

煜盛文化集團*



CHINA BRIGHT CULTURE GROUP

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1859

2020 Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIU Mu (*Chairman and Chief Executive Officer*)
Ms. CHEN Jia
Mr. XIA Rui (*appointed with effect from June 30, 2020*)

Non-executive Director

Mr. CHEN Kai (*resigned with effect from July 24, 2020*)

Independent non-executive Directors

Ms. RAN Hua
Mr. HUANG Victor
Mr. ZHANG Yiwu
Mr. YANG Chengjia (*appointed with effect from July 24, 2020*)

AUDIT COMMITTEE

Mr. HUANG Victor (*Chairman*)
Mr. CHEN Kai (*resigned with effect from July 24, 2020*)
Mr. YANG Chengjia (*appointed with effect from July 24, 2020*)
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 (*resigned with effect from June 30, 2020*)
Ms. ZHANG Yanni (*appointed with effect from June 30, 2020*)
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

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No. 2 Guangbai East Road
Chaoyang District
Beijing
PRC

COMPANY WEBSITE

www.sinozsw.com

STOCK CODE

1859

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

Bank of 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

MANAGEMENT DISCUSSION AND ANALYSIS

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. The total revenue of the Group increased by 227.6% from RMB97.5 million for the first half of 2019 to RMB319.4 million for the first half of 2020. The following table sets forth the breakdown of revenue by source for the periods indicated:

	For the six months ended June 30,			
	2019		2020	
	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)			
	(unaudited)		(unaudited)	
Content-related				
Media platforms	92,303	94.7%	227,752	71.3%
Corporate sponsors	5,188	5.3%	91,623	28.7%
Total	97,491	100%	319,375	100%

The Group's content-related revenue from media platforms increased by 146.7% from RMB92.3 million in the first half of 2019 to RMB227.8 million in the first half of 2020. The increase is primarily due to the increase in the number of programs we produced and delivered and revenue growth from sales of broadcasting rights.

The Group's content-related revenue from corporate sponsors increased by 1,666.1% from RMB5.2 million in the first half of 2019 to RMB91.6 million in the first half of 2020, primarily due to the increase in the number of our programs released and revenue growth from advertising services.

Management Discussion and Analysis (Continued)

Cost of Sales

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

	For the six months ended June 30,			
	2019		2020	
	Amount	Percentage	Amount	Percentage
	(RMB in thousands, except for percentages)			
	(unaudited)		(unaudited)	
Content-related	51,062	100.0%	159,149	100.0%

The Group's cost of sales increased by 211.7% from RMB51.1 million in the first half of 2019 to RMB159.1 million in the first half of 2020, primarily due to the increase in the number of programs we completed the production and delivered.

Gross Profit and Gross Profit Margin

The Group's gross profit for the first half of 2020 was RMB160.2 million, representing an increase of 245.1% from RMB46.4 million in the first half of 2019. The gross profit margin for the first half of 2020 was 50.2% as compared to 47.6% for the first half of 2019.

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 67.0% from RMB4.1 million in the first half of 2019 to RMB6.9 million in the first half of 2020, primarily due to the increase in the number of programs.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of (1) staff costs for the Group's administrative staff; (2) depreciation and amortization; (3) rent, office, transportation and travel expenses; and (4) professional services fee for legal and accounting services. The Group's general and administrative expenses increased by 47.0% from RMB10.8 million in the first half of 2019 to RMB15.8 million in the first half of 2020, primarily due to the increase in professional services fee for the corresponding legal and accounting services upon the Listing.

Management Discussion and Analysis (Continued)

Net Finance Expenses

The Group's net finance expenses represent (1) interest income on bank deposits; (2) interest expenses on bank loans and other borrowings, loans from third parties and amounts due to Mr. Liu; (3) interest on lease liabilities; and (4) net foreign exchange loss from the depreciation of certain U.S. dollar bank deposits due to U.S. dollar to Renminbi exchange rate fluctuations. The Group's net finance expenses increased by 111.2% from RMB3.6 million in the first half of 2019 to RMB7.6 million in the first half of 2020, 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 the first half of 2020 increased by 185.0%, from approximately RMB25.1 million in the first half of 2019 to RMB71.6 million in the first half of 2020.

Income Tax

The Group's income tax expense increased by 295.4% from RMB5.4 million for the first half of 2019 to RMB21.3 million for the first half of 2020, 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) and Yueying Xingyao Information Technology (Tianjin) Co., Ltd.* (月影星耀信息技術(天津)有限公司), our operating entities in the PRC are subject to the standard EIT rate of 25% under the EIT law. The Group's effective tax rate was 29.8% for the first half of 2020 as compared to 21.5% for the first half of 2019.

Profit for the Period

For the foregoing reasons, the Group's profit for the first half of 2020 increased by 154.9%, from RMB19.7 million in the first half of 2019 to RMB50.2 million in the first half of 2020.

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 at December 31, 2019		As at June 30, 2020	
	Amount (audited)	Percentage	Amount (unaudited)	Percentage
(RMB in thousands, except for percentages)				
Programs under production	341,591	95.9%	341,090	100.0%
Completed programs	14,512	4.1%	—	0.0%
Total	356,103	100%	341,090	100%

The Group's program copyrights decreased by 4.2% from RMB356.1 million as of December 31, 2019 to RMB341.1 million as of June 30, 2020, primarily due to the temporary decrease in the expenditures of programs under production resulted from the public health emergencies.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from its customers. As of December 31, 2019 and June 30, 2020, the Group's total trade receivable (after deduction of loss allowances) were RMB491.3 million and RMB659.5 million, respectively. The increase of 34.2% was due to the revenue growth as a result of the business expansion of the Group. The loss allowances increased by 174.6% from RMB35.3 million as of December 31, 2019 to RMB97.0 million as of June 30, 2020.

Management Discussion and Analysis (Continued)

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

	As at December 31, 2019	As at June 30, 2020
	(RMB in thousands)	
	(audited)	(unaudited)
Within one month	134,458	228,307
One to three months	80,806	17,418
Three to six months	124,132	58,372
Six months to one year	81,652	243,376
One to two years	70,206	87,735
Two to three years	—	24,267
Total	491,254	659,475

Trade Payable

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 decreased by 10.7%, from RMB33.7 million as of December 31, 2019 to RMB30.1 million as of June 30, 2020, primarily due to the decrease of program production fees payable to suppliers.

Liquidity and Capital Structure

The Group's cash and cash equivalents was RMB9.0 million as at December 31, 2019 compared to RMB1.8 million as at June 30, 2020. We also hold short-term wealth management products amounted to RMB535.1 million, primarily denominated in US dollars. We adopt conservative treasury policies in cash and financial management to achieve better risk control and reduce the cost of funds. Working capital (calculated by current assets less current liabilities) and the total equity of the Group amounted to RMB557.8 million and RMB572.3 million, respectively, as at December 31, 2019, as compared to RMB1,368.4 million and RMB1,396.3 million, respectively, as at June 30, 2020.

The Group continued to maintain a sound financial position. Total assets increased from RMB941.3 million as at December 31, 2019 to RMB1,711.2 million as at June 30, 2020, and total liabilities decreased from RMB369.1 million as at December 31, 2019 to RMB314.9 million as at June 30, 2020. The debt asset ratio decreased from 39.2% as at December 31, 2019 to 18.4% as at June 30, 2020. As of the same dates, the Group's bank loans and other borrowings payable within one year was RMB111.0 million and RMB101.0 million, respectively. The fixed interest rates of the Group's bank loans and other borrowings for the six months end June 30, 2020 ranged from 4.05% to 6.50%, while the relevant fixed interest rates for the year of 2019 ranged from 5.23% to 6.50%. 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.

Management Discussion and Analysis (Continued)

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

	For the six months ended June 30,	
	2019	2020
	(RMB in thousands)	
	(unaudited)	(unaudited)
Net cash used in operating activities	(111,022)	(172,168)
Net cash used in investing activities	(777)	(532,488)
Net cash generated from financing activities	48,234	693,284
Net decrease in cash and cash equivalents	(63,565)	(11,372)

Net Cash Used in Operating Activities

In the first half of 2020, the net cash used in operating activities was RMB172.2 million, primarily due to the increase in program production spending.

Net Cash Used in Investing Activities

In the first half of 2020, the net cash used in investing activities was RMB532.5 million, primarily due to the purchase of wealth management products with temporarily idle funding.

Net Cash Generated from Financing Activities

In the first half of 2020, the net cash generated from financing activities was RMB693.3 million, primarily due to the increase in the Group's IPO financing.

Net Current Assets

As of June 30, 2020, the net current assets of the Group was RMB1,368.4 million, as compared to RMB557.8 million as of December 31, 2019.

Gearing Ratio

As of June 30, 2020, the Group's gearing ratio (calculated by dividing bank loans and other borrowings by total equity as of the end of each period) was approximately 7.2%, as compared to 19.4% as of December 31, 2019.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In the first half of 2020, save as disclosed in this report, the Group did not have any significant investments, acquisitions or disposals.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2020, save as disclosed in the Prospectus and this report, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business areas and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

Management Discussion and Analysis (Continued)

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's capital expenditures in the first half of 2020 primarily relate to improvements to leased properties and purchase of electronic equipment and other office equipment. In the first half of 2020, the Group incurred RMB0.2 million in relations to capital expenditures as compared to RMB0.9 million in the first half of 2019.

As of June 30, 2020, there were no significant capital commitments outstanding against the Group.

CONTINGENT LIABILITIES

The Group had no contingent liability as of June 30, 2020.

CHARGES ON GROUP ASSETS

Save for restricted bank deposit of RMB36.0 million, as of June 30, 2020, 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, 2019 and June 30, 2020, 82.3% and 84.6% 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 medium term.

EVENTS AFTER THE REPORTING PERIOD

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.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company's shares were listed on the 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. During the Relevant Period, the net proceeds from the Global Offering were utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, with the balance amounted to approximately RMB533.1 million. The balance of fund will continue to be utilized according to the manner as disclosed in the Prospectus. In the second half of 2020, the Company will use the proceeds raised from the Global Offering in accordance with its development strategies, market conditions and intended use of such proceeds. Details are set out in the following table:

	Net amount available as at the Listing Date	Actual amount utilized during the Relevant Period	Unutilized amount as at June 30, 2020
	(RMB'000)	(RMB'000)	(RMB'000)
Funding the development of our pipeline programs	636,799	184,135	452,664
Of which: Funding the programs expected to be released in 2020	524,423	122,773	401,650
Of which: TV variety programs in the food, work/career, youth and police/crime genres	217,260	78,235	139,025
TV drama series in the urban and police/crime genres	202,278	44,254	158,024
Made-for-internet drama series in the urban, youth and police/crime genres	104,885	284	104,601
Funding the programs expected to be released in 2021	112,376	61,362	51,014
Expanding the working team	37,459	640	36,819
For working capital and general corporate purposes	74,918	31,315	43,603
Total	749,176	216,090	533,086

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

PROPERTY, PLANT AND EQUIPMENT

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

Management Discussion and Analysis (Continued)

HUMAN RESOURCES

As at June 30, 2020, the Group had 88 full-time employees (as compared to 84 as at December 31, 2019), 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	46	52.3%
Marketing	26	29.5%
Administrative and human resources	5	5.7%
Finance and capital raising	5	5.7%
Management and support	6	6.8%
Total	88	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.

LOAN AND GUARANTEE

During the Reporting Period, 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.

OUTLOOK AND PLANS

The Group has been keeping close tabs on the impact of the Outbreak. As of the date of this report, the Outbreak did not result in a material negative impact on the Group's business and program pipelines due to the Company's business nature and the demands from the audience and media platforms. During the Reporting Period and as of the date of this report, "The Shining Girl" was released in January 2020, the broadcasting of "The Taste of Time" was completed in January 2020, "Our Bands" was released in March 2020, Season 8 of "Hello! Interviewer" was released in June 2020, the production of "Mind the Gap" was completed in January 2020 with its editing work being finished remotely, and the filming of "Campus Brotherhood Story" (formerly known as "Beijing Drifters' Love Story 2") was completed in July 2020. In the second half of 2020, the Company will continue to promote the production of variety programs and TV drama series as planned. At the same time, we will also continue to expand into new areas and diversify the Company's business and product lines.

OTHER INFORMATION

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

As at June 30, 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were 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 he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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		Approximate Percentage of the Shareholding (%)
			held in the Corporation	Long/Short Position	
Mr. LIU Mu	The Company	Interest in controlled corporations ⁽¹⁾	742,884,739	Long position	46.43%
	Double K Limited	Beneficial owner	100	Long position	100%
	Zhongguang 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%
	Zhongguang Yusheng	Beneficial owner	N/A ⁽²⁾	Long position	0.72%

Notes:

- (1) The Shares are registered under the name of Double K Limited and Blueberry Culture Limited, the issued share capital of which is owned as to 100% by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Double K Limited and Blueberry Culture Limited for the purpose of Part XV of the SFO.
- (2) Zhongguang 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. Mr. Chen Kai resigned as the non-executive Director with effect from July 24, 2020.

Other Information (Continued)

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as is known to any Director, as at June 30, 2020, the following corporations/persons (other than the Directors or chief executive of the Company) had interests of 5% or more in the issued shares of the Company, which would be required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of shares	Long/Short Position	Approximate Percentage of the Shareholding (%)
Ms. CHANG Xing ⁽¹⁾	Interest of spouse	742,884,739	Long position	46.43%
Double K Limited ⁽²⁾	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%

Notes:

- (1) Ms. CHANG Xing (常星) is the spouse of Mr. Liu. Accordingly, she is deemed to be interested in the relevant Shares.
- (2) 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.
- (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.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2020, no person (other than the Directors or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO.

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.

Other Information (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, none of the Company nor any of its subsidiaries or any of its consolidated affiliated entities has purchased, sold or redeemed any of the Company's securities.

LEGAL PROCEEDINGS AND COMPLIANCE

For the six months ended June 30, 2020, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

REVIEW OF FINANCIAL STATEMENT

The Audit Committee comprising Mr. Huang, Ms. RAN Hua and Mr. YANG Chengjia, has discussed with the management and reviewed the unaudited interim consolidated financial statements of the Group for the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

Since June 2020, Mr. Huang, an independent non-executive Director, has served as independent non-executive directors of New Times Energy Corporation Limited (新時代能源有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 0166) as well as COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Main Board of the Stock Exchange (stock code: 1138).

On June 30, 2020, Mr. XIA Rui was appointed as an executive Director. Details of such appointment are set out in the announcement of the Company dated June 30, 2020.

On July 24, 2020, (1) Mr. CHEN Kai resigned as a non-executive Director and a member of the Audit Committee due to his other work arrangements; and (2) Mr. YANG Chengjia was appointed as an independent non-executive Director and a member of the Audit Committee. Details of such changes are set out in the announcement of the Company dated July 24, 2020.

Save as disclosed in this report, during the Relevant Period and up to the date of this report, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

In addition, there were changes in the Company's senior management during the Reporting Period as follows:

In June 2020, Mr. LIU Xinxing resigned as a joint company secretary of the Company and was appointed as the vice president of the Company, primarily responsible for the coordination and supervision of the Group's information disclosure, investors' relationship and capital operation.

In May 2020, Ms. ZENG Min was appointed as our chief financial officer, primarily responsible for overseeing the overall financial and accounting affairs of our Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has adopted the CG Code as its own code of corporate governance.

During the Relevant Period, the Company has complied with all applicable code provisions set out in the CG Code, except for the following deviations from code provisions A.2.1 and A.5.5 (2) of the CG Code.

In accordance with paragraph A.2.1 of the CG Code, the roles of the chairman and chief executive should be 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. As of the date of this report, the Board comprised of three executive Directors (including Mr. Liu) and four independent non-executive Directors and therefore has a strong independence element in its composition.

Mr. Huang was re-elected as an independent non-executive Director at the 2020 AGM. The Board reviewed the track record of Mr. Huang in attending the Company's meetings since his appointment, showing that Mr. Huang had a high level of participation at board meetings and committee meetings. The Board believes that Mr. Huang will still be able to devote sufficient time to the Board in the future notwithstanding that he has been holding the directorship of seven or more listed companies since June 2020. Such assessment of the Board was not disclosed in the circular or the notice of the 2020 AGM as required under paragraph A.5.5 (2) of the CG Code. The Company commits to comply with such code provision for future election of independent non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code throughout the Relevant Period.

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

INTERIM DIVIDEND

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended June 30, 2020 — unaudited
(Expressed in Renminbi (“RMB”))

	Note	Six months ended June 30,	
		2020 RMB'000	2019 RMB'000
REVENUE	3	319,375	97,491
Cost of sales		(159,149)	(51,062)
GROSS PROFIT		160,226	46,429
Other net income		1,294	60
Selling and marketing expenses		(6,927)	(4,148)
General and administrative expenses		(15,815)	(10,757)
Impairment losses on trade and other receivables		(61,649)	(2,890)
PROFIT FROM OPERATIONS		77,129	28,694
Net finance expenses	4(a)	(7,585)	(3,591)
Fair value changes on investments measured at fair value through profit or loss		2,011	—
PROFIT BEFORE TAXATION	4	71,555	25,103
Income tax	5	(21,307)	(5,389)
PROFIT FOR THE PERIOD		50,248	19,714
Attributable to:			
Equity shareholders of the Company		50,248	19,714
Non-controlling interests		—	—
PROFIT FOR THE PERIOD		50,248	19,714
EARNINGS PER SHARE	6		
Basic and diluted (RMB)		0.03	0.02

The notes on page 25 to 37 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 16(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2020 — unaudited

(Expressed in RMB)

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
PROFIT FOR THE PERIOD	50,248	19,714
OTHER COMPREHENSIVE INCOME FOR THE PERIOD (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	7,866	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	7,866	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	58,114	19,714
Attributable to:		
Equity shareholders of the Company	58,114	19,714
Non-controlling interests	—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	58,114	19,714

The notes on page 25 to 37 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2020 — unaudited
(Expressed in RMB)

	Note	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	7(b)	1,183	1,427
Right-of-use assets	7(a)	16,179	16,928
Deferred tax assets		23,830	8,512
		41,192	26,867
CURRENT ASSETS			
Short-term investments	8	535,098	—
Program copyrights	9	341,090	356,103
Trade receivables	10	659,475	491,254
Prepayments and other receivables	11	96,537	23,257
Restricted bank deposit		35,978	34,881
Cash and cash equivalents	12	1,791	8,982
		1,669,969	914,477
CURRENT LIABILITIES			
Bank loans and other borrowings		101,000	111,000
Contract liabilities		9,170	16,506
Trade payables	13	30,099	33,724
Accruals and other payables	14	79,691	144,914
Lease liabilities	15	2,902	4,392
Current taxation		78,756	46,108
		301,618	356,644
NET CURRENT ASSETS			
		1,368,351	557,833
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,409,543	584,700

Consolidated Statement of Financial Position (Continued)
at June 30, 2020 — unaudited
(Expressed in RMB)

	Note	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15	13,239	12,416
NET ASSETS		1,396,304	572,284
EQUITY			
Share capital		73	45
Reserves		1,396,231	572,239
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		1,396,304	572,284
TOTAL EQUITY		1,396,304	572,284

The notes on page 25 to 37 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended June 30, 2020 — unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Exchange reserves	Retained profit	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019	—	—	113,606	—	168,310	281,916	—	281,916
Changes in equity for the six months ended June 30, 2019:								
Profit and other comprehensive income for the period	—	—	—	—	19,714	19,714	—	19,714
Capital injection from owners of the Company	—	—	—	—	—	—	—	—
Capital injection from owners of companies comprising the Group	—	—	3,500	—	—	3,500	—	3,500
Balance at June 30, 2019 and July 1, 2019	—	—	117,106	—	188,024	305,130	—	305,130
Changes in equity for the six months ended December 31, 2019:								
Profit and other comprehensive income for the period	—	—	—	1,997	128,154	130,151	—	130,151
Capital injection from owners of the Company	45	116,958	—	—	—	117,003	—	117,003
Capital injection from owners of companies comprising the Group	—	—	20,000	—	—	20,000	—	20,000
Balance at December 31, 2019	45	116,958	137,106	1,997	316,178	572,284	—	572,284

Consolidated Statement of Changes in Equity (Continued)
for the six months ended June 30, 2020 — unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company						Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserves	Exchange reserves	Retained profit	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2020	45	116,958	137,106	1,997	316,178	572,284	—	572,284
Changes in equity for the six months ended June 30, 2020:								
Profit and other comprehensive income for the period	—	—	—	7,866	50,248	58,114	—	58,114
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	28	765,878	—	—	—	765,906	—	765,906
Balance at June 30, 2020	73	882,836	137,106	9,863	366,426	1,396,304	—	1,396,304

The notes on page 25 to 37 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended June 30, 2020 — unaudited
(Expressed in RMB)

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash used in operations	(168,191)	(110,625)
Income taxes paid	(3,977)	(397)
Net cash used in operating activities	(172,168)	(111,022)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	121	16
Proceeds from sale of subsidiaries	700	—
Payments for the purchase of property, plant and equipment	(223)	(793)
Purchases of short-term investments	(533,086)	—
Net cash used in investing activities	(532,488)	(777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares relating to the initial public offering, net of issuance	768,083	—
Capital injection from owners of companies comprising the Group	—	16,500
Proceeds from interest-bearing borrowings	44,677	45,000
Borrowings from a related party	6,000	28,800
Increase of restricted bank deposit	(1,097)	—
Repayment of interest-bearing borrowings	(112,857)	(30,000)
Borrowing costs paid	(8,751)	(2,270)
Interest element of lease rentals paid	(409)	(383)
Capital element of lease rentals paid	(2,362)	(1,913)
Repayment to a related party	—	(7,500)
Net cash generated from financing activities	693,284	48,234
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,372)	(63,565)
Cash and cash equivalents at the beginning of the period	8,982	64,368
Effect of exchange rate fluctuations on cash held	4,181	—
Cash and cash equivalents at the end of the period	1,791	803

The notes on page 25 to 37 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on August 28, 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

2 Changes in Accounting Policies

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

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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

Notes to the Unaudited Interim Financial Report (Continued)
(Expressed in RMB unless otherwise indicated)

3 Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are video content operation.

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

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Content related program		
— Media platforms	227,752	92,303
— Corporate sponsors	91,623	5,188
	319,375	97,491

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

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Customer A	185,383	*
Customer B	41,929	90,252

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

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

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Point in time	97,400	90,252
Over time	221,975	7,239
	319,375	97,491

(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.

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

4 Profit Before Taxation

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

(a) Net finance expenses

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	(121)	(16)
Interest expense	7,069	3,224
Interest on lease liabilities	409	383
Net foreign exchange loss	228	—
Net finance expenses	7,585	3,591

(b) Other items

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

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Cost of program copyrights	159,149	51,062
Short-term leases	137	163
Depreciation and amortisation		
— Property, plant and equipment	466	375
— Right-of-use assets	2,443	2,213

5 Income Tax in the Consolidated Statements of Profit or Loss

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

	Six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Current tax-PRC		
Enterprise Income Tax		
Provision for the period	36,625	7,491
Deferred tax expense		
Origination and reversal of temporary differences	(15,318)	(2,102)
	21,307	5,389

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 for the six months ended June 30, 2020 and is not subject to any Hong Kong profits tax. The Hong Kong profits tax rate is 16.5%.

In accordance with the Enterprise Income Tax Law ("Income Tax Law") of the PRC, enterprise income tax rate for the Group's PRC subsidiaries is 25%, 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 six months ended June 30, 2020.

According to the relevant PRC income tax law, the Company's subsidiary, Yili Zhongsheng Quanxing Media Co., Ltd. ("Yili Zhongsheng") (伊犁中盛全興影視傳媒有限公司)*, which was incorporated in Horgos, is exempted from income taxes from 2016 to 2020.

According to the relevant PRC income tax law, the Company's subsidiary, Yueying Xingyao information technology (Tianjin) Co., Ltd. ("Yueying Xingyao") (月影星耀信息技術(天津)有限公司)*, was certified as a small and micro enterprise, and is entitled to reduce taxable income by half and enjoys a preferential PRC Corporate Income Tax rate of 20% for the six months ended June 30, 2020.

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

6 Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB50,248,000 (six months ended June 30, 2019: RMB19,714,000) and the weighted average of 1,441,758,000 ordinary shares (2019: 1,061,651,000 shares in issue upon the completion of the Pre-IPO reorganisation were deemed to have been issued since January 1, 2019 and adjusted for the effect of capitalisation issue in 2019) in issue during the interim period.

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

7 Property, Plant and Equipment

(a) Right-of-use assets

During the six months ended June 30, 2020, the Group entered into a number of lease agreements for use of certain buildings for its office and business operation, and therefore recognised the additions to right-of-use assets of RMB7,518,000.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2020, the Group acquired items of office and electronic equipment and others with a cost of RMB223,000 (six months ended June 30, 2019: RMB874,000). No items of plant and machinery was disposed of during the six months ended June 30, 2020 and June 30, 2019.

8 Short-term investments

Short-term investments represent unlisted financial management products investments which are managed by a licensed financial institution in Hong Kong to invest principally in certain financial assets including listed companies' stocks, bonds denominated in Hong Kong Dollar or other investment products available in Hong Kong or foreign markets in accordance with the entrusted agreements entered into between the parties involved. The investments were measured at fair value at the end of the reporting period, with corresponding gain on change in fair value of RMB2,011,000, credited to "fair value changes on investments measured at fair value through profit or loss" in the period. According to the agreements, the investment contract period is one or two years, and the Company can withdraw whole or part of the investment at anytime during the contract period.

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

9 Program Copyrights

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

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Programs under production	341,090	341,591
Completed programs	—	14,512
	341,090	356,103

(b) Movements of program copyrights are as follows:

	2020 RMB'000	2019 RMB'000
At January 1,	356,103	64,390
Additions	144,136	500,098
Recognised as cost of sales	(159,149)	(208,385)
At June 30/December 31	341,090	356,103

Note: No impairment was charged during the six months ended June 30, 2020.

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

10 Trade Receivables

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Amounts due from third parties	756,426	526,556
Less: loss allowance	(96,951)	(35,302)
	659,475	491,254

Ageing analysis

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

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Within 1 month	228,307	134,458
1 month to 3 months	17,418	80,806
3 months to 6 months	58,372	124,132
6 months to 1 year	243,376	81,652
1 to 2 years	87,735	70,206
2 to 3 years	24,267	—
	659,475	491,254

The credit terms agreed with customers are normally 30-360 days from the date of billing. No interests are charged on trade receivables.

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

11 Prepayments and Other Receivables

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Prepayments to third parties (i)	55,479	19,740
Receivables from disposal of a subsidiary	550	1,248
Amounts due from third parties (ii)	21,787	—
Others	19,565	3,113
Less: loss allowance	(844)	(844)
	96,537	23,257

Notes:

- (i) Prepayments to third parties represent the prepayments to suppliers and prepayments related to the programs of which production has yet to commence.
- (ii) Amounts due from third parties represent loans lent to third parties.

12 Cash and Cash Equivalents

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Cash on hand	17	17
Deposits with banks	37,752	43,846
	37,769	43,863
Less: restricted bank deposit	(35,978)	(34,881)
Cash and cash equivalents	1,791	8,982

The bank deposit restricted for use as at June 30, 2020 was deposit paid to secure the bank loan borrowed by Beijing Sino-Prosperty Culture Group Co., Ltd. ("Zhongguang Yusheng").

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

13 Trade Payables

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Amounts due to third parties	30,099	33,724

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

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Within 1 year	29,584	33,188
1 to 2 years	515	536
	30,099	33,724

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

Notes to the Unaudited Interim Financial Report (Continued)
 (Expressed in RMB unless otherwise indicated)

14 Accruals and Other Payables

	At June 30, 2020 RMB'000	At December 31, 2019 RMB'000
Listing expenses	10,977	21,894
Received in advance from co-producers (i)	12,250	10,000
Amounts due to Mr. Liu Mu (ii)	6,000	—
Loan from a shareholder (iii)	4,677	20,000
Loans from third parties (iv)	31,000	73,857
Payroll payables	3,558	4,884
Other taxes and levies	8,603	7,937
Interest payables	2,005	3,721
Others	621	2,621
	79,691	144,914

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

Notes:

- (i) Received in advance from co-producers is unsecured, and will be settled when the related programs are completed and partial copyrights are delivered to co-producers.
- (ii) Amounts due to Mr. Liu Mu mainly represent the unsecured loan from Mr. Liu Mu, executive director of the Company.
- (iii) In June 2020, the Company borrowed RMB4,677,000 from Ms. Wu Yeheng, a shareholder of the Company, with no interest in the first three months and an interest rate of 15% per annum from the fourth month onwards.
- (iv) On October 28, 2019, Shanghai Yusheng borrowed RMB11,000,000 from Shanghai Yunming Culture Media Co., Ltd. with interest rate of 15% per annum. The loan of RMB11,000,000 will be due on October 15, 2020.

On May 25, 2020, Shanghai Yusheng borrowed RMB20,000,000 from Xiamen Qinghe Cultural Media Partnership (LLP) with interest rate of 18.5% per annum. The loan will be settled in August 2020.

Notes to the Unaudited Interim Financial Report (Continued)
(Expressed in RMB unless otherwise indicated)

15 Lease Liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities as at June 30, 2020 and December 31, 2019.

	At June 30, 2020		At December 31, 2019	
	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	2,902	3,655	4,392	5,177
After 1 year but within 2 years	3,812	4,381	4,862	5,407
After 2 years but within 5 years	9,427	9,967	7,554	7,987
	13,239	14,348	12,416	13,394
	16,141		16,808	
Less: total future interest expenses		1,862		1,763
Present value of lease liabilities		16,141		16,808

16 Capital, Reserves and Dividends

(a) Dividends

During the six months ended June 30, 2020, no dividends were declared to the shareholders of the Company.

17 Fair Value Measurement of Financial Instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

The fair value measurements of the Group's short-term Investment (investments in asset management products) is categorised into the following level in the fair value hierarchy:

	Fair value at June 30, 2020	Fair value measurement as of June 30, 2020 categories into		
	RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Assets				
Short-term investment	535,098	—	535,098	—

During the six months ended June 30, 2020, there were no transfers between Level 1 and Level 2, or transfers into nor out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurement

Investments in asset management products are measured at fair values in the consolidated statements of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorised all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

(b) Fair value of financial assets and liabilities carried at cost other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at June 30, 2020.

18 Material Related Party Transactions

(a) Related party balances

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Accruals and other payables	6,034	—

(b) 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.

	For the six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Loan received from Mr. Liu Mu (note 14(ii))	6,000	28,800
Loan repaid to Mr. Liu Mu	—	7,500
Interest expense	34	294

19 Impacts of COVID-19 Pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 pandemic on the Group's businesses and has put in place various contingency measures. These contingency measures include but not limited to reassessing changes (if any) to the customers' preferences on the types of programs to be broadcasted, assessing the readiness of the production units and revisiting the progress of programs, increasing monitoring of the business environment of the Group's customers, and improving the Group's cash position by expediting debtor settlements and negotiating with suppliers on payment extensions.

As far as the Group's businesses are concerned, the COVID-19 did not result in a material negative impact on the Group's businesses and program pipelines due to the Company's business nature and the demands from the audience and media platforms. The directors of the Company will continue to pay close attention to the development of the COVID-19 epidemic situation, assess and take proactive actions to mitigate its impacts on the operating results and financial position of the Group.

DEFINITIONS

“2020 AGM”	the annual general meeting of the Company held on June 28, 2020
“Audit Committee”	the audit committee of the Company
“Board” or “Board of Directors”	the board of directors of our Company
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China and, except where the context requires and only for the purpose of this 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
“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
“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
“EIT”	the enterprise income tax
“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

Definitions (Continued)

“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
“IPO”	initial public offering
“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. Huang”	Mr. HUANG Victor, our independent non-executive Director
“Mr. Liu”	Mr. LIU Mu, chairman of the Board, executive Director, chief executive officer of the Company and one of the Controlling Shareholders
“Outbreak”	the outbreak of the COVID-19
“PRC Operating Entities”	the entity(ies) we control through our contractual arrangements, being Sino-Prosperty Culture Group Co., Ltd.* (北京中广煜盛文化传播有限公司) and its subsidiaries
“Prospectus”	the prospectus of the Company dated February 28, 2020 relating to its initial public offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Period”	the period from the Listing Date to June 30, 2020
“Reporting Period”	the six months ended June 30, 2020
“RMB”	Renminbi, the lawful currency of PRC

Definitions (Continued)

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 “Other Information — 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
“Zhongguang Yusheng”	Sino-Prosperity Culture Group Co., Ltd.* (北京中广煜盛文化传播有限公司), 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.