December 7, 2030	December 8, 2020 to December 7, 2030	0.97	0.97	16,000,000	-	16,000,000	Please refer to note 1 below.	
Others										
9 other employees	December 8, 2020	December 8, 2020 to December 7, 2030	December 8, 2020 to December 7, 2030	0.97	0.97	61,000,000	-	61,000,000	Please refer to note 1 below.	
						77,000,000	-	77,000,000		

Note:

- The options granted are exercisable in accordance with the following vesting schedule: subject to the fulfilment of both the service assessment condition and business performance condition for each of the financial years 2021, 2022 and 2023 as set out in the grant letter, (i) 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; (ii) 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 (iii) 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.

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

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

EVENTS AFTER THE REPORTING PERIOD

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

REVIEW OF FINANCIAL STATEMENTS

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

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

After making specific enquiries by the Company and confirmed by the Directors, there had been no changes in the information of any Directors after the date of the 2020 Annual Report that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 account of the Board to all Shareholders. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Period, the Company complied with all applicable code provisions set out in the CG Code, except for the following deviations from code provision A.2.1 of the CG Code.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by the Directors. Having made specific enquiries to all Directors, all of them confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

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

INTERIM DIVIDEND

The Board has resolved not to recommend payment of any interim dividend for the six months ended June 30, 2021 (2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2021

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period	57,812	50,248
Other comprehensive (expense)/income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation into presentation currency of the Group	(3,258)	7,866
Other comprehensive (expense)/income for the period	(3,258)	7,866
Total comprehensive income attributable to equity shareholders of the Company for the period	54,554	58,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	As at June 30 2021 RMB'000 (Unaudited)	As at December 31 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	7(b)	653	796
Right-of-use assets	7(a)	5,858	7,118
		6,511	7,914
Current assets			
Short-term investment		–	20,066
Program copyrights	8	517,892	346,573
Trade receivables	9	605,225	593,795
Prepayments and other receivables	10	345,650	475,653
Restricted bank deposit		–	1,220
Cash and cash equivalents		2,259	1,292
		1,471,026	1,438,599
Current liabilities			
Bank loans	11	25,000	36,000
Contract liabilities		30,209	22,745
Trade payables	12	65,955	65,319
Accruals and other payables	13	86,521	115,672
Lease liabilities		1,372	1,903
Current taxation		104,774	95,020
		313,831	336,659
Net current assets		1,157,195	1,101,940
Total assets less current liabilities		1,163,706	1,109,854

Consolidated Statement of Financial Position (Continued)

As at June 30, 2021

	Notes	As at June 30 2021 RMB'000 (Unaudited)	As at December 31 2020 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		4,610	5,312
NET ASSETS			
Equity			
Share Capital	15	73	73
Reserves		1,159,023	1,104,469
Equity attributable to the equity shareholders of the Company			
		1,159,096	1,104,542
TOTAL EQUITY			
		1,159,096	1,104,542

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021 – unaudited

	Attributable to equity shareholders of the Company					
	Share capital	Share premium	Capital reserves	Exchange reserves	Retained profit	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2020 (audited)	45	116,958	137,106	1,997	316,178	572,284
Changes in equity for the six months ended June 30, 2020:						
Profit and other comprehensive income for the period	-	-	-	7,866	50,248	58,114
Issuance of ordinary shares under initial public offering	28	765,878	-	-	-	765,906
Balance at June 30, 2020 and July 1, 2020 (unaudited)	73	882,836	137,106	9,863	366,426	1,396,304
Changes in equity for the six months ended December 31, 2020:						
Profit and other comprehensive income for the period	-	-	-	(42,939)	(248,823)	(291,762)
Balance at December 31, 2020 and January 1, 2021 (audited)	73	882,836	137,106	(33,076)	117,603	1,104,542
Changes in equity for the six months ended June 30, 2021:						
Profit and other comprehensive expenses for the period	-	-	-	(3,258)	57,812	54,554
Balance at June 30, 2021 (unaudited)	73	882,836	137,106	(36,334)	175,415	1,159,096

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2021 – unaudited

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operations	(396,598)	(168,191)
Income taxes paid	(749)	(3,977)
Net cash used in operating activities	(397,347)	(172,168)
Cash flows from investing activities		
Proceed from investments	436,839	–
Interest received	7	121
Proceeds from disposal of a subsidiary	–	700
Payments for purchase of property, plant and equipment	–	(223)
Purchases of short-term investments	–	(533,086)
Net cash generated from/(used in) investing activities	436,846	(532,488)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares under initial public offering, net of issuance expenses	–	768,083
Proceeds from interest-bearing borrowings	10,000	44,677
(Repayment to)/proceed from a related party, net	(7,993)	6,000
Decrease/(increase) in restricted bank deposits	1,220	(1,097)
Repayment of interest-bearing borrowings	(21,000)	(112,857)
Borrowing costs paid	(3,356)	(8,751)
Interest element of lease rentals paid	(168)	(409)
Capital element of lease rentals paid	(928)	(2,362)
Repayment of other borrowings	(10,000)	–
Net cash (used in)/generated from financing activities	(32,225)	693,284
Net increase/(decrease) in cash and cash equivalents	7,274	(11,372)
Cash and cash equivalents at the beginning of the period	1,292	8,982
Effect of exchange rate fluctuations on cash held	(6,307)	4,181
Cash and cash equivalents at the end of the period	2,259	1,791

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and is compliance with the requirements of International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). This interim financial report was authorised for issue on August 31, 2021.

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

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the publication of the annual financial statements for the year of 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 Changes in Accounting Policies

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

3 Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are video content operation.

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

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

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

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

3 Revenue and Segment Reporting (Continued)

(b) Segment reporting

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

4 Profit Before Taxation

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

(a) Net finance expenses

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

(b) Other items

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

5 Income Tax in the Consolidated Statements of Profit or Loss

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

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

The Group has no assessable profit in Hong Kong for the six months ended June 30, 2021 and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate is 16.5%.

In accordance with the Enterprise Income Tax Law (“**Income Tax Law**”) of the PRC, enterprise income tax rate for the Group’s PRC subsidiaries is 25% for the six months ended June 30, 2021.

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

6 Earnings Per Share

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

7 Property, Plant and Equipment

(a) Right-of-use assets

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

(b) Acquisitions and disposals of owned assets

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

8 Program Copyrights

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

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

(b) Movements of program copyrights are as follows:

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

9 Trade Receivables

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

Ageing analysis

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

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

The credit terms agreed with customers are normally 30–360 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

10 Prepayments and Other Receivables

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

Notes:

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

11 Bank Loans

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Secured (i)	15,000	35,000
Unsecured (ii)	10,000	1,000
	25,000	36,000

(i) As at June 30, 2021 and December 31, 2020, 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. China Bright Culture Group, parent company of the Group, Shanghai Yusheng, a subsidiary of the Group, and Mr. Xia Rui, an executive Director, provided counter guarantees for the guarantee mentioned above. It is repayable within one year.

As at June 30, 2021 and December 31, 2020, the Group's bank loan of RMB5,000,000 was guaranteed by Beijing Culture and Technology Financing Guarantee Co., Ltd. (北京市文化科技融資擔保有限公司), a third party, and Mr. Xia Rui, an executive Director. Zhongguang Yusheng (中廣煜盛), a subsidiary of the Group, and Mr. Xia Rui, an executive Director, provided counter guarantees for the guarantee mentioned above. It is repayable within one year.

As at December 31, 2020, the bank loans of RMB10,000,000 of the Group were guaranteed by Beijing Beitou Financing Guarantee Co., Ltd. (北京北投融資擔保有限公司), a third party. Other subsidiaries of the Group, Shanghai Yusheng and Yili Zhongsheng, and executive Directors, Mr. LIU Mu and Mr. Xia Rui, provided counter guarantees for the guarantee mentioned above. It is repayable within one year, and has been settled during the six months ended June 30, 2021.

As at December 31, 2020, the bank loans of RMB10,000,000 of the Group were guaranteed by Zhongguang Yusheng, with an amount of RMB581,000 security deposit. It is repayable within one year, and has been settled during the six months ended June 30, 2021.

(ii) As at June 30, 2021, the Group's bank loan of RMB10,000,000 was guaranteed by Mr. LIU Mu, an executive Director, and his spouse. It is repayable within one year.

12 Trade Payables

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

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

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

13 Accruals and Other Payables

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Accrued listing expenses	3,232	3,372
Amounts due to Mr. LIU Mu (i)	996	8,989
Amounts due to third parties (ii)	10,000	35,000
Program and IP content research and development expenses	14,245	14,245
Payroll payables	4,911	4,342
Other taxes and levies	32,636	23,820
Interest payables	3,046	8,795
Unrecognised government grant	10,000	10,000
Others	7,455	7,109
	86,521	115,672

(i) Amounts due to Mr. LIU Mu, the Controlling Shareholder and executive Director, represent RMB507,000 interest free amount due to Mr. LIU Mu, the unsecured borrowing of RMB169,000 (December 31, 2020: RMB8,669,000) from Mr. LIU Mu with interest rate of 4.35% per annum and the government grant of RMB320,000 (December 31, 2020: RMB320,000) received on behalf of Mr. LIU Mu.

(ii) On August 1, 2018 and January 23, 2019, Zhongguang Yusheng received RMB5,000,000 and RMB5,000,000 from co-producers Guodu Jingrui Investment Co., Ltd. (國都景瑞投資有限公司), respectively. The program cooperation was terminated and the termination agreement was signed on May 6, 2020. Zhongguang Yusheng was required to repay the principal amount and 15% annualised interests for the investment. The aforementioned amounts were settled during the six months ended June 30, 2021.

On August 17, 2020, Zhongguang Yusheng borrowed RMB10,000,000 from Huasheng Yihong Investment Management Co., Ltd. (華盛一泓投資管理有限公司) ("Huasheng Yihong"), which was guaranteed by Mr. LIU Mu. The borrowing was settled on March 5, 2021.

On September 8, 2020, Zhongguang Yusheng borrowed RMB10,000,000 from Huasheng Yihong, which was guaranteed by Mr. LIU Mu. The borrowing was due on September 15, 2020.

On December 30, 2020, Zhongguang Yusheng borrowed RMB5,000,000 from Zhuji Jilong Ruiyuan Machinery Co., Ltd. (諸暨吉隆瑞元機械有限公司), which was unsecured. The borrowing was settled on January 19, 2021.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

14 Dividends

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

15 Share Capital

	No. of shares	Amount RMB'000
Ordinary shares, issued and fully paid:		
At January 1, 2020 (audited)	656,579,304	45
Issue of ordinary shares by Capitalization Issue	543,420,696	–
Issuance of ordinary shares relating to initial public offering	400,000,000	28
At December 31, 2020 (audited), January 1, 2021 (audited) and June 30, 2021 (unaudited)	1,600,000,000	73

Pursuant of the resolutions of the equity shareholders of the Company passed on February 7, 2020 and effective on March 13, 2020, the Company authorised to capitalise an amount of US\$5,434.21 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par a total of 543,420,696 Shares for allotment and issue to the persons whose names appear on the register of shareholders of the Company (the “Shareholders”) on the date of the resolutions in accordance with their respective shareholding in the Company or in accordance with the direction of the Shareholders.

On March 13, 2020, the shares of the Company were listed on the Main Board of the Stock Exchange, where 400,000,000 shares of US\$0.00001 each were issued and subscribed at a price of HK\$2.26 each. Net proceeds from these issues amounted to RMB765,906,000 (after offsetting expenses directly attributable to the issue of shares of RMB47,922,000), out of which RMB28,000 and RMB765,878,000 were recorded in share capital and share premium accounts, respectively.

(Expressed in RMB unless otherwise indicated)

16 Fair Values of Financial Instruments

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The fair value measurements of the Group's short-term investment is categorised into the following level in the fair value hierarchy:

	Fair value at	Fair value at	Fair value measurement as of			Fair value measurement as of		
	June 30, 2021	December 31, 2020	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)						
Assets								
Short-term investment	-	20,066	-	-	-	-	20,066	-

During the six months ended June 30, 2021, there were no transfers between Level 1 and Level 2, or transfers into nor out of Level 3.

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the Reporting Period in which they occur.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements (Continued)

(Expressed in RMB unless otherwise indicated)

17 Material Related Party Transactions

- (a) Names and relationships of the related parties that had material transactions with the Group during the Reporting Period and balances with the Group at the end of the reporting period:

Names of related parties	Nature of relationship
Mr. LIU Mu (劉牧)	Controlling shareholder and executive director of the Company
Mr. Xia Rui (夏瑞)	Executive director of the Company

- (b) Transactions with related parties during the Reporting Period

	For the six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Amounts received from Mr. LIU Mu	43,640	6,000
Amounts repaid to Mr. LIU Mu	51,633	–
Interest expense	–	34

Details of the bank loans and other payables guaranteed by Directors are disclosed in Notes 11 and 13.

Details of the counter guarantees provided by Directors, subsidiaries and the parent company related to the bank loans are disclosed in Note 11.

- (c) Balances with related parties at the end of the Reporting Period

	As at June 30, 2021 RMB'000 (Unaudited)	As at December 31, 2020 RMB'000 (Audited)
Included in accruals and other payables (Note 13):		
Amounts due to Mr. LIU Mu	996	8,989

DEFINITIONS

“2020 Annual Report”	the 2020 annual report published by the Company on August 31, 2021
“2020 Results Announcement”	the annual results announcement of the Company for the year ended December 31, 2020
“2021 Interim Results Announcement”	the interim results announcement for the six months ended June 30, 2021
“AMTD”	AMTD Global Markets Limited
“AMTD Investments”	the investments of an aggregate amount of USD70.8 million that the Company acquired pursuant to an asset management agreement with AMTD dated March 13, 2020. Details of which and the redemption thereof are set out in the announcements of the Company dated August 28, 2020, March 31, 2021, June 24, 2021 and September 3, 2021
“Articles of Association”	the articles of association of the Company adopted on February 7, 2020 and effective on the Listing Date and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of our Company
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this interim report, references in this interim report to the PRC or China do not include Taiwan, Hong Kong or Macau
“Company”, “our Company”, or “the Company”	China Bright Culture Group, an exempted company incorporated in the Cayman Islands with limited liability on May 28, 2019 and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1859)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

Definitions (Continued)

“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Zhongguang Yusheng, WFOE and the Registered Shareholders, details of which are described in the section headed “Report of the Directors – Connected Transactions – Contractual Arrangements” in the 2020 Annual Report
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Liu, Double K Limited and Blueberry Culture Limited
“Director(s)”	the director(s) of our Company
“Dongyang Qianyuxing”	Zhejiang Dongyang Qianyuxing Video Culture Co., Ltd.* (浙江東陽千雨杏影視文化有限公司), a company established under the laws of the PRC with limited liability on August 17, 2016
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Public Offer Shares”	the 40,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong
“International Offer Shares”	the 360,000,000 Shares initially being offered by the Company at the offer price under the International Offering
“International Offering”	the offer of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	March 13, 2020, being the date on which the Shares were listed on the Stock Exchange

Definitions (Continued)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“Mr. Liu”	Mr. LIU Mu, our chairman of the Board, executive Director, chief executive officer and one of our Controlling Shareholders
“PRC Operating Entity(ies)”	the entity(ies) controlled by the Company through the Contractual Arrangements, being Zhongguang Yusheng and its subsidiaries, namely Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng
“Prospectus”	the prospectus of the Company dated February 28, 2020 in relation to its initial public offering
“Registered Shareholders”	Mr. Liu, Zhuhai Mubi No.2 Private Equity Investment Fund Management Enterprise (Limited Partnership)* (珠海木筆二號私募股權投資基金管理企業(有限合夥)), Jiaying Datai Investment Partnership (Limited Partnership)* (嘉興達泰投資合夥企業(有限合夥)), Ningbo Meishan Bonded Area Xin Dong Neng Zhongguang Investment Partnership (Limited Partnership)* (寧波梅山保稅港區新動能中廣投資合夥企業(有限合夥)), CHEN Dazhi, CHEN Kai, REN Feng, MA Zihui, WU Yeheng, Beijing Xingwen Equity Investment Partnership (Limited Partnership)* (北京興文股權投資合夥企業(有限合夥)), LI Zhanrong and QIN Weilun
“Regulation S”	Regulation S under the U.S. Securities Act
“Reporting Period”	six months ended June 30, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Yusheng”	Shanghai Yusheng Culture Media Co., Ltd* (上海煜盛文化傳媒有限公司), a company established under the laws of the PRC with limited liability on December 25, 2018

Definitions (Continued)

“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each
“Share Option Scheme”	the share option scheme adopted by our Company on February 27, 2020, the principal terms of which are summarised in the section headed “Report of the Directors – Share Option Scheme” in the 2020 Annual Report
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“United States,” “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“WFOE”	Beijing Yusheng Culture Co., Ltd.* (北京煜盛文化有限公司), a company established in the PRC with limited liability on July 15, 2019 and a whollyowned subsidiary of our Company
“Yili Zhongsheng”	Yili Zhongsheng Quanxing Media Co., Ltd.* (伊犁中盛全興影視傳媒有限公司), a company established under the laws of the PRC with limited liability on September 8, 2016
“Zhongguang Yusheng”	Beijing Sino-Prosperty Culture Group Co., Ltd.* (北京中廣煜盛文化傳播有限公司), a company established in the PRC with limited liability on April 3, 2014
“%”	per cent

* For identification purposes only

The English names of the PRC entities, the PRC laws or regulations, and the PRC governmental authorities referred to in this interim report are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.