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)

Stock Code: 1859

2019
Annual Report

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. CHEN Kai

Independent non-executive Directors

Ms. RAN Hua
Mr. HUANG Victor
Mr. ZHANG Yiwu

AUDIT COMMITTEE

Mr. HUANG Victor *(Chairman)*
Mr. CHEN Kai
Ms. RAN Hua

REMUNERATION COMMITTEE

Mr. ZHANG Yiwu *(Chairman)*
Ms. CHEN Jia
Ms. RAN Hua

NOMINATION COMMITTEE

Mr. LIU Mu *(Chairman)*
Ms. RAN Hua
Mr. ZHANG Yiwu

JOINT COMPANY SECRETARIES

Mr. LIU Xinxing
Ms. AU Wai Ching

AUTHORISED REPRESENTATIVES

Mr. LIU Mu
Ms. AU Wai Ching

AUDITOR

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15F, Jardine House
1 Connaught Place
Central Hong Kong

COMPLIANCE ADVISER

Celestial Capital Limited
22/F, Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman
KY1-9010
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

9/F, Block E
Ocean International Center
Chaoyang District
Beijing
PRC

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 Communication, Beijing East District Branch
No.21 Guangqu Avenue
Chaoyang District, Beijing
PRC

China Merchant Bank, Beijing Wantong Center Branch
1st Floor, Wantong Center
No.6 Chaoyangmennei Avenue
Chaoyang District, Beijing
PRC

COMPANY WEBSITE

www.sinozswh.com

STOCK CODE

1859

CHAIRMAN'S STATEMENT

I am pleased to present our annual report for the year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2019 amounted to approximately RMB475.6 million, representing an increase of 68.1% from approximately RMB282.9 million in 2018.

- Profit for the year ended December 31, 2019 amounted to approximately RMB147.9 million, representing an increase of 72.5% from approximately RMB85.7 million in 2018.

- Total assets for the year ended December 31, 2019 amounted to approximately RMB941.3 million, representing an increase of 153.3% from approximately RMB371.6 million in 2018.

- Net assets for the year ended December 31, 2019 amounted to approximately RMB572.3 million, representing an increase of 103.0% from approximately RMB281.9 million in 2018.

- Earnings per share for the year ended December 31, 2019 amounted to approximately RMB0.13, representing an increase of 62.5% from approximately RMB0.08 in 2018.

BUSINESS REVIEW

2019 was a successful year for the Group. As a result of firm execution of business strategies, our revenue and gross profit for the year increased by 68.1% and 130.4% as compared to those of 2018, respectively. Our relationship with customers stayed strong, and our program pipeline remained robust, which further solidified our position in the market.

In 2019, the Group released eight programs, and it expects to release another 19 programs in 2020. In 2019, our program "Hey! Let's Sing" was awarded 2018–2019 China's Most Creative Program (2018–2019年度中國最具創新力節目) and 2018–2019 China's Most Creative Marketing (2018–2019年度中國最具創新營銷獎) by Organization Committee of Macau International Advertising Festival.

OUTLOOK

We believe that the video content market in the PRC is very promising and we will continue to serve our customers and further enhance our in-house research and development capabilities by thoroughly exploring the commercial values of the industry. Our development initiatives include:

- further expanding our business presence: diversify our program pipeline by expanding into new types of programs (such as historical, cultural, technological and medical programs), while focusing on the development of TV programs and online programs;

- exploring new revenue growth points: develop derivative products by extending the appealing ideas of popular programs, and increase efforts in looking for cooperation in overseas market development; and

- strengthening the deployment of strategic investments: create greater value for cooperative partners from various industries by providing connections to the industry's resources.

Finally, on behalf of the Board, I would like to take this opportunity to thank all our staff and the management team for their unremitting efforts, strong teamwork and valuable contributions over the past year. I would also like to extend the Board's sincere gratitude to all of our shareholders, partners and stakeholders for their continued support.

Mr. LIU Mu
Chairman
Beijing, PRC, April 15, 2020

FINANCIAL HIGHLIGHTS

Consolidated statement of profit or loss (selected items)

	For the year ended December 31,			
	2019	2018	2017	2016
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Operating results				
Revenue	**475,566**	282,931	160,429	127,840
Gross profit	**267,181**	115,953	89,306	50,262
Profit from operations	**195,694**	92,767	60,856	23,094
Profit before income tax	**186,554**	90,340	57,279	18,517
Net profit	**147,868**	85,733	56,083	13,864

Consolidated statement of financial position (selected items)

	As of December 31,			
	2019	2018	2017	2016
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**26,867**	11,865	17,430	4,792
Current assets	**914,477**	359,704	225,363	118,613
Total assets	**941,344**	371,569	242,793	123,405
Total equity	**572,284**	281,916	182,529	35,446
Non-current liabilities	**12,416**	5,839	8,306	412
Current liabilities	**356,644**	83,814	51,958	87,547
Total liabilities	**369,060**	89,653	60,264	87,959
Total equity and liabilities	**941,344**	371,569	242,793	123,405

FINANCIAL REVIEW

Revenue

The Group's revenue primarily consists of revenue related to the content it developed, marketed, produced and distributed, including revenue from media platforms and revenue from its corporate sponsors. Other revenue sources mainly include sales of intellectual property rights for contents the Group did not operate and are not included in its program portfolio. The total revenue of the Group increased by 68.1% from RMB282.9 million for 2018 to RMB475.6 million for 2019. The following table sets forth the breakdown of revenue by source for the years indicated.

	For the year ended December 31,			
	2018		**2019**	
	Amount	Percentage	**Amount**	**Percentage**
	(RMB in thousands, except for percentages)			
Content-related				
Media platforms	221,772	78.4%	**346, 758**	**72.9%**
Corporate sponsors	59,272	20.9%	**128, 808**	**27.1%**
Subtotal	281,044	99.3%	**475,566**	**100.0%**
Others				
Sales of intellectual property rights	1,887	0.7%	**—**	**—**
Subtotal	1,887	0.7%	**—**	**—**
Total	282,931	100.0%	**475,566**	**100.0%**

The Group's content-related revenue from media platforms increased by 56.4% from RMB221.8 million in 2018 to RMB346.8 million in 2019. The increase is primarily due to the increase in the number of programs we produced and revenue growth from sales of broadcasting rights.

The Group's content-related revenue from corporate sponsors increased by 117.3% from RMB59.3 million in 2018 to RMB128.8 million in 2019, primarily due to the increase in the number of programs we produced and revenue growth from advertising services.

Cost of Sales

The Group's cost of sales primarily consists of (1) the cost of sales related to the content it developed, marketed, produced and distributed and (2) cost of sales incurred in other services it provided. The following table sets forth the breakdown of cost of sales by source for the years indicated.

	For the year ended December 31,			
	2018		**2019**	
	Amount	Percentage	**Amount**	**Percentage**
	(RMB in thousands, except for percentages)			
Content-related	161,183	96.5%	**208,385**	**100.0%**
Others	5,795	3.5%	—	—
Total	166,978	100.0%	**208,385**	**100.0%**

The Group's cost of sales increased by 24.8% from RMB167.0 million in 2018 to RMB208.4 million in 2019, primarily due to the increase in the number of programs for which we recognized revenues.

Gross Profit and Gross Profit Margin

The Group's gross profit for 2019 was RMB267.2 million, representing an increase of 130.4% from RMB116.0 million in 2018. The gross margin for 2019 was 56.2% as compared to 41.0% for 2018.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (1) staff costs of our content development, production and sales and marketing employees; (2) marketing and promotion expenses for our programs; and (3) selling and marketing related traveling and transportation expenses. The Group's selling and marketing expenses increased by 20.2% from RMB8.0 million in 2018 to RMB9.6 million in 2019, primarily due to the increase in staff costs.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of to (1) loss allowance for trade and other receivables; (2) staff costs for the Group's administrative staff; (3) depreciation and amortization; (4) rent, office, transportation and travel expenses; (5) professional services fee for legal and accounting services; and (6) listing expenses for the Global Offering. The Group's general and administrative expenses increased by 138.9% from RMB26.6 million in 2018 to RMB63.5 million in 2019, primarily due to the one-off listing expenses incurred in relation to the Global Offering. For the year ended December 31, 2019, the Group's listing expenses amounted to approximately RMB33.7 million. Such expenses are non-recurring in nature.

Net Finance Expenses

The Group's net finance expenses represent the net result of (1) interest income on bank deposits; (2) interest expenses on bank loans and other borrowings, loans from third parties, loan from a shareholder, and amounts due to Mr. Liu, one of the executive Directors; (3) interest on lease liabilities; and (4) net foreign exchange gain from the appreciation 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 276.6% from RMB2.4 million in 2018 to RMB9.1 million in 2019, primarily due to the increase 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 2019 increased by 106.5%, from approximately RMB90.3 million in 2018 to RMB186.6 million in 2019.

Income Tax Expense

The Group's income tax expense increased by 739.7% from RMB4.6 million for the year 2018 to RMB38.7 million for 2019, primarily due to the growth of profit before taxation and the increase of effective tax rate. Other than Yili Zhongsheng Quanxing Media Co., Ltd. (伊犁中盛全興影視傳媒有限公司), our operating entities in the PRC are subject to standard enterprise income tax ("EIT") rate of 25% under EIT law. The Group's effective tax rate was 20.7% for 2019 as compared to 5.1% for 2018.

Profit for the Year

For the foregoing reasons, the Group's profit for the year in 2019 increased by 72.5%, from RMB85.7 million in 2018 to RMB147.9 million in 2019.

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 of the dates indicated.

	As of December 31,			
	2018		**2019**	
	Amount	Percentage	**Amount**	**Percentage**
	(RMB in thousands, except for percentages)			
Programs under production	53,622	83.3%	**341,591**	**95.9%**
Completed programs	10,768	16.7%	**14,512**	**4.1%**
Total	64,390	100.0%	**356,103**	**100.0%**

The Group's program copyrights increased by 453.0% from RMB64.4 million as of December 31, 2018 to RMB356.1 million as of December 31, 2019, primarily due to increased spending on programs under production, most of which, as of the date of the annual report, are expected to be aired in 2020.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from its customers. As of December 31, 2018 and 2019, the Group's total trade receivable (after deduction of loss allowances) were RMB203.9 million and RMB491.3 million, respectively, increasing by 141.0%. The increase was due to the revenue growth as a result of the business expansion of the Group. The loss allowances increased by 12.4% from RMB31.4 million as of December 31, 2018 to RMB35.3 million as of December 31, 2019.

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

	As of December 31,	
	2018	2019
	(RMB in thousands)	
Within one month	61,895	**134,458**
One to three months	14,338	**80,806**
Three to six months	34,194	**124,132**
Six months to one year	70,978	**81,652**
One to two years	22,439	**70,206**
Two to three years	10	**—**
Total	203,854	**491,254**

Prepayments and Other Receivables

The Group's prepayments and other receivables primarily consist of (1) prepayments to third parties, which represented the prepayments to suppliers, such as talent coordinators, prior to commencement of program production; and (2) other receivables due, which primarily included the receivables from disposal of a subsidiary and rental deposits, and refund due from suppliers. The Group's prepayments and other receivables decreased by 14.2%, from RMB27.1 million as of December 31, 2018 to RMB23.3 million as of December 31, 2019, primarily due to the decrease of prepayments.

Trade Payables

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 462.7%, from RMB6.0 million as of December 31, 2018 to RMB33.7 million as of December 31, 2019, primarily due to the increase of payables to suppliers in relation to program production expenses.

Liquidity and Capital Resources

The Group's cash and cash equivalents was RMB9.0 million as of December 31, 2019 compared to RMB64.4 million as of December 31, 2018. Working capital (current assets less current liabilities) and the total equity of the Group amounted to RMB557.8 million and RMB572.3 million, respectively, as of December 31, 2019, as compared to RMB275.9 million and RMB281.9 million, respectively, as of December 31, 2018.

As of December 31, 2018 and 2019, the Group's total indebtedness was RMB58.4 million and RMB221.7 million, respectively. As of the same dates, the Group's bank loans and other borrowings payable within one year was RMB30.0 million and RMB111.0 million, respectively. The Directors are of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures. As of December 31, 2019, the Group's unutilized banking facilities amounted to RMB119.0 million.

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

	Year Ended December 31,	
	2018	**2019**
	(RMB in thousands)	
Net cash (used in)/generated from operating activities	6,786	**(307,510)**
Net cash used in investing activities	(442)	**(495)**
Net cash generated from financing activities	36,799	**250,622**
Net (decrease)/increase in cash and cash equivalents	43,143	**(57,383)**

Net Cash Generated from Operating Activities

In 2019, the net cash used in operating activities was RMB307.5 million, primarily due to the increase in program production spending.

Net Cash Used in Investing Activities

In 2019, the net cash used in investing activities was RMB0.5 million, which remains stable as compared with RMB0.4 million in 2018.

Net Cash Generated from Financing Activities

In 2019, the net cash generated from financing activities was RMB250.6 million, primarily due to cash generated from increased bank loans and pre-IPO financing activities.

Gearing Ratio

As of December 31, 2019, the Group's gearing ratio (calculated by dividing bank loans and other borrowings by total equity as of the end of each year) was approximately 19.4%, as compared to 10.6% as of December 31, 2018.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In 2019, the Group did not have any significant investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of December 31, 2019, save as disclosed in the Prospectus, 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 areas and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Group's shares were listed on the Stock Exchange on March 13, 2020. The Company received net proceeds (after deduction of underwriting commission and related costs and expenses) from the Global Offering of approximately HK$829.9 million. Since the Listing Date up to the date of this report, the Company has not utilized any of the net proceeds raised from the Global Offering.

As of the date of this report, the Group does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's capital expenditures in 2019 primarily relate to improvements to leased properties and purchase of electronic equipment and other office equipment. In 2019, the Group incurred RMB0.7 million in relations to capital expenditures as compared to RMB1.5 million in 2018.

As of December 31, 2019, there were no significant capital commitments outstanding against the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liability as of December 31, 2019.

CHARGES ON GROUP ASSETS

Save for the restricted bank deposit amounted to RMB34.9 million, as of December 31, 2019, the Group did not have any other charges over its assets.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk primarily through deposits with banks which give rises to cash balances that are denominated in a foreign currency. The currency giving rise to this risk is primarily U.S. dollars. The Group did not hedge against any fluctuation in foreign currency during the Reporting Period but will closely monitor the exposure and take measures when necessary to make sure the foreign exchange risks are manageable.

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 primarily arises when it has significant exposure to individual customers. As of December 31, 2018 and 2019, 93.8% and 82.3% of the total trade receivables was 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 funding for the short and longer term.

EVENTS AFTER THE REPORTING PERIOD

On March 13, 2020, the Group listed its shares on the Main Board of the Stock Exchange at a subscription price of HK$2.26 each. The Group received net proceeds of approximately HK$829.9 million for the 400 million shares issued in the Global Offering.

The outbreak of a novel strain of coronavirus COVID-19 (the "Outbreak") has disrupted the Group's business and may adversely affect its operations and financial position. The Group has been closely monitoring the development of the Outbreak and reviewing its impact on the Group's business. For more details, see Note 28 to the consolidated financial information.

Save as disclosed above, no significant event took place subsequent to December 31, 2019.

OUTLOOK AND PLANS

While the Group enjoyed a successful 2019, our business has been disrupted by the Outbreak, which has evolved into a global pandemic, as declared by the World Health Organization on March 11, 2020. The impact of the Outbreak on the Group's business is likely to evolve as the Group continues to make efforts to contain the spread of the pandemic. The Group estimates that the Outbreak would not result in a material negative impact on our business and program pipelines, considering the nature of our business and the demands from the audience and media platforms. Due to our business nature, the level of program development and production activities is relatively low in the first quarter of the year and increases beginning in the second quarter, and therefore in the first quarter, we have been gradually completing production of ongoing programs and does not have any pipeline programs for 2020 scheduled to commence production until late March of 2020. During the Outbreak, people have more time to spend on television programs and online videos, which maintains the demand of TV series, movies and variety programs from audience and media platforms.

As of the date of this report, (1) we have released "The Taste of Time" in November 2019 and completed production of "Mind the Gap" in January 2020 and can finish the remaining editing work remotely; and (2) we have delivered all the master tapes for "Renascence" and some of the master tapes for "Our Bands", and the first episode of "Our Band" was released on March 14, 2020. As of the date of this report, we had not received any notice from the relevant media platform to delay the broadcast of such programs.

OUR DIRECTORS

The biography of each Director, senior management and joint company secretaries is set out below.

Executive Directors

Mr. LIU Mu (劉牧), aged 35, was appointed as our Director on May 28, 2019 and re-designated as an executive Director on August 7, 2019. Mr. Liu is also the chairman of the Board and the chief executive officer of our Group, and is primarily responsible for overseeing overall operation and management, strategic planning and major decision-making of our Group. From August 2015 to July 2016, he served as a vice president at Zhongguang Yusheng, then as a director and president at Zhongguang Yusheng since July 2016 and was primarily responsible for the daily business operation and management, overall strategic planning and major decision-making of Zhongguang Yusheng. Mr. Liu is the sole director of each PRC Operating Entity.

Prior to joining our Group, Mr. Liu served as a brand director at Beijing Zhongguang Chuanhua Film and Television Culture Consulting Co., Ltd. (北京中廣傳華影視文化諮詢有限公司) from August 2009 to July 2015, during which time he was primarily responsible for overall brand management.

Mr. Liu obtained his bachelor's degree in instructional technology from Fuyang Normal University (阜陽師範大學) (previously known as Fuyang Normal College (阜陽師範學院)) in July 2006. He received his master's degree in communication from Wuhan University (武漢大學) in June 2012.

Ms. CHEN Jia (陳佳), aged 39, was appointed as an executive Director on August 7, 2019. Ms. Chen is also the vice president of our Group, and is primarily responsible for overseeing daily business operation and assisting in overall management of our Group. She has been serving as the director of content development center at Zhongguang Yusheng since March 2018.

Prior to joining our Group, Ms. Chen served as a TV program director at CCTV (中國中央電視台) from April 2005 to April 2007. She worked at Jinhua Radio and Television Station (金華廣播電視台) from May 2007 to December 2013. She served as a screenwriter at Zhejiang TV (浙江電視台) from January 2014 to May 2015 and a director at Beijing Wanhe Huyu Culture Media Co., Ltd. (北京萬合互娛文化傳媒有限公司) from March 2017 to December 2017. Ms. Chen was the screenwriter of "Hand in Hand in Love Village" (牽手愛情村), a TV variety released on Zhejiang Satellite TV, and the producer of "Have You Eaten" (儂飯吃過咪), a made-for-internet variety released on Tencent Video.

Ms. Chen graduated from Zhejiang Radio and TV University (浙江廣播電視大學) in music in September 2001. She obtained her online bachelor's degree in radio and TV journalism from Nankai University (南開大學) in January 2012.

Non-executive Director

Mr. CHEN Kai (陳凱), aged 37, was appointed as a non-executive Director on August 7, 2019. He is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

From January 2008 to August 2009, Mr. Chen worked as a trader at Hua An Fund Management Co., Ltd. (華安基金管理有限公司), where he was primarily responsible for stock trading. He worked as a senior analyst and an associate from September 2009 to January 2011 and from January 2011 to March 2013, respectively, at Beijing Gaohua Securities Co., Ltd. (北京高華證券有限責任公司), where he was primarily responsible for stock trading and management and decision making of the trading department. Mr. Chen has been serving as an executive director and a general manager of Yingzhi Asset Management since April 2014.

Mr. Chen obtained his bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in June 2006.

Independent non-executive Directors

Ms. RAN Hua (冉華), aged 58, was appointed as an independent non-executive Director on August 7, 2019. She is responsible for supervising and providing independent advice to our Board.

Ms. Ran has been working at Wuhan University (武漢大學) since July 1984 and has been serving successively as lecturer, associate professor and professor. Now she is the head of the department of radio and television of Wuhan University. She has been a vice president of the Audio-visual Communication Research Committee of Chinese Journalism Society (中國新聞史學會視聽傳播研究委員會) since December 2015.

Ms. Ran obtained her bachelor's degree in Chinese language and literature from Wuhan University in July 1984. She received her master's degree and doctorate degree in communication and journalism from Wuhan University in January 2003 and December 2006, respectively.

Mr. HUANG Victor (黃偉德), aged 48, was appointed as an independent non-executive Director on February 3, 2020. Mr. Huang is responsible for providing independent advice to our Board.

Mr. Huang has over 27 years of experience in finance, accounting and transaction services. He joined PricewaterhouseCoopers in Hong Kong in January 1993 and became its partner in July 2005 and served this role up to June 2014. From July 2014 to August 2017, he served as partner at KPMG in Hong Kong. Mr. Huang has served as an independent non-executive director of LBX Pharmacy Chain Co., Ltd. (老百姓大藥房連鎖股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603883), and Trinity Limited (利邦控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 891), since February 2018 and December 2018, respectively. He has been an independent non-executive director of Qingdao Haier Biomedical Co., Ltd. (青島海爾生物醫療股份有限公司), a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688139), since August 2018. He has been an independent non-executive director of Manpowergroup Greater China Limited (萬寶盛華大中華有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2180), since March 2019. He has been an independent non-executive director of Scholar Education Group (思考樂教育集團), a company listed on the Main Board of the Stock Exchange (stock code: 1769), since June 2019. He has also been an independent non-executive director of Topsports International Holdings Limited (滔博國際控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6110), since September 2019.

Mr. Huang obtained a bachelor's degree of arts in economics and business from University of California, Los Angeles in the United States in September 1992. He was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in June 1996. He was also certified as a qualified independent director of the Shanghai Stock Exchange in June 2018.

Mr. ZHANG Yiwu (張頤武), aged 57, was appointed as an independent non-executive Director on August 7, 2019. He is responsible for supervising and providing independent advice to our Board.

Mr. Zhang has been working at Beijing University (北京大學) since July 1987 and served successively as lecturer and associate professor. Now he is a professor of literature department.

Mr. Zhang obtained his bachelor's and master's degrees in literature from Beijing University in July 1984 and July 1987 respectively.

OUR SENIOR MANAGEMENT

Ms. SONG Xia (宋霞), aged 39, is our chief financial officer and is primarily responsible for overseeing the overall financial and accounting affairs of our Group. She has been serving as the financial controller at Zhongguang Yusheng since March 2018.

Prior to joining our Group, Ms. Song worked at various companies responsible for financial management, including but not limited (i) Beijing Enlight Media Co., Ltd. (北京光線傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code:300251), from April 2008 to May 2015; (ii) Beijing East Star Culture Media Co., Ltd. (北京東方天星文化傳媒有限公司) from May 2015 to March 2016 and (iii) Haixing Media Co., Ltd. (海星傳媒有限公司) from March 2016 to January 2018.

Ms. Song obtained her bachelor's degree in accounting from Beijing Jiaotong University (北京交通大學) in July 2006.

Ms. CHENG Cang (程藏), aged 33, is our director of content production center since October 2018 and is primarily responsible for overseeing the overall content production affairs. From December 2015 to September 2018, Ms. Cheng served as an executive producer of content development center at Zhongguang Yusheng.

Prior to joining our Group, Ms. Cheng served as an executive producer and editor at A&A Beijing Media Co., Ltd. (北京澳亞恒生文化傳播有限公司) from April 2013 to September 2015, where she participated in the production of "General History of China" (中國通史), a documentary released on CCTV-6.

Ms. Cheng obtained her bachelor's degree in economics from University of International Business and Economics (對外經濟貿易大學) in June 2012.

JOINT COMPANY SECRETARIES

Mr. LIU Xinxing (劉新星) is one of the joint company secretaries of our Company and was appointed on December 23, 2019. Mr. Liu has been serving as the secretary of the board of directors at Zhongguang Yusheng since September 2019.

Prior to joining our Group, Mr. Liu had served several positions, including a legal assistant at Commerce & Finance Law Offices (北京市通商律師事務所) from July 2007 to January 2011, the director of IPO and investor relations at China Haohan Group Limited (中國昊漢集團有限公司) from January 2011 to March 2013, the secretary of the board of directors at Beijing Phoenix United Hospital Management Consulting Co., Ltd. (北京鳳凰聯合醫院管理諮詢有限公司) from March 2013 to May 2015, the secretary of the board of directors at Beijing United Money Exchange Co., Ltd (北京聯合貨幣兑換股份有限公司) from March 2016 to March 2018 and the vice president at Yixing Yizu (Beijing) Investment Management Co., Ltd. (易行宜租（北京）投資管理有限公司) from April 2018 to September 2019.

Mr. Liu obtained his bachelor's degree in law at Jiangxi Science and Technology Normal University (江西科技師範大學) (previously known as Jiangxi Science and Technology Normal College (江西科技師範學院)) in July 2007. He graduated from University of International Business and Economics (對外經濟貿易大學) as a postgraduate in September 2015 majoring in international law. Mr. Liu passed the qualification examinations and received the board secretary certificates from the NEEQ and the Shenzhen Stock Exchange in November 2017 and January 2019, respectively. Mr. Liu has also obtained the practicing qualification relating to private equity investment fund in July 2018.

Ms. AU Wai Ching (區慧晶) is one of the joint company secretaries of our Company and was appointed on August 7, 2019. Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited in January 2016 and currently serves as an assistant manager. She is a member of the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She obtained her bachelor's degree in business administration and her master's degree in corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on May 28, 2019 as an exempted company with limited liability under the laws of the Cayman Islands. We are a video program producer, by which we mean we develop, market, produce and distribute video content (such as variety programs and drama series) for media platforms (including TV networks and online video platforms). We focus on the high-value segments of the industry value chain — we develop our own program content and generally retain intellectual property rights on that content; we bring corporate sponsors and other advertisers to TV networks and other media platforms instead of relying solely on media platforms to attract advertisements for our programs; and we oversee the production process through our in-house directors and producers to ensure the high quality of our programs.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of profit or loss on page 68 of this report.

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2019 (2018: Nil).

BUSINESS REVIEW

The business review and performance analysis of the Group for the Reporting Period is set out in the section headed "Chairman's Statement" from pages 4 to 5 and "Management Discussion and Analysis" from pages 7 to 14 of this report. These discussions form a part of this Report of the Directors.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Group's shares were listed on Stock Exchange on the Listing Date. The Company received net proceeds (after deduction of underwriting commission and related costs and expenses) from the Global Offering of approximately HK$829.9 million. Since the Listing Date up to the date of this report, the Company has not utilized any of the net proceeds raised from the Global Offering.

As of the date of this report, the Group does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, the Group's five largest customers contributed to a total of 78.6% of the Group's total revenue and the Group's largest customer contributed to a total of 33.3% of the Group's total revenue.

For the year ended December 31, 2019, the Group's five largest suppliers contributed to a total of 84.6% of the Group's total purchase and the Group's largest supplier contributed to a total of 23.4% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

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 11 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As a socially responsible corporation, the Group has endeavored to strictly comply with laws and regulations regarding environmental protection.

The Company recognizes the importance of environmental protection. The Company is committed to providing an eco-friendly energy environment for our staff and has developed energy conservation and carbon reduction policy so as to minimize negative environmental impacts.

Further details of the Group's environmental policies and performance are disclosed in the section headed Environmental, Social and Governance Report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 72 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2019, the Company's reserves available for distribution, amounted to approximately RMB316.2 million (as of December 31, 2018: RMB168.3 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as of December 31, 2019 are set out in Note 18 to the consolidated financial statements.

LOAN AND GUARANTEE

During the year ended December 31, 2019, the Group had not made 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.

DIRECTORS

The Directors as of the date of this report are:

Executive Directors:

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

Non-executive Director:

Mr. CHEN Kai

Independent Non-executive Directors:

Ms. RAN Hua
Mr. HUANG Victor
Mr. ZHANG Yiwu

In accordance with Article 16.2 of the Articles of Association, Mr. LIU Mu, Ms. CHEN Jia, Mr. CHEN Kai, Ms. RAN Hua, Mr. HUANG Victor and Mr. ZHANG Yiwu shall retire, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders to be dispatched before the AGM.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 15 to 18 of this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors, and the Company considers such Directors to be independent during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our executive Directors, being Mr. Liu and Ms. CHEN Jia, has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date.

Our non-executive Director, namely Mr. CHEN Kai, has entered into an appointment letter with the Company on February 7, 2020. The initial term for his appointment letter shall commence from the Listing Date, and shall continue for three years, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors, being Ms. RAN Hua, Mr. HUANG Victor and Mr. ZHANG Yiwu, has entered into an appointment letter with the Company on February 7, 2020. The initial term for (i) appointment letters of Ms. RAN Hua and Mr. ZHANG Yiwu shall be three years from the August 7, 2019 and (ii) the appointment letter of Mr. HUANG Victor shall be three years from February 7, 2020, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Material Related Party Transactions" in Note 26 to the consolidated financial statement contained in this report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

Other than the Directors service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Material Related Party Transactions" in Note 26 to the consolidated financial statements contained in this report, no contract of significance was entered into between the Company or any of its subsidiaries and any Controlling Shareholder or any of its subsidiaries during the year ended December 31, 2019 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2019 or subsisted at the end of the year.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in Notes 8 and 9 to the consolidated financial statements, respectively.

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

During the Reporting Period, as the Shares were not listed on the Hong Kong Stock Exchange, the disclosure requirements under relevant laws and regulations of Hong Kong, including Divisions 7 and 8 of Part XV and section 352 of the SFO, were not yet applicable to the Directors.

Save as disclosed below, as of the date of this report, 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]	742,884,739	Long position	46.43%
	Double K Limited	Beneficial owner	709,986,961	Long position	100%
	Zhongguan Yusheng	Beneficial owner	N/A[2]	Long position	79.56%
Mr. CHEN Kai	The Company	Interest in controlled corporations; nominee for another person[3]	50,772,237	Long position	3.17%
	Zhongguan Yusheng	Beneficial owner	N/A[2]	Long position	0.72%

Note:

(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) The Shares are registered under the name of Chen Kai Zhong Guang Limited, the issued share capital of which is owned as to 100% by Mr. Chen Kai. Chen Kai Zhong Guang Limited also acts as the nominee for Beijing Xingwen Equity Investment Partnership (Limited Partnership) (北京興文股權投資合夥企業(有限合夥)). Accordingly, Mr. Chen Kai is deemed to be interested in all the Shares held by Chen Kai Zhong Guang Limited for the purpose of Part XV of the SFO.

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

During the Reporting Period, as the Shares were not listed on the Hong Kong Stock Exchange, the disclosure requirements under relevant laws and regulations of Hong Kong, including Divisions 2 and 3 of Part XV and section 336 of the SFO, were not yet applicable to the substantial shareholders of the Company.

Save as disclosed below, as of the date of this report, 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	742,884,739	Long position	46.43%
Ms. CHANG Xing[2]	Interest of spouse	742,884,739	Long position	46.43%
Double K Limited[1]	Beneficial owner	709,986,961	Long position	44.37%
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%
CHEN DA ZHI LIMITED[4]	Beneficial owner	84,218,311	Long position	5.26%
Mr. CHEN Dazhi[4]	Interest in a controlled corporation	84,218,311	Long position	5.26%

Note:

(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 CHEN DA ZHI LIMITED is wholly owned by Mr. CHEN Dazhi (陳大志). Accordingly, Mr. CHEN Dazhi is deemed to be interested in the Shares held by CHEN DA ZHI LIMITED.

SHARE OPTION SCHEME

On February 7, 2020, the Company conditionally adopted the Share Option Scheme. The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the eligible participants under the Share Option Scheme (the "Eligible Participants") had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 160,000,000 Shares (i.e. 10% of the aggregate of the Shares in issue on the Listing Date and as at the date of this report), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of US$0.00001 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option, but in any case the subscription price shall not be less than the higher of (a) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities, (b) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

No share options have been granted or agreed to be granted under the Share Option Scheme as at the date of this report.

EQUITY-LINKED AGREEMENTS

Other than the share incentive plans as described above, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company from the Listing Date to the date of this report or subsisted as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, neither the Company nor any of its subsidiaries or the PRC Operating Entities has purchased, sold or redeemed any of the Company's securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a *pro rata* basis to the existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Reporting Period, other than being a director of the Company, its subsidiaries and/or any of the PRC Operating Entities.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

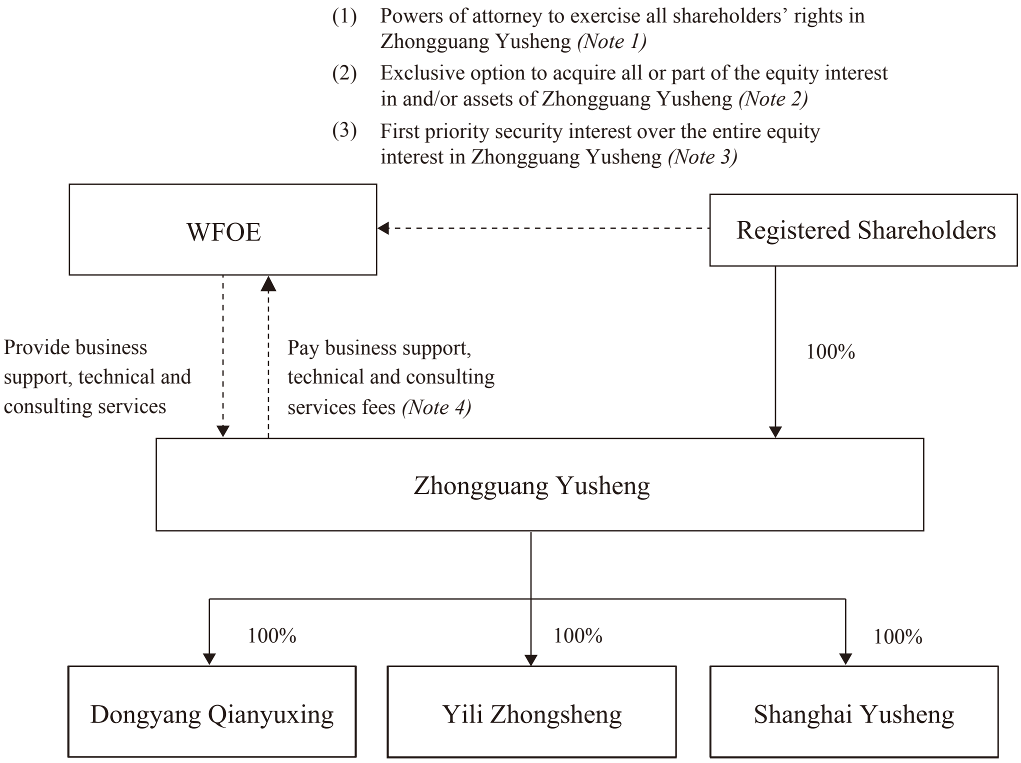
No related party transactions disclosed in Note 26 to the consolidated financial statements constituted as a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Save as disclosed below in this report, during the year ended December 31, 2019, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

Contractual Arrangements

Our Group has entered the Contractual Arrangements with, among other, the WFOE, Zhongguang Yusheng and the Registered Shareholders, to enable us to, among others, exercise control over and derive the economic benefits from our PRC Operating Entities and consolidated their results of operations into those of our Group.

The following simplified diagram illustrates the flow of economic benefits from our PRC Operating Entities to our Group stipulated under the Contractual Arrangements:



(1) Please refer to "Contractual Arrangements — Shareholders' Rights Proxy Agreement" for details.

(2) Please refer to "Contractual Arrangements — Exclusive Option Agreement" for details.

(3) Please refer to "Contractual Arrangements — Equity Pledge Agreement" for details.

(4) Please refer to "Contractual Arrangements — Exclusive Business Collaboration Agreement" for details.

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

(a) Exclusive Business Collaboration Agreement

Pursuant to the exclusive business collaboration agreement dated July 15, 2019 (the "Exclusive Business Collaboration Agreement") between Zhongguang Yusheng and WFOE, the WFOE agreed to be engaged as the exclusive provider to PRC Operating Entities of comprehensive technical support, business support and relevant consultation services for annual service fees, including but not limited to the following services: providing business management consultation; providing marketing and promotional services; providing customer order management and customer service and assist in maintaining relationships with customers; licensing the use of relevant intellectual property rights.

Pursuant to the Exclusive Business Collaboration Agreement, the service fee shall be equivalent to the total consolidated profit of Zhongguang Yusheng, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, WFOE shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the PRC Operating Entities and send the service fee payment notification to Zhongguang Yusheng within 40 days after each fiscal year end for the services provided in the preceding fiscal year. Zhongguang Yusheng has agreed to pay the service fee within 30 days after receiving WFOE's notification.

The Exclusive Business Collaboration Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Collaboration Agreement; (b) in writing by WFOE; or (c) all the equity interest or assets of Zhongguang Yusheng has been legally transferred to WFOE or the nominee(s) designated by WFOE. WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

(b) Exclusive Option Agreements

WFOE, Zhongguang Yusheng and the Registered Shareholders entered into an exclusive option agreement on July 15, 2019 (the "Exclusive Option Agreement"), pursuant to which the Registered Shareholders jointly and severally granted irrevocably and unconditionally to WFOE the rights to require the Registered Shareholders to transfer any or all their equity interests in Zhongguang Yusheng and/or to require Zhongguang Yusheng to transfer all of its assets to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Zhongguang Yusheng.

The Exclusive Option Agreement commenced on July 15, 2019 being the date of the agreement, until it is terminated (i) in writing by all parties, or (ii) upon the transfer of the entire equity interests held by the Registered Shareholders and/or the transfer of all the assets of Zhongguang Yusheng to WFOE or its designated person. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

(c) Equity Pledge Agreements

WFOE, Zhongguang Yusheng and the Registered Shareholders entered into an equity pledge agreement on July 15, 2019 (the "Equity Pledge Agreement"), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Zhongguang Yusheng to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

The Equity Pledge Agreement takes effect upon the execution date and shall remain valid until (i) all the obligations under the Contractual Arrangements (other than the Equity Pledge Agreement) have been fulfilled; (ii) each of the Registered Shareholders has transferred his equity interests in Zhongguang Yusheng in accordance with the Exclusive Option Agreement; (iii) Zhongguang Yusheng has transferred all of its assets in accordance with the Exclusive Option Agreement; (iv) all the agreements underlying the Contractual Arrangements (other than the Equity Pledge Agreement) have been terminated; and (v) the Equity Pledge Agreement has been unilaterally terminated by WFOE.

(d) Shareholders' Rights Proxy Agreement

Each of Zhongguang Yusheng, the Registered Shareholders and WFOE entered into an shareholders' rights proxy agreement (the "Shareholders' Rights Proxy Agreement") on July 15, 2019, pursuant to which, each Registered Shareholder irrevocably, unconditionally and exclusively appoints WFOE or its designated person, as his attorney-in-fact to exercise such shareholder's rights in Zhongguang Yusheng.

The Shareholders' Rights Proxy Agreement has an indefinite term and will be terminated in the event that all the equity interest or assets has been legally and effectively transferred to WFOE in accordance with the Exclusive Option Agreement. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

(e) Spouse undertaking

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking (the "Spouse Undertaking") to the effect that: (i) the equity interests of Zhongguang Yusheng held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties; (ii) the spouse irrevocably and unconditionally abandons any right or interest over the equity interests of Zhongguang Yusheng held by his/her spouse that he/she might be granted according to any applicable law, and undertakes that he/she will not take any claim relating to such equity interests; (iii) the rights and obligations under the Contractual Arrangements do not apply to the spouse. The performance, amendment or termination of the Contractual Arrangements or the signing of other documents to replace the Contractual Arrangements by the Registered Shareholders does not require consent from the spouse; and (iv) in the event that the spouse obtains any equity interests in Zhongguang Yusheng, he/she will be subject to and abide by the terms of the Contractual Arrangements as if he/she was a signing party to such Contractual Arrangements, and at the request of WFOE, she will sign any documents in the form and substance consistent with the Contractual Arrangements.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between our Group and our PRC Operating Entities during the year ended December 31, 2019. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended December 31, 2019.

For the year ended December 31, 2019, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2019, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our PRC Operating Entities under the Contractual Arrangements.

The revenue of the PRC Operating Entities amounted to RMB475.6 million for the year ended December 31, 2019, representing an increase by 68.1% from RMB282.9 million for the year ended December 31, 2018. For the year ended December 31, 2019, the revenue of the PRC Operating Entities accounted for approximately 100% of the revenue for the year of our Group (2018: N/A).

The total assets of the PRC Operating Entities amounted to RMB906.2 million for the year ended December 31, 2019, representing an increase by 143.9% from RMB371.6 million for the year ended December 31, 2018. For the year ended December 31, 2019, the total assets of the PRC Operating Entities accounted for approximately 96.3% of the total assets for the year of our Group (2018: N/A).

Reasons for Adopting the Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in the Prospectus, the production and distribution of radio and TV programs of the PRC Operating Entities constitute a business restricted to foreign investment in the PRC. Therefore, we cannot directly acquire equity interests in the PRC Operating Entities. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over the PRC Operating Entities and grant our Group the right to acquire interests of the PRC Operating Entities when and to the extent permitted by the PRC laws and regulations. Under the Contractual Arrangements, our Group supervises and controls the business operations of and derives economic benefit from the PRC Operating Entities. For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements –Background" and "Contractual Arrangements – Development in Legislation on Foreign Investment in Mainland China" of the Prospectus.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business operations, have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the PRC Operating Entities and any member of our Group ("New Intergroup Agreements" and each of them, a "New Intergroup Agreement") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

(a) if the PRC Government authorities determine that our Contractual Arrangements do not comply with applicable regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our PRC Operating Entities;

(b) substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations;

(c) our Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operating Entities or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements;

(d) we may lose the ability to use and enjoy assets and licenses held by the PRC Operating Entities that are important to the operation of our business if any of the PRC Operating Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;

(e) our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that we owe additional taxes could substantially reduce our consolidated net income and the value of Shareholders' investment;

(f) the Registered Shareholders may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests; and

(g) we conduct our video content operation business in the PRC through the PRC Operating Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

Further details of these risks are set out in the section headed "Risk Factors — Risks relating to Our Contractual Arrangements" of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(d) Our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain of the parties to the Contractual Arrangements, namely Mr. LIU Mu (an executive Director, our chief executive officer and one of our controlling shareholders) and Mr. CHEN Kai (the non-executive Director) are connected persons. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to the following conditions:

(a) no change without independent non-executive Directors' approval;

(b) no change without independent Shareholders' approval;

(c) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities;

(d) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Zhongguang Yusheng, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(e) we will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual Review by the Independent Non-Executive Directors and the Auditor

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(a) the transactions carried out during the year ended December 31, 2019 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(b) no dividends or other distributions had been made by our PRC Operating Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to our Group;

(c) no new contracts had been entered into, renewed and/or reproduced between our Group and the PRC Operating Entities; and

(d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Auditor to perform certain procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedures related to the disclosed continuing connected transactions, the Auditor has concluded in a letter to the Board that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;

(b) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with a series of contractual arrangements disclosed in the section headed "Contractual Arrangements" in the Prospectus governing such transactions; and

(c) nothing has come to their attention that causes them to believe that dividends or other distributions have been made by Zhongguang Yusheng and its subsidiaries to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

DONATIONS

During the Reporting Period, the Group did not make any charitable donations (2018: nil).

LEGAL PROCEEDINGS AND COMPLIANCE

For the year ended December 31, 2019, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

PERMITTED INDEMNITY PROVISION

Under the Articles of Association, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duties in his office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

EVENTS AFTER THE REPORTING PERIOD

On March 13, 2020, the Group listed its Shares on the Main Board of the Stock Exchange at a subscription price of HK$2.26 each. The Group received net proceeds of approximately HK$829.9 million for the 400 million Shares issued in the Global Offering.

The outbreak of a novel strain of coronavirus COVID-19 has disrupted the Group's business and may adversely affect its operations and financial position. The Group has been closely monitoring the development of the Outbreak and reviewing its impact on the Group's business. For more details, see Note 28 to the consolidated financial information.

Save as disclosed above, no significant event took place subsequent to December 31, 2019.

AUDIT COMMITTEE

The Audit Committee had, together with the Auditor, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements during the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 48 of this report.

HUMAN RESOURCES

As at December 31, 2019, the Group had 84 full-time employees (2018: 77), all of whom were based in China. The following table sets forth the number of our employees by function.

	Number of employees	% of total
Content development	43	51.2
Marketing	23	27.4
Administrative and human resources	9	10.7
Finance and capital raising	5	5.9
Management and support	4	4.8
Total	84	100.0

The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times since the Listing Date and as of the date of this report.

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on June 26, 2020. The notice of the AGM will be issued and dispatched to the Shareholders, and will also be made available on the website of the Company at www.sinozswh.com and the Stock Exchange at www.hkexnews.hk. To determine the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from June 22, 2020 to June 26, 2020, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on June 19, 2020.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

AUDITOR

KPMG was appointed as the Auditor during the Reporting Period. The accompanying financial statements prepared in accordance with IFRS have been audited by KPMG.

KPMG shall retire at the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of KPMG as Auditor will be proposed at the AGM.

On behalf of the Board
Mr. LIU Mu
Chairman
Beijing, PRC, April 15, 2020

The Board is pleased to present the corporate governance report of the Company for the Relevant Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. Save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code throughout the Relevant Period. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As of the date of this report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Executive Directors:

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

Non-executive Director

Mr. CHEN Kai

Independent Non-executive Directors

Ms. RAN Hua
Mr. HUANG Victor
Mr. ZHANG Yiwu

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this report.

During the Relevant Period, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of program production, education, finance, legal profession, auditing and accounting. They obtained degrees in various majors including communication, radio and TV journalism, economics, accounting and business administration. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. Currently, two of our Directors are female. The Company recognizes that the gender diversity at the Board level can be improved given the majority of our Directors are male. The Company will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties.

None of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision of the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity of the public companies or organizations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and relevant regulatory requirements.

In accordance with A.6.5 of the CG Code with regards to continuous professional development, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to directors where appropriate. The Company also arranges trainings to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

During the Relevant Period, all Directors, namely Mr. Liu, Ms. CHEN Jia, Mr. CHEN Kai, Mr. RAN Hua, Mr. HUANG Victor and Mr. ZHANG Yiwu, have complied with the CG Code in relation to continuous professional development, apart from reading materials relevant to the Company's business, director's duties and responsibilities. All Directors also attended and/or gave presentation in seminars/forums. The Company updates Directors constantly on the latest developments regarding the Group's business and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors have provided to the Company with their training records on a regular basis, and such records have been maintained by the Company for accurate and comprehensive record keeping.

Chairman and Chief Executive Officer

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

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date.

The non-executive Director has entered into an appointment letter with the Company for an initial term of three years on February 7, 2020. The appointment letter shall commence from the Listing Date.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years on February 7, 2020. The terms of appointment letters of Ms. RAN Hua and Mr. ZHANG Yiwu commenced from August 7, 2019 and the term of appointment letter of Mr. HUANG Victor commenced from February 7, 2020.

None of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy shall offer himself/herself for re-election by the Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall offer himself/herself for re-election by the Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors or Board Committee members for information and records.

Minutes of the Board meetings and Board committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors/Board committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Attendance of Directors at various meetings

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication.

As the Company's shares were only listed on the Stock Exchange on March 13, 2020, only two Board meeting were held on March 31, 2020 and April 15, 2020 to consider and approve the unaudited and audited final results for the year ended December 31, 2019 of the Group, as at the date of this report. The Company expects to convene at least four regular board meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Code.

Model Code for Securities Transactions

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

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

Delegation by the Board

The Board reserves for its decision right for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

4. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD COMMITTEES

Audit Committee

The Company establishes the Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee comprises three members, namely Mr. HUANG Victor (Chairman), Mr. CHEN Kai and Ms. RAN Hua, majority of them are independent non-executive Directors. The Audit Committee is responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Code provision C3.3(e)(i) of the CG Code provides that the terms of reference of the Audit Committee shall have the terms that the members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet at least twice a year with the Auditor. The Company has included such terms in relevant terms of reference, and thus complied with the Code provision C3.3(e)(i) of the CG Code during the Relevant Period.

As the Company's shares were only listed on the Stock Exchange on March 13, 2020, the Audit Committee did not hold any meetings during the year ended December 31, 2019. During the Relevant Period, two Audit Committee meetings were convened. The Audit Committee had performed the followings tasks, among others:

1. reviewed the unaudited annual results for the year ended December 31, 2019;

2. reviewed the audited annual results for the year ended December 31, 2019;

3. reviewed the appropriateness and effectiveness of risk management and internal control systems;

4. discussed with the auditor of the Company and reviewed their audit findings;

5. reviewed all non-audit services provided by the auditors to determine the provision of such services would affect the independence of the auditors; and

6. performed the corporate governance functions and reviewed the corporate governance policies and practices.

Nomination Committee

The Company establishes the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee currently comprises three members, including one executive Director namely Mr. Liu (chairman) and two independent non-executive Directors namely Ms. RAN Hua and Mr. ZHANG Yiwu. The primary functions of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, reviewing the Board diversity policy, assessing the independence of independent non-executive directors and making recommendations to the Board on matters relating to the appointment of Directors.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the Board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company's shares were only listed on the Stock Exchange on March 13, 2020, the Nomination Committee did not hold any meetings during the year ended December 31, 2019. During the Relevant Period, one Nomination Committee meeting was held. The Nomination Committee has reviewed the structure, size and composition of the Board and the Board diversity policy as well as discussing matters regarding the re-appointment, retirement and re-election of Directors.

As of the date of this report, the objectives of nomination policy of the Company were fulfilled.

Remuneration Committee

The Company establishes the Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises three members, including two independent non-executive Directors namely Mr. ZHANG Yiwu (chairman) and Ms. RAN Hua and one executive Director namely Ms. CHEN Jia. The primary duties of the Remuneration Committee include, without limitation, (i) making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives, (iii) determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management, which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (iv) making recommendations to the Board on the remuneration of non-executive Director.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company's shares were only listed on the Stock Exchange on March 13, 2020, the Remuneration Committee did not hold any meetings during the year ended December 31, 2019. During the Relevant Period, one Remuneration Committee meeting was held. The Remuneration Committee had reviewed and approved the remuneration of executive Directors, non-executive Directors and independent non-executive Directors.

Remuneration of Directors and Senior Management

Please refer to Note 8 to the consolidated financial statements for details of remuneration of members of the Board for the year ended December 31, 2019.

Details of the remuneration by band of senior management of the Company, whose biographies are set out on pages 17 of this report, for the year ended December 31, 2019 are set out below:

Remuneration band (RMB)	Number of individual
0–1,000,000	2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility of preparing the financial statements for the year ended December 31, 2019 to give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with timely updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 66 to 67 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the Board's responsibility to ensure that the Company has established and maintained adequate and effective risk management and internal control systems. The Board delegates its responsibility to the Audit Committee to review the establishment and practices of management with respect to risk management and internal control systems formally on the annual basis. The Audit Committee also reviews the effectiveness of the risk management and internal control systems on an annual basis. The Board is also responsible for overseeing the key risks of the Company, including determining the level of risk the Company expects and is able to take, and proactively considering, analyzing and formulating strategies to manage the key risks that the Company is exposed to. The Audit Committee oversees the management of the design, implementation and monitoring of risk management and internal control systems. The senior management team also provides all necessary and relevant information to the Board, giving the Directors sufficient explanation and information they need to discharge their responsibilities and make an informed assessment of financial and other information put before them for approval. Since the Company was listed on March 13, 2020, it does not have a internal audit team during the Reporting Period but it plans to set up an internal audit team.

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance. In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures so as to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our audit committee reviews and approves our annual risk assessment results and policies. We have also identified certain forbidden conducts in our internal anti-bribery and anti-corruption policies, including, among others, the prohibition to acceptance of bribes or rebates, embezzlement or misappropriation of our assets, and forgery or alteration of our accounting records.

Risk Management

The Company is committed to continuously improving the risk management system, including structure, process and culture, through the enhancement of risk management ability, to ensure long-term growth and sustainable development of the Company's business. The Company has established a risk management system which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes. Each business group of the Company, on a regular basis, identifies and assesses risk factors that may negatively impact the achievement of its objectives, and formulates appropriate response measures.

The Audit Committee assists the Board in supervising the overall risk status of the Company and evaluating the change in the nature and severity of the Company's major risks. The Audit Committee considers that the management of the Company has taken appropriate measures to address and manage the key risks which they are responsible for at a level acceptable to the Board.

The Audit Committee, on behalf of the Board, continuously reviews the risk management and internal control systems. The review process comprises, among other things, meetings with management of business groups, legal personnel and the external auditors, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. The Board is of the view that throughout the year ended December 31, 2019, the risk management and internal control systems of the Company are effective and adequate.

In addition, the Board believes that the Company's accounting and financial reporting functions have been performed by staff with the appropriate qualifications and experience and that such staff receives appropriate and sufficient training and development. Based on the work report from the Audit Committee, the Board also believes that the Company's internal audit function is adequate with sufficient resources and budget. The relevant staff has appropriate qualifications and experience, and receives sufficient training and development.

AUDITOR'S REMUNERATION

The remuneration for the audit services provided by the Auditor to the Group during the year ended December 31, 2019 was approximately as follows:

Type of Services	Amount (RMB'000)
Annual Audit Services	2,000
Total	**2,000**

JOINT COMPANY SECRETARIES

Mr. LIU Xingxin and Ms. AU Wai Ching have been appointed as the joint company secretaries of the Company. See the section headed "Directors and Senior Management — Joint Company Secretaries" in this report for their biographies. Mr. LIU Xinxing is the main contact person of Ms. AU Wai Ching in the Company.

For the year ended December 31, 2019, Mr. LIU Xingxin and Ms. AU Wai Ching have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for the Shareholders to communicate directly with the Directors. The Chairman of the Board as well as chairmen of the Remuneration Committee, Audit Committee and Nomination Committee and, in their absence, other members of the respective committees will be available to answer questions at shareholder meetings. The Auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.sinozswh.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Board encourages all its Shareholders to participate in the forthcoming AGM where the members of the Board and external auditors will be present and communicate with its shareholders.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Shareholders may put forward proposals for consideration at a general meeting of the Company according to the Articles of Association. Any two or more members holding as of date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the joint company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 9/F, Block E, Ocean International Center, Chaoyang District, Beijing, PRC.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date.

DIVIDEND POLICY

The Company currently does not have any pre-determined dividend payout ratio. The amount of dividends actually distributed to the Shareholders will depend on the Company's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to approval of the Shareholders. The Board has the absolute discretion to recommend any dividends.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 About this Report

This is the first Environmental, Social and Governance Report of China Bright Culture Group (the "Group" or "we" or "us" or "our"). This report focuses on the Group's efforts and contributions in the areas of environmental, social and governance as well as our outlook for the future. With the publication of this report, we hope to strengthen our communication and liaison with various stakeholders.

The Board and all of the Directors of the Group assure that the contents of this report are free from any false or misleading statements or any material omissions, and assume liability, individually and severally, for the authenticity, accuracy and completeness of the contents.

1.1 Scope of the Report

This report covers the environmental, social and governance performance of the Group in its core business, during the period from January 1, 2019 to December 31, 2019 (the "Year 2019").

1.2 Basis of Preparation

This Environmental, Social and Governance Report is prepared under the framework according to the "comply or explain" provision set out in Appendix 27 to the Rules Governing the Listing of Securities of Hong Kong Exchanges and Clearing Limited ("HKEx").

1.3 Feedback Contacts

We welcome your feedback on this Environmental, Social and Governance Report. We also appreciate the sharing of your views on our Environmental, Social and Governance Report. Please send us any comments by email to ir@sinozswh.com.

1.4 Access to the Report

You may download the Chinese and English versions of this Report from the HKEx website http://www.hkexnews.hk. This report is published in Chinese and English. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

2 ESG Management Philosophy and Vision

We are a rapidly growing independent producer of variety programs in China. Our main businesses include the development, marketing, production and distribution of video contents (such as variety programs and drama series) for media platforms (including TV networks and online video platforms). We have a mission to provide people with happier lives through the use of lights, shadows and entertainment, and we hope to become a first-class enterprise with international influence through the output of film and TV entertainment contents.

2.1 Communication with Stakeholders

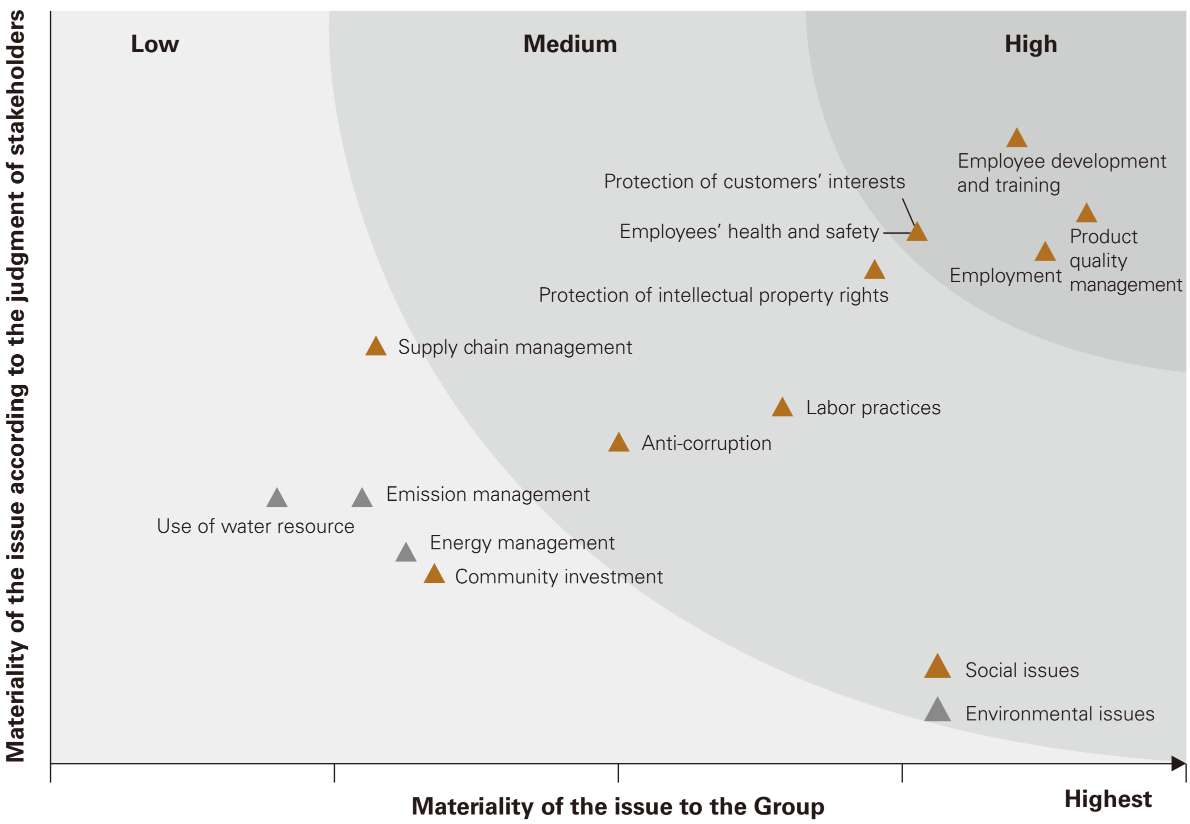
The Group has always attached great importance to communication and relationship with stakeholders. Our key stakeholders include shareholders and investors, government authorities, employees, customers, members of the society, suppliers and business partners. We reach out to our stakeholders through different channels and collect their feedback directly, with which the Group can improve and thrive.

Stakeholders	Communication Channels
Shareholders and investors	— General meetings — Annual reports — Results announcements — Announcements and circulars
Government and regulatory authorities	— Written documents or reports — Face-to-face communication — Compliance management
Employees	— Employee handbook — Employee trainings — Performance appraisals — Satisfactory remuneration and benefits
Customers	— Meetings — Customer information and privacy protection — Emails and telephone hotline
Suppliers and business partners	— Open tender — Supplier management system — Review and performance evaluation — Internal monitoring and risk management

2.2 Materiality Assessment

The Group identifies ESG issues relevant to the Group by referring to the HKEx's ESG Reporting Guidelines and issues disclosed by peers, and invites key stakeholders to discuss on important environmental, social and governance issues related to the Group's core business. In particular, internal stakeholders primarily consider from the perspectives of the Company's long-term development, management improvement, investment urgency and risks, whereas external stakeholders primarily consider from the perspectives of their own interests, which are shown in the following matrix.

After detailed analysis, the key areas of concern for the sustainable development of the Group are primarily social issues which include employee development and training, product quality management, protection of customers' rights and interests as well as employees' health and safety.



3 Environment

3.1 Emission

As the Group's core business is the production of variety programs and does not develop properties nor operate factories, our day-to-day operational activities have relatively little impact on the environment.

Hazardous and non-hazardous wastes of the Group are mainly refuses generated from office-related activities. The Group actively advocates the concept of environmental protection and sustainable development, and strives to create a green office environment. We often encourage our staff to reduce the use of paper in the office and use emails to deliver documents, in order to create a paperless working environment. We also encourage our employees to participate in waste separation and recycling works.

During the Year 2019, the Group has complied with relevant laws and regulations in relation to pollution and waste disposals, and there was no material violation of relevant laws and regulations.

For wastes generated by the Group during the Year 2019, please refer to the following table:

Hazardous wastes

Environmental KPI	Unit	2019
Toner cartridges	Kg	6.3
Ink cartridges	Kg	0.3

Non-hazardous wastes

Environmental KPI	Unit	2019
Waste florescent tubes	Piece	63.0
Domestic wastes	Kg	3,120.0
Use of paper	Kg	581.0
Recycled waste paper	Kg	26.0

3.2 Use of Resources

The Group recognises the catastrophic effects that climate change will bring to the planet, and strictly abides by relevant laws and regulations such as the Water Law of the People's Republic of China (《中華人民共和國水法》) and the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》). In respect of daily use of resources, we urge our staff to reduce unnecessary use of electricity and turn off idling electronic equipment, and we encourage reduced used of water by posting reminders in toilets. We also promote the concept of environmental protection in offices by raising the awareness and attention of the employees to environmental protection issues.

We do not have a shortage of water in our day-to-day operations, and the Group's core business does not have any material impact on the environment and natural resources.

For resource utilization of the Group during the Year 2019, please refer to the following table:

Environmental KPI	Unit	2019
Gasoline consumption related to the use of vehicles	liter	**3,550**
Electricity consumption	kWh	**17,535**
Water consumption	m^3	**260**

Meanwhile, our business does not involve the use of packaging materials and therefore it has not been disclosed.

3.3 Environment and Natural Resources

The core business of the Group and its future development plans do not pose a significant impact on the environment and natural resource, but we will continue to encourage all staff of the Group to reduce the use of natural resources and reinforce the employees' environmental protection activities in the office surroundings. During the time when the Group is conducting activities of its core business, the management has taken environmental and natural resources issues into consideration.

4 Employment and Labor Practices

4.1 Employment

4.1.1 Employee Distribution

We believe that high-quality, experienced and dedicated employees are the foundation of our success. In 2019, we employed 84 employees. To support our business expansion and develop our talent reserve, we plan to expand our team with possible consideration of acquiring and consolidating small studios or teams. We expect to increase the number of our employees by approximately 75 to reach approximately 150 in 2020.

For employee distribution of the Group in 2019, please refer to the following table:

Department	Number of employees
Content development	43
Marketing	23
Administrative and human resources	9
Finance and capital raising	5
Management and support	4
Total	84

4.1.2 Recruitment, Dismissal, Compensation and Promotion

We strive to create a fair and equal working environment and fulfil our employer responsibilities, and we have formulated the Employee Management System (《僱員管理制度》). We strictly abide by the relevant laws and regulations in relation to employment and labor. A Human Resources Management System (《人力資源管理制度》) has been established in the Group's Administrative Manual, which specifies the management system for recruitment, new employees' probation periods, performance management, remuneration and benefits, and employee termination. We enter into employment contracts with each of our employees covering matters such as salaries, benefits and grounds for termination. We pay social insurance and housing provident funds in accordance with PRC laws and regulations.

The Group has established the Recruitment Management System (《招聘管理制度》). Recruitments are conducted annually through different recruitment channels according to the targets of the departments, with the use of a standardized recruitment form and a set of rigorous recruitment procedures.

The Group has established the Employee Promotion and Demotion System (《人員晉升降級制度》), which is executed by human resources department. The Group has conducted a review and evaluation of the roles or positions of the employees based on their functional requirements and business conditions, and established a management system with respect to the form, the basis, the authorization, the principles and modes of promotion. If a staff member who violates the Company's system will be warned, demoted, having his/her salary reduced or terminated according to the Disciplinary Standards (《懲戒裁決標準》) in the Administrative Manual.

The Group has established a Remuneration and Benefits Management System (《薪酬福利管理制度》) to ensure that the design, distribution and management of the Company's remuneration system are scientific and reasonable, in line with the current situation of the Company's development as well as the human resources management framework, and formulated in accordance with the principles of "adapting to the market environment, realizing the values of talents and fulfilling the purpose of motivation". With an incentivizing remuneration distribution system as the core, we have established a remuneration system which takes into account internal fairness well as competitiveness in the market, with an objective to "align responsibility with benefit, align ability with value and align performance with income" with respect to the employees' remuneration distribution, such that there will be an effective integration of individual income and the Company's efficiency, achieving a sustainable, stable and healthy development by giving a full play to the effects of remuneration protection and incentives.

During the Year 2019, the Group has complied with relevant laws and regulations in relation to compensation and termination as well as employment and promotion, and we are not aware of any material case of non-compliance.

4.1.3 Working Hours, Rest Periods and Benefits

The Group has established the Attendance Management System (《考勤管理制度》). In accordance with the regulations of the State Council, the Group's working days are from Monday to Friday, except for the rest days and statutory holidays. Employees are also entitled to annual vacation and holiday benefits, including sick leave, casual leave, bereavement leave, marriage leave, annual leave, maternity leave, breast-feeding leave, prenatal examination leave and paternity leave.

4.1.4 Diversity, Equal Opportunity and Anti-discrimination

We strive to achieve diversity by taking into account a number of factors, including but not limited to gender, age, ethnicity, color, language, marriage, cultural background, education background, industrial experience and professional experience. Our recruitment policy has always been based on the principle of selection by merit and equal opportunity, taking into consideration a balanced mixed of knowledge and skills, including knowledge and experience in areas such as program production, education, finance, legal profession, audit and accounting. We have taken steps to promote gender diversity at all levels of the Company, to continue to adopt the principle of meritocracy, and not to take into account any factors which may constitute discrimination in the decision-making process. The Group does not accept any form of harassment against its employees and all harassment cases must be handled impartially in accordance with the Group's code. Meanwhile, the Group has endeavoured to ensure the compliance with all regulatory standards and laws and regulations in relation to diversity, equal opportunity and anti-discrimination.

During the Year 2019, the Group has complied with relevant laws and regulations in relation to equal opportunity, diversity and anti-discrimination, and there was no case of material violation.

4.1.5 Labor Practices

The Group strictly abides by Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Labor Law of the People's Republic of China (《中華人民共和國勞動法》), Law of the People's Republic of China on the Protection of Rights and Interests of Women (《中華人民共和國婦女權益保障法》), Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), Regulations on the Administration of Labor Contracts (《合同管理辦法》) and any relevant or applicable laws and regulations on employment and labor practices, and prohibits the employment of child labor or forced labor. According to the Recruitment Management System established by the Group, our human resources department requires a job applicant to complete an Applicant Registration Form (《應聘人員登記表》) and conduct basic information (including age) and background checks on the applicant. Detailed employment information will be entered into the system after the applicant has fulfilled the Company's requirements and confirmed the appointment of the job.

During the Year 2019, the Group has complied with relevant laws and regulations in relation to labor standards, and we are not aware of any violation case of relevant labor standards.

4.1.6 Health and Safety

The Group attaches importance to the health and safety of its employees and practices a five-day work week. Employees are reminded to take care of their personal safety and health and avoid occupational injuries and diseases. We have complied with the relevant requirements of Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》).

We follow the state policy of Five Social Security and Housing Fund (五險一金) and pay the social security insurance premiums and public housing funds for the employees. We also provide annual medical examinations for our employees. In the future, we also plan to provide our employees with knowledge of healthcare and health insurance through different channels.

During the Year 2019, the Group did not record any case of industrial accidents, injuries, fatalities or loss of work days.

4.1.7 Development and Training

Employee development and training has been identified as one of the important issues of the Group, indicating the significance of the issue to the Group's long-term business development. The Group has established the Employee Training and Development System (《員工培訓與開發制度》) to enhance the work ability of the employees by improving the current or future management performance level, exploring the development potentials of the employees, strengthening the responsiveness and adaptability of departments and individuals, as well as enhancing the employees' recognition of the corporation and sense of belonging and creating a good corporate culture.

The Group encourages its employees to voluntarily participate in studies to obtain professional qualifications issued by the State Administration (Industry) Department, and has developed flexible work plans to support learning plans. At the same time, we put emphasis on the professional development and leadership of our management, and conduct leadership training activities once every year. We also provide business training to all members of the Group at least once a year, so that all the employees can understand our corporate culture and service processes. In addition, we encourage all business units to organize relevant in-house trainings and arrange external learnings from which we can catch on to more advanced development and enhance the employees' capabilities.

4.2 Operating Practices

4.2.1 Supply Chain Management

The Group's major suppliers include production crews, TV networks and media platforms that provide us with time slots or post-production services, talent coordination companies and marketing companies. We usually work with our suppliers on project basis and enter into different contracts for the programs, setting out the scopes of work, prices, time of payments and other commercial terms.

We have established the Supplier Management System (《供應商管理制度》) and strictly adhere to the principles of openness, transparency, fair competition, good faith and credibility. Prior to any procurement, the procurement team carries out assessment of the suppliers according to quantitative evaluations, fair competitions and selection of the winners. The procurement team negotiates with a number of suppliers and conducts preliminary evaluations on the suppliers based on various criteria. Comprehensive evaluations including on-site review, monitoring and inspections are also conducted by considering a number of factors, including product quality, delivery time, services and teamwork. Quality monitoring will be carried out after the selection of suppliers.

4.2.2 Product Responsibility

Product Quality Management

The Group's major customers are leading TV networks in China. We adopt a project-based responsibility system, requiring the content production department to take full responsibility of program qualities. Internally, we assess the overall performance of our service execution and programs so that we will be able to control the quality of projects of similar nature in the future. Meanwhile, we also carry out constant and in-depth communication with the team during the preliminary preparation, filming and production of programs before the final deliveries of finished products, in order to ensure the quality of our programs.

Before the release of every variety program, it must go through our internal program review and strictly comply with the guidelines, laws and regulations issued by the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT"). We have established a Risk Monitoring and Management Committee to review the contents of all programs and control the quality of our products. Before the production of any major network and television programs, we always complete the relevant record-filing to SAPPRFT in order to fulfill the requirements of regulatory authorities.

Protection of Intellectual Property Rights

The Group's core business is the production of variety programs. We put a strong emphasis on intellectual property rights and their protection. We are committed to development and protection of intellectual property rights and we recognize the importance of intellectual property rights to our business. We have established the intellectual property rights department to carry out the centralized management of any matters related to intellectual property rights, including trademarks, designs, copyrights, functional variable names, etc. in order to protect the Group's creative works, safeguard and protect intellectual property rights. In the Year 2019, we held 14 registered trademarks in China.

To protect our intellectual property rights, we enter into agreements with the production teams involved in program production, specifying that all intellectual property rights arising from the production teams' products and services shall belong to the Group.

During the Year 2019, the Group was not aware of any case of violation in relation to intellectual property laws and regulations.

Protection of Customer' Rights and Interests

The Group attaches great importance to the protection of customers' rights and interests, which we regard as an important issue and for this, we have established a stringent Customer Management System (《客戶管理制度》). The Group has set up an electronic customer management system to record and store customers' data and information with encryption. We have also established procedures for read access and update authorization in order to mitigate the risk of information leaks and strengthen security for the data.

During the Year 2019, the Group has complied with relevant laws and regulations in relation to protection of customers' rights and interests. We did not find any violation case of the relevant laws and regulations.

4.2.3 Anti-corruption

In order to comply with applicable anti-corruption and anti-bribery laws and regulations, we have formulated and implemented the Measures for Anti-corruption and Reporting Administration (《反舞弊及舉報投訴管理辦法》), the Anti-money Laundering Internal Control System (《反洗錢內部控制制度》), the Anti-corruption Regulations (《反貪腐條例》) as well as relevant anti-corruption and anti-bribery policies. Highlights of our key anti-corruption and anti-bribery measures include the following:

- we provide anti-fraud and ethics training to our new employees and distribute our anti-corruption and anti-bribery policy to all employees through employee handbooks and announcements;

- we have established a committee consisting of our management team to identify improper conduct of our employees and monitor inter-department activities. The primary duties of the committee include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group; and

- we have a whistle-blowing and complaint handling process through written submissions, telephone or email, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases where misconduct is found, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct.

Meanwhile, we have also formulated and implemented an anti-money laundering policy (the "AML Policy"). Highlights of our AML Policy include the following key measures:

- members of our senior management and finance department are responsible for anti-money laundering matters. Their main duties are to formulate our anti-money laundering policy, conduct review of our anti-money laundering procedure, report any suspected money laundering incidents to government authorities, and assess our anti-money laundering risks arising from our business operations, including our projects and our customers;

- we provide our employees with regular anti-money laundering training, during which we introduce our Company's anti-money laundering procedures and keep abreast of the latest laws and regulations relating to anti-money laundering; and

- if we have reasonable grounds to suspect that any of our customers is engaging in money laundering activities, we may suspend or terminate our business relationship with that customer and promptly report to the PBOC as required under PRC laws and regulations.

During the Year 2019, the Group was not involved in any case of briberies, extortions, frauds or money laundering, and was not aware of any violation of anti-corruption and anti-bribery laws and regulations.

5 Community Investment

As a responsible enterprise, the Group places strong emphasis on corporate social responsibility. We strongly encourage our employees to participate in community public welfare activities. Currently, we have already commenced the preliminary work of community welfare activities for 2020, and we are planning to organize various public welfare activities.

6 HKEx ESG Reporting Guidelines Index

Primary scope	Description	Section	Remark
A Environmental			
A1	**Emissions**		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3.1	
A1.1	The types of emissions and respective emissions data.	N/A	As relevant issues are not identified as material according to our business nature, data are not disclosed
A1.2	Greenhouse gas emissions in total and intensity.	N/A	As relevant issues are not identified as material, data are not disclosed
A1.3	Total hazardous waste produced and intensity.	3.1	As relevant issues are not identified as material, data are not fully disclosed
A1.4	Total non-hazardous waste produced and intensity.	3.1	
A1.5	Description of measures to migrate emissions and results achieved.	3.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.1	
A2	**Use of Resources**		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	3.2	As relevant issues are not identified as material, data are not fully disclosed
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.2	
A2.3	Description of energy use efficiency initiatives and results achieved.	3.2	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.2	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	Not applicable The Group does not use packaging material

Primary scope	Description	Section	Remark
A3	**Environment and Natural Resources**		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	3.3	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.3	
B Social			
B1	**Employment**		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to: • compensation and dismissal • recruitment and promotion • working hours and rest periods • equal opportunity and anti-discrimination • diversity • other benefits and welfare	4.1.2 4.1.3 4.1.4	
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1.1	
B2	**Health and Safety**		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.1.6	
B2.1	Number and rate of work-related fatalities.	4.1.6	
B2.2	Lost days due to work injury	4.1.6	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.1.6	
B3	**Development and Training**		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.1.7	

Primary scope	Description	Section	Remark
B4	**Labor Standards**		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1.5	
B4.1	Description of measures to review employment practices to avoid child and forced labor.	4.1.5	
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1.5	
B5	**Supply Chain Management**		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.2.1	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.2.1	
B6	**Product Responsibility**		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2.2	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	Not applicable
B6.2	Number of products and service related complaints received and how they are dealt with.	4.2.2	None
B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2.2	
B6.4	Description of quality assurance process and recall procedures.	4.2.2	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2.2	

Primary scope	Description	Section	Remark
B7	**Anti-corruption**		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.2.3	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.2.3	None
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.2.3	
B8	**Community Investment**		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5	

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA BRIGHT CULTURE GROUP

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of China Bright Culture Group ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 121, which comprise the consolidated statements of financial position as at December 31, 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (Continued)

Loss allowances for trade receivables

Refer to note 15 to the consolidated financial statements and the accounting policies on notes 2(g)(i) and 2(j).

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2019, the Group's gross trade receivables amounted to RMB526.6 million, against which a loss allowance of RMB35.3 million was recorded. The Group's trade receivables mainly arose from video content operation. Management measures the loss allowance at an amount equal to lifetime expected credit loss based on estimated loss rates for each category of receivables. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation. We identified the loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; • obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the historical default data in management's estimated loss rates; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; • re-performing the calculation of the loss allowance as at December 31, 2019 based on the Group's credit loss allowance policies; and • obtaining all settlement information and inspecting cash receipts from debtors subsequent to the reporting date relating to trade receivable balances as at December 31, 2019.

Key audit matters (Continued)

Impairment assessment of programs under production

Refer to note 14 to the consolidated financial statements and the accounting policies on note 2(h).

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2019, the net book value of the Group's programs under production amounted to RMB341.6 million. Impairment assessment of the programs under production is assessed annually or whenever events or changes in circumstances indicate that the recoverable amount may be below the carrying amount at the end of the reporting period. In making such assessment, management considered factors such as current market condition, political environment, latest regulatory changes, whether the Group has sufficient financial ability and internal resources to complete the production of the programs, and whether there is any adverse change on the expected performance and distribution plan, which may affect the future production plans and distribution plans, and exercised judgment in developing its expectation for the future cash flows from these programs under production. We identified impairment assessment of programs under production as a key audit matter because the assessment requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the impairment for programs under production included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to impairment assessment of programs under production; • evaluating the methodology used by management to determine the recoverable amounts of programs under production with reference to the requirements of the prevailing accounting standards; • assessing the reasonableness of the key estimates made and inputs used in the discounted cash flow forecasts, including: — comparing the expected revenue to be generated by the programs through checking the preliminary agreements or related business communications with the external corporate sponsors and media platforms; — comparing the budgeted production costs with historical information; — on a sample basis, examining the relevant correspondences with suppliers, progress reports and other documents to check the status and progress of the programs under production used by management in the forecasts; and • inspecting relevant documents on the further production, broadcasting situation or revenue confirmation subsequent to the reporting date.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Man Wai.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

April 15, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2019
(Expressed in Renminbi ("RMB"))

	Note	2019 RMB'000	2018 RMB'000
REVENUE	4	**475,566**	282,931
Cost of sales		**(208,385)**	(166,978)
GROSS PROFIT		**267,181**	115,953
Other net income	5	**1,636**	11,375
Selling and marketing expenses		**(9,581)**	(7,968)
General and administrative expenses		**(63,542)**	(26,593)
PROFIT FROM OPERATIONS		**195,694**	92,767
Net finance expenses	6(a)	**(9,140)**	(2,427)
PROFIT BEFORE INCOME TAX	6	**186,554**	90,340
Income tax expense	7	**(38,686)**	(4,607)
PROFIT FOR THE YEAR		**147,868**	85,733
Attributable to:			
Equity shareholders of the Company		**147,868**	86,258
Non-controlling interests		**—**	(525)
PROFIT FOR THE YEAR		**147,868**	85,733
EARNINGS PER SHARE	10		
Basic and diluted (RMB)		**0.13**	0.08

The notes on page 74 to 121 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in not 24(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2019

(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR		**147,868**	85,733
OTHER COMPREHENSIVE INCOME FOR THE YEAR (AFTER TAX AND RECLASSIFICATION ADJUSTMENTS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency of the Group		**1,997**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,997**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**149,865**	85,733
Attributable to:			
Equity shareholders of the Company		**149,865**	86,258
Non-controlling interests		**—**	(525)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**149,865**	85,733

The notes on page 74 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2019
(Expressed in RMB)

	Note	December 31, 2019 RMB'000	December 31, 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,427**	1,515
Right-of-use assets	12	**16,928**	9,483
Deferred tax assets	23(b)	**8,512**	867
		26,867	11,865
CURRENT ASSETS			
Program copyrights	14	**356,103**	64,390
Trade receivables	15	**491,254**	203,854
Prepayments and other receivables	16	**23,257**	27,092
Restricted bank deposit	17	**34,881**	—
Cash and cash equivalents	17	**8,982**	64,368
		914,477	359,704
CURRENT LIABILITIES			
Bank loans and other borrowings	18	**111,000**	30,000
Contract liabilities	19	**16,506**	—
Trade payables	20	**33,724**	5,993
Accruals and other payables	21	**144,914**	42,715
Lease liabilities	22	**4,392**	2,563
Current taxation	23(a)	**46,108**	2,543
		356,644	83,814
NET CURRENT ASSETS		**557,833**	275,890
TOTAL ASSETS LESS CURRENT LIABILITIES		**584,700**	287,755

	Note	December 31, 2019 RMB'000	December 31, 2018 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	22	**12,416**	5,839
NET ASSETS		**572,284**	281,916
EQUITY			
Share capital	24	**45**	—
Reserves	24	**572,239**	281,916
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		**572,284**	281,916
TOTAL EQUITY		**572,284**	281,916

Approved and authorized for issue by the board of directors on April 15, 2020.

Liu Mu	Chen Jia
Director	Director

The notes on page 74 to 121 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2019
(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000 (note 24(b))	Share premium RMB'000 (note 24(d)(i))	Capital reserves RMB'000 (note 24(d)(ii))	Exchange reserves RMB'000	Retained profit RMB'000 (note 24(d)(iii))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2018		—	—	99,606	—	82,052	181,658	871	182,529
Changes in equity for 2018:									
Profit and other comprehensive income for the year		—	—	—	—	86,258	86,258	(525)	85,733
Capital injection from owners of companies comprising the Group	24(d)(ii)	—	—	14,000	—	—	14,000	—	14,000
Disposal of a subsidiary		—	—	—	—	—	—	(346)	(346)
Balance at December 31, 2018 and January 1, 2019	24(d)	—	—	113,606	—	168,310	281,916	—	281,916
Changes in equity for 2019:									
Profit and other comprehensive income for the year		–	–	–	1,997	147,868	149,865	–	149,865
Capital injection from owners of the Company	24(d)(i)	45	116,958	–	–	–	117,003	–	117,003
Capital injection from owners of companies comprising the Group	24(d)(ii)	–		23,500	–	–	23,500	–	23,500
Balance at December 31, 2019		45	116,958	137,106	1,997	316,178	572,284	–	572,284

The notes on page 74 to 121 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2019
(Expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash (used in)/generated from operations	17(b)	(304,744)	8,124
Income taxes paid	23(a)	(2,766)	(1,338)
Net cash (used in)/generated from operating activities		(307,510)	6,786
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		251	102
Disposal of a subsidiary		—	921
Payments for the purchase of property, plant and equipment		(746)	(1,465)
Net cash used in investing activities		(495)	(442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from owners of companies comprising the Group		140,503	14,000
Proceeds from interest-bearing borrowings	17(c)	194,857	50,000
Borrowings from a related party	17(c)	28,800	—
Increase of restricted bank deposit	17(a)	(34,881)	—
Repayment of interest-bearing borrowings	17(c)	(40,000)	(20,000)
Borrowing costs paid	17(c)	(4,861)	(2,826)
Interest element of lease rentals paid	17(c)	(673)	(530)
Capital element of lease rentals paid		(3,877)	(3,845)
Repayment to a related party	17(c)	(29,246)	—
Net cash generated from financing activities		250,622	36,799
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(57,383)	43,143
Cash and cash equivalents at the beginning of the year		64,368	21,225
Effect of exchange rate fluctuations on cash held		1,997	—
Cash and cash equivalents at the end of the year	17(a)	8,982	64,368

The notes on page 74 to 121 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1. Principal Activities and Organisation

China Bright Culture Group (the "Company") was incorporated in the Cayman Islands on May 28, 2019 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "Group") are principally engaged in the video content operation (the "Business").

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has early adopted IFRS 16, Leases, consistently in preparing the financial statements for the years ended December 31, 2018 and 2019.

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

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Business was carried out by Beijing Sino-Prosperity Culture Group Co., Ltd. ("Zhongguang Yusheng") and its subsidiaries.

To rationalize the corporate structure in preparing for the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a Pre-IPO reorganisation (the "Reorganisation") as below:

On May 29, 2019, China Bright Culture (BVI) Limited ("China Bright Culture BVI") was incorporated in the British Virgin Island as a wholly-owned subsidiary of the Company. On June 18, 2019, China Bright Culture Group Holdings Limited ("China Bright Culture HK") was incorporated in Hong Kong as a wholly-owned subsidiary of China Bright Culture BVI. On July 15, 2019, Beijing Yusheng Culture Co., Ltd. ("the WFOE") was established in the People's Republic of China ("PRC") as a wholly foreign-owned enterprise with a registered capital of USD66,660,000 and it is wholly-owned by China Bright Culture HK.

As the Business conducted by Zhongguang Yusheng is subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganisation, the WFOE, an indirectly wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the "Contractual Arrangements") with Zhongguang Yusheng and its registered owners to operate the Business.

2. Significant Accounting Policies (Continued)

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

The equity interests of Zhongguang Yusheng ("VIE") are legally held by individuals and companies who act as registered owners of the VIE on behalf of the WFOE. The contractual agreements including exclusive business cooperation agreement, exclusive purchase agreement, shareholder rights entrustment agreement, share pledge agreement and spouse consent letter. Pursuant to the Contractual Agreements, the WFOE has the power to direct activities that most significantly impact the VIE and the VIE's subsidiaries, including appointing key management, setting up operating policies, exerting financial controls and transferring profit or assets out of the VIE and the VIE's subsidiaries at its discretion. The WFOE considers that they also have the right to substantially all of the economic benefits of the VIE and have an exclusive option to purchase all or part of the equity interests in the VIE when and to the extent permitted by the PRC laws and regulations at the minimum price possible.

The Group has determined that the Contractual Arrangements are in compliance with the PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Group's ability to enforce the Contractual Arrangements.

Upon completion of the Reorganisation, the Company became the holding company of the Group.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since March 13, 2020 by way of its initial public offering ("IPO").

Upon the completion of the Reorganisation, the Company became the holding company of the Group. The Reorganisation principally involved inserting certain investment holding companies with no substantive operations as the new holding companies of the Business. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the financial statements has been prepared and presented as a continuation of the financial information of the Business with the assets and liabilities recognized and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealized gain/loss on intra-group transactions are eliminated in full in preparing the financial statements.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the year as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the year. The consolidated statements of financial position of the Group as at December 31, 2018 and 2019 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

The financial statements is presented in RMB, rounded to the nearest thousands, except for earnings per share information.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investment in debt securities are stated at their fair value as explained in note 2(d).

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the financial statements. Unrealized loss resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) or (m) depending on the nature of the liability.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(d)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(d) Other investments in debt securities

The Group's and the Company's policies for investment in debt investments, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(q)(iv)).

- Fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit loss, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- Fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Investments in wealth management products of the Group are classified as fair value at profit or loss. Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(e) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment loss (see note 2(g)).

Gain or loss arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment and right-of-use assets (Continued)

Depreciation is calculated to write-off the cost of items of property, plant and equipment and right-of-use assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Motor vehicles	4 years
— Electronic equipment	3 years
— Office equipment	5 years
— Leasehold improvements	3 years
— Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2. Significant Accounting Policies (Continued)

(f) Leased assets (Continued)

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(g)(ii)), except for the following types of right-of-use asset:

- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

(g) Credit loss and impairment of assets

(i) Credit loss from financial instruments

The Group recognizes a loss allowance for expected credit loss (ECLs) on financial assets measured at amortized cost (including cash and cash equivalents and trade receivables).

Financial assets measured at fair value, including investments in wealth management products measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. Credit loss are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- trade receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Credit loss and impairment of assets (Continued)

(i) Credit loss from financial instruments (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date and;

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 18 months past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Credit loss and impairment of assets (Continued)

(i) Credit loss from financial instruments (Continued)

Significant increases in credit risk (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2(q)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Credit loss and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each year to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment; and
- right-of-use assets.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment loss recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

  An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment loss are credited to profit or loss in the year in which the reversals are recognized.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Program copyright

These represent legal rights of television programs and television drama series invested and produced by the Group. These rights are stated at cost less accumulated amortisation and identified impairment loss. Costs of program copyright comprise fees/investments paid and payable under agreements, direct costs/expenses incurred during the production. The cost of program copyrights is amortized over a period which is normally within one year after the first customer's acceptance of the respective programs and is recognized as cost of sales in the statement of profit or loss. The period is determined based on the estimated beneficial period and individual title basis.

Impairment assessment of the program copyrights is assessed annually or on whenever events or changes in circumstances indicate that the carrying amount is below the recoverable amount, where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment loss is recognized in the consolidated statement of profit or loss. The recoverable amounts of the program copyrights are determined and reviewed on a title-by-title basis and are based on the higher of fair value less costs of disposal and value in use which include unobservable inputs and assumptions derived from the Group.

Any gain or loss arising from the disposal of program copyright is recognized in profit or loss. Gains or losses arising from the disposal of program copyright are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

(i) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(q)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(q)).

(j) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit loss (see note 2(g)(i)).

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax loss and unused tax credits.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax loss and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the year. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(o) Income tax (Continued)

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(q) Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Licensing of broadcasting rights of programs

Revenue from licensing of broadcasting rights of programs is recognized at a point of time when the control of the TV program has been transferred and accepted by the media platform.

(ii) Advertising

The advertising revenue for corporate sponsor is recognised on a straight-line basis over the program broadcast period with customers in which the advertisements are displayed.

The advertising revenue pursuant to the Group's revenue sharing arrangement with the media platform is recognized at a point of time when the related program is broadcasted and the amount of revenue is confirmed by the media platform.

(iii) Licensing of Intellectual Property ("IP")

The Group authorizes corporate sponsor clients to use its program materials for their offline marketing activities. Revenue from licensing of IP is recognized on a straight-line basis over the period that the Group's performance obligation is satisfied over time and when the right to receive payment is established.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently are recognized in profit or loss over the useful life of the asset as other income.

(r) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The functional currency of the Company is USD. As the major operations of the Group are within mainland China, the consolidated financial statements are presented in RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the year. Exchange gain and loss are recognized in profit or loss.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(r) Translation of foreign currencies (Continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(Expressed in RMB unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(t) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

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

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 share a majority of these criteria.

(Expressed in RMB unless otherwise indicated)

3. Accounting Judgements and Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set out in note 2. Other key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(i) Credit loss of trade receivables

The Group recognize a loss allowance for ECLs financial assets measured at amortized cost. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

(ii) Income tax and deferred tax assets

The Group is subject to PRC Enterprise Income Tax, Hong Kong Profit Tax and Cayman Islands Income Tax. Judgment is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing whether such temporary differences can be utilized in the future, the Group needs to make judgements and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

(iii) Impairment of program copyright

The Group assesses the impairment on programs under production with reference to its recoverable amount. The assessment was made on a program-by-program basis. The recoverable amount of the copyrights was determined based on value-in-use. If the recoverable amount is lower than the carrying amount, the carrying amount of the program copyright will be written down to its recoverable amount. The Group's estimation of impairment provision of program copyright reflects the management's best estimate of future cash flows expected to be generated from program copyrights.

(Expressed in RMB unless otherwise indicated)

4. 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:

	2019 RMB'000	2018 RMB'000
Content related program		
— Media platforms	**346,758**	221,772
— Corporate sponsors	**128,808**	59,272
	475,566	281,044
Others	**—**	1,887
	475,566	282,931

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

	2019 RMB'000	2018 RMB'000
Customer A	**158,359**	*
Customer B	**90,252**	79,088
Customer C	**70,755**	*
Customer D	**	141,509

* Transactions with these customers did not exceed 10% of the Group's revenue or did not have any transactions in the respective years.

Details of concentrations of credit risk arising from this customer are set out in note 25(a).

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

	2019 RMB'000	2018 RMB'000
Point in time	**265,138**	250,883
Over time	**210,428**	32,048
	475,566	282,931

(Expressed in RMB unless otherwise indicated)

4. 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.

5. Other Net Income

	2019 RMB'000	2018 RMB'000
Advertising agency income	—	10,377
Government grants	1,684	500
Others	(48)	498
	1,636	11,375

6. Profit Before Taxation

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

(a) Net finance expenses

	2019 RMB'000	2018 RMB'000
Interest income on bank deposits	(26)	(102)
Interest expense (note 17(c))	8,718	1,999
Interest on lease liabilities (note 17(c))	673	530
Net foreign exchange gain	(225)	—
Net finance expense	9,140	2,427

(b) Staff costs

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	16,700	10,923
Contributions to defined contribution retirement plan (i)	1,107	984
	17,807	11,907

(Expressed in RMB unless otherwise indicated)

6. Profit Before Taxation (Continued)

(b) Staff costs (Continued)

Note:

(i) Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(c) Other items

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

	2019 RMB'000	2018 RMB'000
Cost of program copyrights	**208,385**	138,675
Short-term leases	**855**	699
Depreciation and amortisation		
— Property, plant and equipment	**834**	949
— Right-of-use assets	**4,838**	3,059
Loss allowance for trade and other receivables	**4,513**	11,138
Listing expenses	**33,744**	—
Auditors' remuneration		
— Audit service	**2,066**	283
— Other services	**450**	2

7. Income Tax in the Consolidated Statements of Profit or Loss

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

	2019 RMB'000	2018 RMB'000
Current tax-PRC		
Enterprise Income Tax		
Provision for the year	**46,331**	2,443
Deferred tax expense		
Origination and reversal of temporary differences	**(7,645)**	2,164
	38,686	4,607

(Expressed in RMB unless otherwise indicated)

7. Income Tax in the Consolidated Statements of Profit or Loss (Continued)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2019 RMB'000	2018 RMB'000
Profit before taxation	**186,554**	90,340
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions (i)	**46,639**	22,585
Tax effect of:		
Non-deductible expenses and losses	**9,277**	316
Preferential tax rate applicable to subsidiaries (i)	**(10,929)**	(23,133)
Tax losses and temporary differences not recognized as deferred tax assets	**215**	5,046
Utilisation of previously unrecognized tax losses and temporary differences	**(6,516)**	(207)
Actual tax expense	**38,686**	4,607

Notes:

(i) Income tax rate applies to the Company and subsidiaries

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.

The Group has no assessable profit in Hong Kong during for the year and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate is 16.5% in 2019.

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%, except for certain subsidiaries of the Group which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the year ended December 31, 2019.

According to the relevant PRC income tax law, the Company's subsidiary, Yili Zhongsheng Quanxing Media Co., Ltd. ("Yili Zhongsheng"), which was incorporated in Horgos, is exempted from income taxes from 2016 to 2020.

(Expressed in RMB unless otherwise indicated)

8. Directors' Emoluments

Directors' emoluments are as follows:

	2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Liu Mu (note (i))	—	1,290	102	52	1,444
Chen Jia (note (i))	—	364	30	31	425
Non-executive directors					
Chen Kai (note (ii))	—	—	—	—	—
Yang Hongching (note (ii))	—	—	—	—	—
Independent non-executive directors					
Ran Hua (note (iii))	111	—	—	—	111
Zhang Yiwu (note (iii))	111	—	—	—	111
Yu Kwok Kuen (note (iii))	66	—	—	—	66
	288	1,654	132	83	2,157

	2018				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Liu Mu	—	1,097	121	36	1,254
Chen Jia	—	189	21	26	236
	—	1,286	142	62	1,490

Notes:

(i) Mr. Liu Mu and Ms. Chen Jia were appointed as executive directors of the Company on May 28, 2019 and August 7, 2019, respectively. All the executive directors are key management personnel of the Group during the year and their remuneration disclosed above include those for services rendered by them as key management personnel.

(ii) Mr. Chen Kai was appointed as non-executive director of the Company on August 7, 2019. The Group did not pay any salary to the non-executive directors during the year.

Mr. Yang Hong Ching was appointed as non-executive director of the Company on August 7, 2019 and has resigned on August 15, 2019 with immediate effect due to personal reasons. The Group did not pay any salary to the non-executive directors during the year.

(iii) Ms. Ran Hua, Mr. Zhang Yiwu and Mr. Yu Kwok Kuen were appointed as independent non-executive director of the Company on August 7, 2019. Mr. Yu Kwok Kuen was resigned as independent non-executive director of the Company and Mr. Victor Huang was appointed as independent non-executive director of the Company on February 3, 2020.

(Expressed in RMB unless otherwise indicated)

9. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2018: one) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2018: four) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**1,335**	1,719
Retirement scheme contributions	**123**	177
	1,458	1,896

The emoluments of the above individuals with the highest emoluments are within the following bands:

	2019	2018
Nil to HK$1,000,000	**3**	4

10. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB147,868,000(2018: RMB86,258,000) and the weighted average number of ordinary shares of 1,129,779,000 shares (2018: 1,064,627,000 shares) deemed to be in issue on the assumption that the Reorganisation (as disclosed in note 1) had been effective on January 1, 2018 and adjusted for the effect of capitalisation issue on March 13, 2020, calculated as follows:

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

	2019 '000	2018 '000
Issued ordinary shares at 1 January	**588,476**	580,351
Effect of shares issued	**29,682**	2,159
Effect of capitalisation issue (i)	**511,621**	482,117
Weighted average number of ordinary shares during the year	**1,129,779**	1,064,627

Note:

(i) The effect of capitalisation issue has been considered from the beginning of the earliest period as detailed in note 24(b)(ii).

There were no dilutive potential ordinary shares in existence during the year.

(Expressed in RMB unless otherwise indicated)

11. Property, Plant and Equipment

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:					
At January 1, 2018	199	283	92	2,232	2,806
Additions	—	1,023	259	183	1,465
Disposal of a subsidiary	—	(1,023)	(8)	—	(1,031)
At December 31, 2018 and January 1, 2019	**199**	**283**	**343**	**2,415**	**3,240**
Additions	**—**	**74**	**47**	**625**	**746**
At December 31, 2019	**199**	**357**	**390**	**3,040**	**3,986**
Accumulated depreciation:					
At January 1, 2018	(12)	(108)	(24)	(686)	(830)
Charge for the year	(47)	(89)	(19)	(794)	(949)
Written back on disposals	—	53	1	—	54
At December 31, 2018 and January 1, 2019	**(59)**	**(144)**	**(42)**	**(1,480)**	**(1,725)**
Charge for the year	**(47)**	**(29)**	**(66)**	**(692)**	**(834)**
At December 31, 2019	**(106)**	**(173)**	**(108)**	**(2,172)**	**(2,559)**
Net book value:					
At December 31, 2018	140	139	301	935	1,515
At December 31, 2019	**93**	**184**	**282**	**868**	**1,427**

(Expressed in RMB unless otherwise indicated)

12. Right-of-use Assets

The Group leases certain buildings for its office and business operation. Information about leases for which the Group is a lessee is presented below:

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**14,933**	14,814
Additions	**12,283**	119
At 31 December	**27,216**	14,933
Accumulated depreciation:		
At 1 January	**(5,450)**	(2,391)
Charge for year	**(4,838)**	(3,059)
At 31 December	**(10,288)**	(5,450)
Net book value:		
At 31 December	**16,928**	9,483

(Expressed in RMB unless otherwise indicated)

13. Investments in Subsidiaries

The following list contains only the particulars of subsidiaries as at December 31, 2019 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activity
Directly held						
China Bright Culture (BVI) Limited	The BVI May 29, 2019	1 Share	100%	100%	—	Investment holding
Indirectly held						
China Bright Culture Group Holdings Limited	Hong Kong June 18, 2019	HK$ 1	100%	—	100%	Investment holding
Beijing Yusheng Culture Co., Ltd. (北京煜盛文化有限公司)*	PRC July 15, 2019	USD 66,660,000	100%	—	100%	Investment holding
Held through Contractual Arrangements						
Beijing Sino-Prosperity Culture Group Co., Ltd. (北京中廣煜盛文化傳播有限公司)*	PRC April 3, 2014	RMB 5,984,381	100%	—	100%	Producer of variety programs
Zhejiang Dongyang Qianyuxing Video Culture Co., Ltd. (浙江東陽千雨杏影視文化有限公司)*	PRC August 17, 2016	RMB 10,000,000	100%	—	100%	Producer of variety programs
Yili Zhongsheng Quanxing Media Co., Ltd. (伊犁中盛全興影視傳媒有限公司)*	PRC September 8, 2016	RMB 10,000,000	100%	—	100%	Producer of variety programs
Shanghai Yusheng Culture Co., Ltd. ("Shanghai Yusheng") (上海煜盛文化傳媒有限公司)*	PRC December 25, 2018	RMB 100,000,000	100%	—	100%	Producer of variety programs

* The English translation of the names is for reference only. The official names of these entities are in Chinese.

(Expressed in RMB unless otherwise indicated)

14. Program Copyrights

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

	2019 RMB'000	2018 RMB'000
Programs under production	**341,591**	53,622
Completed programs	**14,512**	10,768
	356,103	64,390

(b) Movement of program copyrights are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**64,390**	17,142
Additions	**500,098**	185,923
Recognized as cost of sales (note 6)	**(208,385)**	(138,675)
At 31 December	**356,103**	64,390

Note: During the year ended December 31, 2018, management of the Group considered the expected future income of certain program copyrights could not recover the respective carrying amounts and an impairment charge of RMB4,340,000 is recognized as cost of program copyrights as at December 31, 2018. No impairment was charged during the year ended December 31, 2019.

(Expressed in RMB unless otherwise indicated)

15. Trade Receivables

	2019 RMB'000	2018 RMB'000
Amounts due from third parties	**526,556**	235,273
Less: loss allowance	**(35,302)**	(31,419)
	491,254	203,854

Ageing analysis

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

	2019 RMB'000	2018 RMB'000
Within 1 month	**134,458**	61,895
1 month to 3 months	**80,806**	14,338
3 months to 6 months	**124,132**	34,194
6 months to 1 year	**81,652**	70,978
1 to 2 years	**70,206**	22,439
2 to 3 years	**—**	10
	491,254	203,854

The credit terms agreed with customers are normally 30-360 days from the date of billing. No interests are charged on trade receivables. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 25(a).

16. Prepayments and Other Receivables

	2019 RMB'000	2018 RMB'000
Prepayments to third parties (i)	**19,740**	16,423
Receivables from disposal of a subsidiary	**1,248**	—
Others	**3,113**	10,883
Less: loss allowance	**(844)**	(214)
	23,257	27,092

Note:

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

(Expressed in RMB unless otherwise indicated)

17. Cash and Cash Equivalents and Other Cash Flow Information

(a) Cash and cash equivalents comprise:

	2019 RMB'000	2018 RMB'000
Cash on hand	**17**	5
Deposits with banks	**43,846**	64,363
	43,863	64,368
Less: restricted bank deposit	**(34,881)**	—
Cash and cash equivalents	**8,982**	64,368

The bank deposit restricted for use as at December 31, 2019 was deposit paid to secure the bank loan borrowed by Zhongguang Yusheng.

(b) Reconciliation of profit before taxation to cash (used in)/ generated from operations:

	Note	2019 RMB'000	2018 RMB'000
Profit before taxation		**186,554**	90,340
Adjustments for:			
Depreciation and amortisation	6(c)	**5,672**	4,008
Net finance expense	6(a)	**9,140**	2,427
Gain on disposal of a subsidiary		**—**	(681)
Loss allowance for trade and other receivables	6(c)	**4,513**	11,138
Changes in working capital:			
Increase in program copyrights		**(291,713)**	(47,248)
Increase in trade receivables		**(291,283)**	(81,389)
Decrease in prepayments and other receivables		**3,205**	26,181
Increase/(decrease) in trade payables		**27,731**	(7,496)
Increase in accruals and other payables and contract liabilities		**41,437**	10,844
Cash (used in)/generated from operations		**(304,744)**	8,124

(Expressed in RMB unless otherwise indicated)

17. Cash and Cash Equivalents and Other Cash Flow Information (Continued)

(c) Reconciliation of liabilities arising from financing activities:

		Accruals and other payables					
	Bank loans and other borrowings RMB'000 (note 18)	Amounts due to Mr. Liu RMB'000	Loan from a shareholder RMB'000 (note 21)	Loan from third parties RMB'000 (note 21)	Interest payables RMB'000 (note 21)	Lease liabilities RMB'000 (note 22)	Total RMB'000
At January 1, 2018	20,000	—	—	—	1,137	12,128	33,265
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	30,000	—	20,000	—	—	—	50,000
Repayment of interest-bearing borrowings	(20,000)	—	—	—	—	—	(20,000)
Borrowing costs paid	—	—	—	—	(2,826)	—	(2,826)
Interest element of finance lease rentals paid	—	—	—	—	—	(530)	(530)
Capital element of finance lease rentals paid	—	—	—	—	—	(3,845)	(3,845)
Other changes:							
Increase in lease liabilities from entering into new lease during the year	—	—	—	—	—	119	119
Interest expenses (Note 6(a))	—	—	—	—	1,999	530	2,529

(Expressed in RMB unless otherwise indicated)

17. Cash and Cash Equivalents and Other Cash Flow Information (Continued)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank loans and other borrowings	Accruals and other payables: Amounts due to Mr. Liu	Accruals and other payables: Loan from a shareholder	Accruals and other payables: Loan from third parties	Accruals and other payables: Interest payables	Lease liabilities	Total
	RMB'000 (note 18)	RMB'000	RMB'000 (note 21)	RMB'000 (note 21)	RMB'000 (note 21)	RMB'000 (note 22)	RMB'000
At December 31, 2018 and January 1, 2019	30,000	–	20,000	–	310	8,402	58,712
Changes from financing cash flows:							
Proceeds from interest-bearing borrowings	111,000	–	–	83,857	–	–	194,857
Repayment of interest-bearing borrowings	(30,000)	–	–	(10,000)	–	–	(40,000)
Borrowing costs paid	–	(446)	–	–	(4,861)	–	(5,307)
Amounts from related parties	–	28,800	–	–	–	–	28,800
Repayment to related parties	–	(28,800)	–	–	–	–	(28,800)
Interest element of finance lease rentals paid	–	–	–	–	–	(673)	(673)
Capital element of finance lease rentals paid	–	–	–	–	–	(3,877)	(3,877)
Other changes:							
Increase in lease liabilities from entering into new lease during the year	–	–	–	–	–	12,283	12,283
Interest expenses (Note 6(a))	–	446	–	–	8,272	673	9,391
At December 31, 2019	111,000	–	20,000	73,857	3,721	16,808	225,386

(Expressed in RMB unless otherwise indicated)

18. Bank Loans and Other Borrowings

The Group's short-term bank loans and other borrowings comprise:

	2019 RMB'000	2018 RMB'000
Bank loans		
Secured (i)	111,000	30,000

Note:

(i) As at December 31, 2019, the bank loans of RMB31,000,000 of the Group were guaranteed by the Company, with an amount of USD5,000,000 security deposit. It is repayable within one year.

As at December 31, 2019, the bank loans of RMB50,000,000 of the Group were guaranteed by Beijing Haidian Technology Corporate Finance Guarantee Co.,Ltd. (北京海澱科技企業融資擔保有限公司), a third party. It is repayable within one year.

As at December 31, 2019 and as at December 31, 2018, the bank loans of RMB30,000,000 of the Group were guaranteed by Beijing SMEs Credits Re-guarantee Co., Ltd. (北京中小企業信用再擔保有限公司), a third party, which were due in the year ended December 31, 2020 and December 31, 2019, respectively.

19. Contract Liabilities

	2019 RMB'000	2018 RMB'000
Content related program		
— Corporate sponsors	16,506	—

The Group received the consideration of licensing of IP from corporate sponsors in advance of the authorisation period. All the contract liability balance as at the beginning of the year will be recognized as revenue in next year.

(Expressed in RMB unless otherwise indicated)

20. Trade Payables

	2019 RMB'000	2018 RMB'000
Amounts due to third parties	**33,724**	5,993

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

	2019 RMB'000	2018 RMB'000
Within 1 year	**33,188**	5,757
1 to 2 years	**536**	236
	33,724	5,993

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

21. Accruals and Other Payables

	2019 RMB'000	2018 RMB'000
Accrued listing expenses	**21,894**	—
Received in advance from other producers	**10,000**	15,000
Loan from a shareholder (i)	**20,000**	20,000
Loans from third parties (ii)	**73,857**	—
Payroll payables	**4,884**	2,598
Other taxes and levies	**7,937**	3,687
Interest payables	**3,721**	310
Others	**2,621**	1,120
	144,914	42,715

(Expressed in RMB unless otherwise indicated)

21. Accruals and Other Payables (Continued)

All of the accruals and other payables are expected to be settled and expensed within one year or are repayable on demand.

Notes:

(i) In 2018, Zhongguang Yusheng borrowed RMB20,000,000 from Mr. Chen Dazhi, a shareholder of the Company, with interest rate of 12% per annum. According to the contract, the loan will be settled before May 2020.

(ii) On April 3, 2019, Zhongguang Yusheng borrowed RMB15,000,000 from Huasheng Yihong Investment Management Co., Ltd. ("Huasheng Yihong") with interest rate of 27.97% per annum. The loan of RMB15,000,000 was settled on March 26, 2020 with an updated interest rate of 22.49% per annum based on the renewal contract with Huasheng Yihong.

On September 30, 2019 and October 31, 2019, the Company borrowed USD2,100,000 and USD3,900,000 from City State Management Limited and External Financial investment (China) Limited respectively with interest rate of 3.5% per annum. The loans will be due on September 30, 2020 and October 31, 2020, respectively.

On October 28, 2019 and December 26, 2019, Shanghai Yusheng borrowed RMB11,000,000 and RMB6,000,000 from Shanghai Yunming Culture Media Co., Ltd with interest rate of 15% and 18% per annum respectively. The loan of RMB11,000,000 will be due on October 15, 2020 and the loan of RMB6,000,000 was settled on February 28, 2020.

All of the above loans were unsecured.

22. Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities as at December 31, 2019 and 2018.

	2019		2018	
	Present value of the minimum lease payments RMB'000	**Total minimum lease prepayments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease prepayments RMB'000
Within 1 year	**4,392**	**5,177**	2,563	2,629
After 1 year but within 2 years	**4,862**	**5,407**	2,467	2,662
After 2 years but within 5 years	**7,554**	**7,987**	3,372	3,964
	12,416	**13,394**	5,839	6,626
	16,808		8,402	
Less: total future interest expenses		**1,763**		853
Present value of lease liabilities		**16,808**		8,402

(Expressed in RMB unless otherwise indicated)

23. Income Tax in the Consolidated Statements of Financial Position

(a) Current taxation in the consolidated statements of financial position represents:

	2019 RMB'000	2018 RMB'000
At 1 January	**2,543**	1,438
Provision for PRC Income Tax for the year	**46,331**	2,443
PRC Income Tax paid during the year	**(2,766)**	(1,338)
At 31 December	**46,108**	2,543
Representing:		
Current taxation	**46,108**	2,543

(b) Deferred tax assets and liabilities recognized:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the year are as follows:

	Loss allowance RMB'000
Deferred tax arising from:	
At January 1, 2018	3,031
Charged to profit or loss	(2,164)
At December 31, 2018 and January 1, 2019	867
Credited to profit or loss	7,645
At December 31, 2019	**8,512**

(ii) Reconciliation to the consolidated statements of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax asset recognized in the consolidated statements of financial position	**8,512**	867

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in note 2(o), the Group has not recognized deferred tax assets in respect of cumulative tax loss of RMB 115,060 (2018: RMB268,000) as it is not probable that future taxable profits against which the loss can be utilized will be available in the relevant tax jurisdictions. The tax losses will expire from 2021 to 2024.

(Expressed in RMB unless otherwise indicated)

23. Income Tax in the Consolidated Statements of Financial Position (Continued)

(d) Deferred tax liabilities not recognized

As at December 31, 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB312,961,000. Deferred tax liabilities of RMB31,296,000 have not been recognized in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

24. Capital, Reserves and Dividends

(a) Movements in components of equity

The changes of each component of the Group's consolidated equity during the reporting is set out in the consolidated statements of changes in equity. Details of changes in the Company's individual components of equity since its date of incorporation to December 31, 2019 are set out below:

	Share capital RMB'000	Share premium RMB'000	Exchange reserves RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at January 1, 2019 (date of incorporation)	—	—	—	—	—
Changes in equity for 2019:					
Loss for the year	—	—	—	(4,374)	(4,374)
Other comprehensive income	—	—	1,595	—	1,595
Total comprehensive income	—	—	1,595	(4,374)	(2,779)
Capital injection from owners of the Company (Note 24(b)(i))	45	116,958	—	—	117,003
Balance at December 31, 2019	45	116,958	1,595	(4,374)	114,224

(b) Share capital

(i) Issued share capital

	2019	
	No. of shares	Amount RMB'000
Ordinary shares, issued and fully paid:		
At 1 January	—	—
Issue of ordinary shares	656,579,304	45
At 31 December	656,579,304	45

(Expressed in RMB unless otherwise indicated)

24. Capital, Reserves and Dividends (Continued)

(b) Share capital (Continued)

(i) Issued share capital (Continued)

The Company was incorporated in the Cayman Islands on May 28, 2019 with an initial authorized share capital of US$50,000 divided into 5,000,000,000 shares with a par value of US$0.00001 each. Immediately after its incorporation, one share was allotted and issued.

On July 8, 2019, China Zenith Limited and Leading Edge Limited ("new shareholders") subscribed for 36,776,548 shares at a consideration of US$11,050,000 and 19,802,756 Shares at a consideration of US$5,950,000 respectively.

After completion of the Reorganisation, the Company issued 600,000,000 shares to the original shareholders of Zhongguang Yusheng at a consideration of US$6,000 and issued 56,579,304 shares to new shareholders of the Company at a consideration of US$17,000,000.

(ii) Capitalization issue

Pursuant of the resolutions of the equity shareholders of the Company passed on February 7, 2020 and executed on March 13, 2020, the Company authorized to capitalize 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 resolutions in accordance with their respective shareholding in the Company or in accordance with the direction of the Shareholders.

(c) Dividends

During the year of 2019, no dividends were declared to the shareholders of the Company.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represented the difference between the par value of shares issued and the amount of net proceeds received from its shareholders of the Company.

(Expressed in RMB unless otherwise indicated)

24. Capital, Reserves and Dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) Capital Reserves

For the purpose of the financial statements the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates were recorded as capital reserves, after elimination of investments in subsidiaries.

On September 26, 2018, Ningbo Meishan Bonded Port New Motivation Zhongguang Investment LLP subscribed for equity interest in Zhongguang Yusheng in the amount of RMB14,000,000, representing 1.38% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

On April 30, 2019 and May 6, 2019 Chen Kai, Qin Weilun, and Li Zhanrong subscribed for equity interest in Zhongguang Yusheng in the amount of RMB3,500,000, representing 0.29% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

On July 5, 2019, Beijing Xingwen Equity Investment Partnership (Limited Partnership) subscribed for equity interest in Zhongguang Yusheng in the amount of RMB20,000,000, representing 1.63% of the total shares of Zhongguang Yusheng, and became the registered shareholder of Zhongguang Yusheng.

(iii) Retained profit

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in Mainland China are required to transfer 10% of its net profit to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilized in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

As at December 31, 2019, the statutory reserve made by the Company's PRC subsidiaries amounting to RMB7,992,000 (2018: RMB7,935,000) was included in the Group's reserves.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Expressed in RMB unless otherwise indicated)

25 Financial Risk Management and Fair Values of Financial Instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–360 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the year, 82.3% (2018: 93.8%) of the total trade receivables was due from the Group's five largest customers. These customers were mainly TV stations and advertisement agent companies with diversified end-customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

(Expressed in RMB unless otherwise indicated)

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2019		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	3%	419,892	12,597
Within 3 months past due	14%	80,000	11,200
3 months to 6 months past due	28%	—	—
6 months to 9 months past due	38%	12,250	4,655
9 months to 12 months past due	41%	—	—
12 months to 15 months past due	46%	14,007	6,443
15 months to 18 months past due	60%	—	—
More than 18 months past due	100%	407	407
		526,556	35,302

	2018		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	3%	138,664	4,159
Within 3 months past due	10%	38,215	3,821
3 months to 6 months past due	18%	—	—
6 months to 9 months past due	20%	14,028	2,806
9 months to 12 months past due	23%	5,200	1,196
12 months to 15 months past due	33%	15,080	4,976
15 months to 18 months past due	60%	24,063	14,438
More than 18 months past due	100%	23	23
		235,273	31,419

Expected loss rates are based on actual loss experience over the past recent years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(Expressed in RMB unless otherwise indicated)

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	31,419	20,390
Loss allowance recognized during the year	3,883	11,029
Balance at 31 December	35,302	31,419

None of the trade receivables have been written off during the year.

(b) Liquidity risk

The following tables show the remaining contractual maturities at the end of the year of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the year) and the earliest date the Group can be required to pay:

	2019					
	contractual undiscounted cash outflow					Carrying amount in the consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
Bank loans and other borrowings (note 18)	115,826	–	–	–	115,826	111,000
Trade payables (note 20)	33,724	–	–	–	33,724	33,724
Accruals and other payables (note 21)	139,464	–	–	–	139,464	134,914
Lease liabilities (note 22)	5,177	5,407	7,987	–	18,571	16,808
	294,191	5,407	7,987	–	307,585	296,446

	2018					
	contractual undiscounted cash outflow					Carrying amount in the consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
Bank loans and other borrowings (note 18)	31,569	—	—	—	31,569	30,000
Trade payables (note 20)	5,993	—	—	—	5,993	5,993
Accruals and other payables (note 21)	29,315	—	—	—	29,315	27,715
Lease liabilities (note 22)	2,629	2,662	3,964	—	9,255	8,402
	69,506	2,662	3,964	—	76,132	72,110

(Expressed in RMB unless otherwise indicated)

25 Financial Risk Management and Fair Values of Financial Instruments (Continued)

(c) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group's interest-bearing liabilities as at December 31, 2019 are all fixed rate borrowings. Thus, the Group is not exposed to significant cash flow interest rate risk during the year.

(d) Currency risk

The Group is exposed to currency risk primarily through deposits with bank which gives rises to cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily US dollars. The Group manages this risk as follows:

(i) Recognized assets and liabilities

In respect of other trade receivables and payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Exposure to currency risk

The following table details the Group's exposure at the end of the year to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded. The currencies giving rise to this risk is mainly US$.

	2019		2018	
	US\$ RMB'000	**HK\$ RMB'000**	US\$ RMB'000	HK\$ RMB'000
Cash and cash equivalents	**35,431**	**45**	—	—
Trade and other payables	**(41,857)**	**—**	—	—

(Expressed in RMB unless otherwise indicated)

25. Financial Risk Management and Fair Values of Financial Instruments (Continued)

(d) Currency risk (Continued)

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the year had changed at that date, assuming all other risk variables remained constant.

	2019		2018	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	RMB'000	**RMB'000**	RMB'000	RMB'000
USD	**5%**	**(326)**	—	—
	(5%)	**326**	—	—
HKD	**5%**	**2**	—	—
	(5%)	**(2)**	—	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the year for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the year, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the year.

(e) Fair value measurement

The Group does not have any financial instruments measured at fair value at December 31, 2019.

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2019.

(Expressed in RMB unless otherwise indicated)

26. Material Related Party Transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	3,118	1,886
Retirement scheme contributions	175	117
	3,293	2,003

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Related party balances and transactions

The related parties of the Company and its subsidiaries with which the Group had transactions are as follows:

Names of related parties	Nature of relationship
Mr. Liu Mu (劉牧)	Executive director/Key management personnel
Ms. Chen Jia (陳佳)	Executive director/Key management personnel
Mr. Chen Kai (陳凱)	Non-executive director
Ms. Ran Hua (冉華)	Independent Non-executive director
Mr. Zhang Yiwu (張頤武)	Independent Non-executive director
Mr. Yu Kwok Kuen (余國權) (Resigned on February 3, 2020)	Independent Non-executive director
Mr. Victor Huang (黃偉德) (Appointed on February 3, 2020)	Independent Non-executive director
Ms. Cheng Cang (程藏)	Key management personnel
Ms. Song Xia (宋霞)	Key management personnel
Mr. Tan Yuran (譚羽然)	Key management personnel
Mr. Liu Xin Xing (劉新星)	Key management personnel

(Expressed in RMB unless otherwise indicated)

26. Material Related Party Transactions (Continued)

Related party balances

The Group has no related party balances as at December 31, 2019 and 2018.

Related party transactions

The following is a summary of material related party transactions. In the Directors' opinion, these transactions were carried out in the ordinary course of business.

	2019	2018
	RMB'000	RMB'000
Loan received from Mr. Liu Mu	**28,800**	—
Loan repaid to Mr. Liu Mu	**28,800**	—
Interest expense	**446**	—

(Expressed in RMB unless otherwise indicated)

27. Company-Level Statement of Financial Position

	Note	As at December 31, 2019 RMB'000
Non-current assets		
Prepayments and other receivables		121,386
Current assets		
Cash and cash equivalents		35,133
		156,519
Current liabilities		
Accruals and other payables		42,295
NET ASSETS		114,224
Equity		
Share capital	24(b)	45
Reserves	24(d)	114,179
TOTAL EQUITY		114,224

Approved and authorized for issue by the board of directors on April 15, 2020.

Liu Mu	Chen Jia
Director	Director

(Expressed in RMB unless otherwise indicated)

28. Non-Adjusting Events After the Reporting Period

(i) 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. The proceeds, net of share issuance expenses, will be credited to the Company's share capital and share premium account accordingly.

(ii) The Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but are not limited to reassessing the production progress of programs, negotiating with customers on possible delay in delivery timetables, improving the Group's cash position by expediting debtor settlements and negotiating with suppliers on payment extensions, and reassessing the Group's working capital based on the banking facilities, anticipated trade payables settlement, borrowings and monthly fixed costs over the next 12 months. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group's businesses are concerned, the NCP Outbreak may cause delays or suspension on the program pipeline and may also impact the schedule of delivery and broadcasting of the Group's programs, which may impact the collection of trade receivables and revenue recognition resulting in additional impairment losses on trade receivables and program copyrights in future periods, but the directors of the Company considered that such impact could be reduced by the Group's expedition of the production process upon the cessation of the NCP Outbreak and continuing management of debtor settlements. Based on the information currently available, the management estimated that the NCP Outbreak would not result in additional impairment losses on the December 31, 2019 balances of program copyrights and trade receivables. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

29. Immediate and Ultimate Controlling Party

The directors of the Company consider the immediate parent and the ultimate holding party of the Company at December 31, 2019 to be Double K Limited and Mr. Liu Mu.

(Expressed in RMB unless otherwise indicated)

30. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Accounting Year Beginning on January 1, 2019

Up to the date of these financial statement, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended December 31, 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting years beginning on or after
Amendments to IFRS 3, *Definition of a business*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of material*	January 1, 2020
IFRS 17, *Insurance contracts*	January 1, 2021
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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

DEFINITIONS

"AGM" or "Annual General Meeting"	the forthcoming 2020 annual general meeting of the Company to be held on June 26, 2020
"Articles of Association"	the amended 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
"Auditor"	KPMG, the auditor 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 report, references in this report to the PRC or China do not include Taiwan, Hong Kong or Macau
"Company", "our Company", "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
"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"
"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 limited liability company established under the laws of the PRC 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 a subsidiary 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 in 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 in 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 the Shares were listed on the Stock Exchange
"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
"Nomination Committee"	nomination committee of the Company
"PRC Operating Entity(ies)"	the entity(ies) we control through the Contractual Arrangements, being Zhongguang Yusheng and its subsidiaries, Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng
"Prospectus"	the prospectus of the Company dated February 28, 2020 relating 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）), Jiaxing 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
"Relevant Period"	the Period from the Listing Date to the date of this report
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2019
"RMB"	Renminbi, the lawful currency of 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 limited liability company established under the laws of the PRC on December 25, 2018
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Share Option Scheme"	the share option scheme adopted by our Company on February 27, 2020, the principal terms of which are set out in the section headed "Report of the Directors — Share Option Scheme"
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	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 wholly-owned 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 limited liability company established under the laws of the PRC on September 8, 2016

"Zhongguang Yusheng"	Sino-Prosperity Culture Group Co., Ltd.* (北京中广煜盛文化傳播有限公司), a limited liability company established in the PRC on April 3, 2014.
"%"	per centum

* *for identification purposes only*

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this 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.