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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)

INTERIM RESULTS ANNOUNCEMENT **FOR THE SIX MONTHS ENDED JUNE 30, 2022**

FINANCIAL HIGHLIGHTS

The total revenue of the Group for the first half of 2022 amounted to approximately RMB331.0 million, representing an increase of 6.7% from approximately RMB310.2 million for the first half of 2021.

The profit for the period of the Group for the first half of 2022 amounted to approximately RMB20.9 million, representing a decrease of 63.8% from approximately RMB57.8 million for the first half of 2021.

Total assets of the Group as at June 30, 2022 amounted to approximately RMB1,638.2 million, representing an increase of 6.0% from the total assets of approximately RMB1,545.6 million as at December 31, 2021.

Net assets of the Group as at June 30, 2022 amounted to approximately RMB1,204.9 million, representing an increase of 2.5% from the net assets of approximately RMB1,175.6 million as at December 31, 2021.

Earnings per share of the Group for the first half of 2022 amounted to approximately RMB0.013, representing a decrease of 67.5% from approximately RMB0.04 for the first half of 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 “**Directors**” and each a “**Director**”) of China Bright Culture Group (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company, its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2021.

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	331,015	310,190
Cost of sales		<u>(252,909)</u>	<u>(130,062)</u>
Gross profit		78,106	180,128
Other net income		191	937
Selling and marketing expenses		(2,472)	(2,057)
General and administrative expenses		(13,069)	(26,169)
Impairment losses on trade and other receivables, net		(34,312)	(82,800)
Profit from operations		28,444	70,039
Net finance expenses	4(a)	(1,382)	(1,128)
Fair value changes on investments measured at fair value through profit or loss		<u>—</u>	<u>(596)</u>
Profit before taxation	4	27,062	68,315
Income tax	5	(6,154)	(10,503)
Profit attributable to equity shareholders of the Company for the period		<u>20,908</u>	<u>57,812</u>
Earnings per share			
Basic and diluted (RMB)	6	<u>0.013</u>	<u>0.036</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	20,908	57,812
Other comprehensive income/(expense) 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	<u>4,558</u>	<u>(3,258)</u>
Other comprehensive income/(expense) for the period	4,558	(3,258)
Total comprehensive income attributable to equity shareholders of the Company for the period	<u>25,466</u>	<u>54,554</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	7(b)	252	302
Right-of-use assets	7(a)	28,494	13,139
Deferred tax assets		50,374	50,374
		<u>79,120</u>	<u>63,815</u>
Current assets			
Program copyrights	8	540,389	530,442
Trade receivables	9	599,455	552,543
Prepayments and other receivables	10	405,508	395,166
Cash and cash equivalents		13,731	3,610
		<u>1,559,083</u>	<u>1,481,761</u>
Current liabilities			
Bank loans		40,000	20,000
Contract liabilities		60,625	69,552
Trade payables	11	37,019	34,356
Accruals and other payables		145,469	115,775
Lease liabilities		3,458	2,914
Current taxation		138,324	117,167
		<u>424,895</u>	<u>359,764</u>
Net current assets		<u>1,134,188</u>	<u>1,121,997</u>
Total assets less current liabilities		<u>1,213,308</u>	<u>1,185,812</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at June 30, 2022*

	As at 30 June 2022	As at 31 December 2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Lease liabilities	8,457	10,219
NET ASSETS	<u>1,204,851</u>	<u>1,175,593</u>
Equity		
Share Capital	73	73
Reserves	<u>1,204,778</u>	<u>1,175,520</u>
Equity attributable to the equity shareholders of the Company	<u>1,204,851</u>	<u>1,175,593</u>
TOTAL EQUITY	<u>1,204,851</u>	<u>1,175,593</u>

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 22 August 2022.

Except for the changes in accounting policies which are expected to be reflected in the annual financial statements for the year of 2022, the interim financial report has adopted the same accounting policies as those adopted in the financial statements for the year of 2021. 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 2021. 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

Application of amendment to IFRSs

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 beyond 30 June 2021*
- Amendment of IFRS 3, *Reference to the Conceptual Framework*
- Amendment of IFRAS 16, *Property, Plant and Equipment – Proceeds before Intended use*
- Amendment of IFRAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendment of IFRSs, *Annual Improvements to IFRSs 2018- 2020*

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Content related program		
– Media platforms	302,515	116,772
– Corporate sponsors	14	193,418
	<u>302,529</u>	<u>310,190</u>
eCommerce promotion services	28,486	–
	<u>331,015</u>	<u>310,190</u>

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 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Customer A (content related programs)	N/A*	131,288
Customer B (content related programs)	N/A*	86,331
Customer C (content related programs)	225,113	N/A*
Customer D (content related programs)	85,613	N/A*

* 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 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Over time:		
– Revenue from advertising and licensing of IP	302,529	128,119
– Revenue from eCommerce promotion services	28,486	–
	331,015	128,119
Point in time:		
– Revenue from licensing of broadcasting rights of programs	–	182,071
	331,015	310,190

(b) Segment reporting

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the consolidated financial statements provided regularly to the Group's senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they a majority of these criteria.

The main operation of the Group is engaged in the video content operation in the PRC. During the year, the Group commenced a new operation for provision in eCommerce promotion services in PRC.

The following is an analysis of the Group's revenue and results by segment:

(i) Segment results

The following is an analysis of the Group's revenue and results by reportable segments:

	For the six months ended 30 June							
	Content Related programs		eCommerce Promotion Services		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue	<u>302,529</u>	<u>310,190</u>	<u>28,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,015</u>	<u>310,190</u>
Segment results	<u>32,400</u>	<u>97,328</u>	<u>11,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,794</u>	<u>97,328</u>
Unallocated other income							191	937
Unallocated corporate expenses							(16,923)	(29,950)
Profit before taxation							27,062	68,315
Income tax							(6,154)	(10,503)
Profit for the year							<u>20,908</u>	<u>57,812</u>

Amounts included in the measure of segment profits or loss or segment assets:

	For the six months ended 30 June							
	Content Related programs		eCommerce Promotion Services		Unallocated		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Impairment loss on trade and other receivables	<u>34,312</u>	<u>69,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,102</u>	<u>34,312</u>	<u>82,800</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the result from each segment without allocation of central administration costs, director's emoluments, and finance costs. This is the measure reported to the senior executive management for the purpose of resource allocation and performance assessment.

(ii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Segment assets		
— Content related programs	1,139,844	1,286,354
— eCommerce promotion services	138,160	—
Total reportable segment assets	1,278,004	1,286,354
Unallocated assets	360,199	191,183
Consolidated assets	1,638,203	1,477,537
	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Segment liabilities		
— Content related programs	37,019	65,955
— eCommerce promotion services	24,116	—
Total reportable segment liabilities	61,135	65,955
Unallocated liabilities	372,217	252,486
Consolidated liabilities	433,352	318,441

For the purposes of monitoring segment performance and allocating resources between segments:

- Segment assets include trade receivables, prepayments and program copyrights; and
- Segment liabilities include trade payables.

(iii) Segment other information

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 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance income:		
Interest income on loan receivable	(98)	–
Interest income on bank balances	(9,016)	(7)
	<u>(9,114)</u>	<u>(7)</u>
Finance cost:		
Interest expenses	10,132	942
Interest on lease liabilities	364	168
Net foreign exchange loss	–	25
	<u>10,496</u>	<u>1,135</u>
Net finance expenses	<u>1,382</u>	<u>1,128</u>

(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 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of program copyrights	252,909	37,738
Short-term leases	–	75
Depreciation and amortisation		
– Property, plant and equipment	50	143
– Right-of-use assets	3,692	889
Impairment losses on trade and other receivables, net	<u>34,312</u>	<u>82,800</u>

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 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax – PRC		
Enterprise Income Tax		
Provision for the period	6,154	10,503
Deferred tax expense		
Origination and reversal of temporary differences	—	—
	<u>6,154</u>	<u>10,503</u>

The Group has no assessable profit in Hong Kong for the six months ended 30 June 2022 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 30 June 2022.

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 RMB20,908,000 (six months ended 30 June 2021: RMB57,812,000) and the weighted average number of ordinary shares of 1,600,000,000 shares (six months ended 30 June 2021: 1,600,000,000 ordinary shares in issue) in issue during the interim period.

There were no dilutive potential ordinary shares in existence for the six months ended 30 June 2022 and 2021.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group has enter into additional lease agreements for use of certain buildings for its office and business operation approximately RMB19,048,000 (for the six months ended 30 June 2021: RMBNil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022 and 2021, the Group did not acquire items of property, plant and equipment. No items of plant and machinery was disposed of during the six months ended 30 June 2022 and 30 June 2021.

8 PROGRAM COPYRIGHTS

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Programs under production	<u>540,389</u>	<u>530,442</u>

(b) Movements of program copyrights are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
As at 1 January (audited)	530,442	346,573
Additions	245,764	314,442
Recognised as cost of sales	<u>(235,817)</u>	<u>(130,573)</u>
As at 30 June (unaudited)/31 December (audited)	<u>540,389</u>	<u>530,442</u>

9 TRADE RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Amounts due from third parties	963,589	882,365
Less: loss allowance	<u>(364,134)</u>	<u>(329,822)</u>
	<u>599,455</u>	<u>552,543</u>

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 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 month	13,306	12,121
1 month to 3 months	2,250	2,438
3 months to 6 months	214,758	15,000
6 months to 1 year	72,600	20,655
1 to 2 years	235,253	497,377
2 to 3 years	61,288	4,952
	<u>599,455</u>	<u>552,543</u>

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.

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Prepayments		
Prepayments to eCommerce provider	138,159	132,782
Prepayments to third parties (i)	83,557	89,313
	<u>221,716</u>	<u>222,095</u>
Other receivables		
Loan to third party (ii)	197,726	188,711
Others	18,660	16,954
	<u>216,386</u>	<u>205,665</u>
Less: loss allowance	(32,594)	(32,594)
	<u>183,792</u>	<u>173,071</u>
	<u>405,508</u>	<u>395,166</u>

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 16 June 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 31 December 2021 and with an annual interest rate of 10%. Such loan is secured by 35% of the total issued shares of Tianjin Fangzhou owned by its ultimate beneficial owner.

11 TRADE PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Payables to third parties	<u>37,019</u>	<u>34,356</u>

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

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 year	13,334	14,606
1 to 2 years	7,926	5,325
2 to 3 years	15,244	14,425
over 3 years	<u>515</u>	<u>–</u>
	<u>37,019</u>	<u>34,356</u>

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

12 DIVIDENDS

During the six months ended 30 June 2022, no dividends were declared to the shareholders of the Company (during the six months ended 30 June 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from research and development, marketing, production and distribution of content, including revenue from media platforms, revenue from corporate sponsors and revenue from live e-commerce. Revenue of the Group increased by 6.7% from RMB310.19 million in the first half of 2021 to RMB331.0 million in the first half of 2022. The following table sets forth the breakdown of revenue by source for the periods indicated:

	For the six months ended June 30,			
	2022		2021	
	Amount (RMB'000) (Unaudited)	Percentage	Amount (RMB'000) (Unaudited)	Percentage
Content-related				
Corporate sponsors	14	0.1%	116,772	37.6%
Media platform	302,515	91.4%	193,418	62.4%
eCommerce promotion	28,486	8.6%		
Total	331,015	100.0%	310,190	100.0%

The Group's revenue from eCommerce promotion for the first half of the year was RMB28.5 million, primary due to the impact of COVID-19 and the Company's plan to optimize its e-Commerce business by focusing on incubating a quality content-focused e-Commerce ecosystem with a more competitive edge.

The Group's key corporate sponsor, Young, is in production stage and revenue from corporate sponsors fell to approximately RMB14,160 in the first half of the year from approximately RMB116.8 million in the first half of 2021, and it is expected that Young will launch its programs in the second half of this year.

The Group's revenue from media platform increased by 56% to RMB302.5 million in the first half of the year from RMB193.4 million in the first half of 2021, primary due to the receipt of formal settlement confirmation letters for the production of four television programmes.

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,			
	2022		2021	
	Amount (RMB'000) (Unaudited)	Percentage	Amount (RMB'000) (Unaudited)	Percentage
Content-related	<u>257,874</u>	<u>100%</u>	<u>130,062</u>	<u>100.0%</u>

The Group's cost of sales increased from RMB130.1 million for the first half of 2021 to RMB257.9 million for the first half of 2022, primarily due to the increase in the number of programs delivered.

Gross Profit and Gross Profit Margin

The Group's gross profit and gross profit margin for the first half of 2022 were RMB85.8 million and 25% respectively, lower than the RMB180.1 million and 58% recorded for the first half of 2021.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of staff costs of our employees for content development, production and promotional expenses for our programs. The Group's selling and marketing expenses increased by 19.0% from RMB2.1 million for the first half of 2021 to RMB2.5 million, primarily due to the increase in delivery of production.

General and Administrative Expenses

The Group's general and administrative expenses 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 67% from RMB26.2 million for the first half of 2021 to RMB8.6 million, primarily due to the suspension of some operations during the COVID-19 outbreak and the optimisation of manpower for slow-moving projects.

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 increased by 35.8% from RMB1.1 million for the first half of 2021 to RMB1.5 million for the first half of 2022.

Profit Before Taxation

As a result of the foregoing, the Group's profit before taxation for the first half of 2022 decreased by 60.3% from approximately RMB68.3 million for the first half of 2021 to RMB27.1 million for the first half of 2022.

Income Tax

The Group's income tax expense decreased by 41.0% from approximately RMB10.5 million for the first half of 2021 to approximately RMB6.2 million for the first half of 2022.

Profit for the Period

For the above reasons, the Group's profit for the first half of 2022 decreased by 63.8% to RMB20.9 million from RMB57.8 million for the first half of 2021.

FINANCIAL POSITION

Program Copyrights

The Group's program copyrights consist of programs under production, which increased by 1.9% to RMB540.4 million in the first half of 2022 from approximately RMB530.4 million as at December 31, 2021, primarily due to the new pipeline programs.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from our customers. The Group's trade receivables (net of loss allowance) increased by 8.5% to RMB599.5 million as at June 30, 2022 from RMB552.5 million as at December 31, 2021. This was primarily due to the formal recognition of some of our productions.

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, 2022 <i>RMB'000</i> (Unaudited)	As at December 31, 2021 <i>RMB'000</i> (Audited)
Within 1 month	13,306	12,121
1 month to 3 months	2,250	2,438
3 months to 6 months	214,758	15,000
6 months to 1 year	72,600	20,655
1 year to 2 years	235,253	497,377
2 years to 3 years	61,288	4,952
	<u>599,455</u>	<u>552,543</u>

Trade Payables

The Group's trade payables mainly relate to amounts payable for services in choreography, lighting and sound for use in the filming of programs and to third party suppliers. Trade payables increased by 7.6% from RMB34.4 million as at December 31, 2021 to RMB37.0 million as at June 30, 2022, primarily due to the increase in services used for content production.

Liquidity and Capital Resources

The Group's cash and cash equivalents amounted to RMB3.6 million as at December 31, 2021, compared to RMB13.7 million as at June 30, 2022. Working capital (current assets less current liabilities) and the total equity of the Group amounted to RMB1,122.0 million and RMB1,175.6 million, respectively, as at December 31, 2021, compared to RMB1,134.2 million and RMB1,204.9 million, respectively, as at June 30, 2022.

The Group continued to maintain a strong financial position. Total assets increased from RMB1,545.6 million as at December 31, 2021 to RMB1,638.2 million as at June 30, 2022, whereas the total liabilities increased from RMB370.0 million as at December 31, 2021 to RMB433.4 million as at June 30, 2022. The debt to asset ratio decreased from 23.9% as at December 31, 2021 to 26.5% as at June 30, 2022. As at June 30, 2022 and as at December 31, 2021, the Group's bank loans and other borrowings payable within one year amounted to RMB40.0 million and RMB20.0 million, respectively. The fixed annual interest rates of the Group's bank loans and other borrowings for the six months ended June 30, 2022 ranged from 4.35% to 6.5%, while the relevant fixed interest rates for the year of 2021 was 3.6%. 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,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash used in operating activities	(2,258)	(397,347)
Net cash (used in)/generated from investing activities	(9,448)	436,846
Net cash generated from/(used in) financing activities	10,900	(32,225)
	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	<u>(806)</u>	<u>7,274</u>

Net Cash Used in Operating Activities

In the first half of 2022, the net cash used in operating activities was RMB2.2 million, primarily due to the increase in program production expenses.

Net Cash Used in Investing Activities

In the first half of 2022, the net cash used in investing activities was RMB9.4 million, primarily due to the increase in right-to-use assets.

Net Cash Generated from Financing Activities

In the first half of 2022, the net cash used in financing activities was RMB10.9 million, primarily due to the increase in the Group's borrowings.

Net Current Assets

As of June 30, 2022, the net current assets of the Group amounted to RMB1,134.2 million, compared to RMB1,122.0 million as at December 31, 2021.

Gearing Ratio

As at June 30, 2022, 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 3.3%, compared to 1.7% as at December 31, 2021.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2022, the Group did not have any significant investment held, material acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at June 30, 2022, the Group did not have any 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 2022, the Group did not incur any capital expenditure. As at June 30, 2022, there were no significant capital commitments outstanding against the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liability as at June 30, 2022.

CHARGES ON GROUP ASSETS

As at June 30, 2022, the Group pledged receivables of RMB87.39 million as security.

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.

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 the second half of 2022, the Group will accelerate the implementation of new projects around its content+industry strategy while managing the risks of new businesses in order to maximise returns for shareholders.

CHANGE OF THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on the March 13, 2020 (the “**Listing Date**”), and the subscription price was HK\$2.26 per share. The Company received net proceeds of approximately HK\$829.9 million (approximately RMB749.2 million) (after deduction of underwriting commission and related costs and expenses) from the issuance of 400 million shares under the Global Offering. The business objectives, future plans and planned use of proceeds as stated in the Prospectus of the Company dated February 28, 2020 (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 <i>(RMB'000)</i>	Amounts unutilised as at June 30, 2022 <i>(RMB'000)</i>	Movement after the redemption of USD64.0 million from the AMTD Investments up to June 30, 2022 <i>(RMB'000)</i>
A. Funding the development of our new pipeline programs	636,799	–	266,522
A(1). Of which: Funding the programs that are expected to be released in 2020	524,423	–	266,522
Of which: A(1)(a) TV variety programs in the food, work/career, youth and police/crime genres	217,260	–	86,186
A(1)(b) TV drama series in the urban and police/crime genres	202,278	–	114,561
A(1)(c) Made-for-internet drama series in the urban, youth and police/crime genres	104,885	–	65,775
A(2). Funding the programs that are expected to be released in 2021	112,376	–	–
B. Expanding our team	37,459	–	28,330
C. For working capital and general corporate purposes	74,918	–	8,269
IPO proceeds sub-total	749,176	–	303,121⁽¹⁾
Temporary usages			
The AMTD Investments	–	448,000 ⁽³⁾⁽⁴⁾	(448,000) ⁽³⁾
The Loan	–	–	144,879 ⁽²⁾
Total	749,176	448,000	

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 results announcement dated August 27, 2021.
- (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 in Note 10 – Prepayments and other receivables of the notes to the unaudited interim condensed consolidated financial statements in this announcement.
- (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 announcement.

The use of proceeds from the Global Offering on (i) AMTD Investments and (ii) the Loan constituted a change in use of proceeds as disclosed in the Prospectus. For the reasons for entering into the AMTD Investments, please refer to the announcement of the Company dated 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 December 31, 2021 and June 30, 2022, the AMTD Investments had been fully redeemed without any interests or any return from the AMTD Investments.

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, 2022, the Group had 56 full-time employees (as compared with 83 full-time employees as at June 30, 2021), 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	14	25.0%
Marketing	15	26.8%
Administrative and human resources	6	10.7%
Finance and capital raising	6	10.7%
Management and support	15	26.8%
Total	56	100.0%

The Company's employee benefit expense (excluding directors' remuneration), including salaries, bonuses and other employee's benefits, amounted to approximately RMB7.8 million for the Reporting Period (June 30, 2021: approximately RMB5.5 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 of the Company or any of their respective connected persons.

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

For the six months ended June 30, 2022, the Company complied with the relevant laws and regulations that have a significant impact on the Company.

EVENTS AFTER THE REPORTING PERIOD

On July 20, 2022, the Company received a petition (the “**Petition**”) from Capital 9 Limited (“**Capital 9**”) in the matter of Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) (the “**CWUMPO**”) filed in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) under Companies (Winding-Up) Proceedings No. 247 of 2022 that the Company may be wound up by the High Court on the ground that the Company is deemed to be insolvent and unable to pay its debts amounting to HK\$132,352.94, being the then outstanding service fees due to Capital 9, pursuant to section 178(1)(a) of the CWUMPO.

The Company then fully settled the outstanding amount due to Capital 9. Upon the application by the Petitioner, on August 9, 2022, the High Court has granted the leave for the Petitioner to withdraw the Petition.

Save as disclosed above and in the sections headed “Outlook and Plans” in this announcement, no significant event took place subsequent to June 30, 2022.

REVIEW OF FINANCIAL STATEMENTS

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

CORPORATE GOVERNANCE

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and account of the Board to all Shareholders (the “**Shareholders**”). The Company has adopted the new Corporate Governance Code (the “**New CG Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), which is effective for the financial year commencing on January 1, 2022, as its own corporate governance code.

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

	Code Provision	Deviation	Considered Reason for Deviation
C.2.1	The roles of chairman and chief executive officer should be separated and should not be performed by the same individual	Mr. Liu Mu (“ Mr. Liu ”) is the chairman and chief executive officer of the Company.	Mr. Liu is mainly responsible for overseeing the overall operation and management, strategic planning and major decision-making of the Group, and he has considerable experience in strategic planning and has been assuming day-to-day responsibilities in operating and managing the Group since August 2015. The Board considers that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication with the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. As at the date of this announcement, the Board comprises only Mr. Liu as execution Director and three independent non-executive Directors and therefore has a strong independence element in its composition.
C.1.8	The Company should arrange appropriate insurance cover in respect of legal action against the Directors.	The Company has not arranged for appropriate insurance cover in respect of legal action against its directors during the Period.	The Company is in the course of arranging renewal of the Director's and Officers liability insurance with the insurance company in accordance with the requirement under the CG Code.

	Code Provision	Deviation	Considered Reason for Deviation
D.1.2	Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13.	The management could not provide the Directors with updated financial information of the Company each month due to the lockdown of certain cities in China during the outbreak of Covid-19.	The Board members of the Company were still informed by the management of the Company by email, by WeChat or by phone on the updated information of the Company's performance and future business plan from time to time.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Beijing, the PRC, August 22, 2022

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

* *For identification purposes only*