煜盛文化集團*

煜盛文化
CHINA BRIGHT CULTURE GROUP

CHINA BRIGHT CULTURE GROUP

(Incorporated in the Cayman Islands with limited liability)

CHINA BRIGHT Stock Code: 1859 CULTURE GROUP

2020 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)*
Mr. XIA Rui

Independent non-executive Directors

Ms. RAN Hua
Mr. ZHANG Yiwu
Mr. YANG Chengjia
Ms. YAO Li

AUDIT COMMITTEE

Ms. RAN Hua *(Chairwoman)*
Mr. YANG Chengjia
Ms. YAO Li

REMUNERATION COMMITTEE

Mr. ZHANG Yiwu *(Chairman)*
Ms. RAN Hua
Mr. XIA Rui

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. NGAI Tsz Hin Michael

AUTHORISED REPRESENTATIVES

Mr. LIU Mu
Mr. NGAI Tsz Hin Michael

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting
Council Ordinance
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong

LEGAL ADVISER

Khoo & Co.
15/F & 16/F, Tern Centre Tower 2
251 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Capital 9 Limited
Room 1219, 12/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, Tern Centre Tower 2
251 Queen's Road Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKS

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

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

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, 2020.

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2020 amounted to approximately RMB505.8 million, representing an increase of 6.4% from approximately RMB475.6 million in 2019.

- Loss for the year ended December 31, 2020 amounted to approximately RMB198.6 million, representing a decrease of 234.3% from a profit of approximately RMB147.9 million in 2019.

- Total assets for the year ended December 31, 2020 amounted to approximately RMB1,446.5 million, representing an increase of 53.7% from approximately RMB941.3 million in 2019.

- Net assets for the year ended December 31, 2020 amounted to approximately RMB1,104.5 million, representing an increase of 93.0% from approximately RMB572.3 million in 2019.

- Loss per share for the year ended December 31, 2020 amounted to approximately RMB0.131, representing a decrease of 200% from earnings per share of approximately RMB0.131 in 2019.

BUSINESS REVIEW

The Group has undergone a transformation throughout the year 2020. With the COVID-19 wreaking havoc across the globe, the operating environment of the Group's principal businesses have been significantly affected. As such, the Group has been proactively striking for changes by, on top of maintaining its principal businesses, increasing investments in areas such as development in medium video clips and content commercialisation, which had led to an increase in the Group's annual revenue and total assets by 6.4% and 53.7%, respectively, as compared to that of 2019. Influenced by the strategic philosophy that content is produced to directly serve consumer value, we maintained a solid relationship with our customers and further strengthened our position in the industry.

In 2020, the Group started production for the Star-Moon Alliance Plan (星月聯盟計劃) for "A Hundred Playlets" and had its trial operation of its content e-commerce business. In view to further expand its principal business, the Group had officially launched the content e-commerce business in May 2021 and expects to strategically and gradually increase its budget in this business line.

The TV drama "Mind the Gap" (《一念無間》) (tentatively named), which the Company has exclusive investment, has now completed its post-production work and entered into the distribution stage in accordance with the advices of the relevant authorities. As at June 30, 2021, the filming of two of the three program copyrights of TV drama in the urban, youth and police/crime genres (name of the three TV dramas are yet to be confirmed pending approval from relevant government authorities) in which the Company has taken the lead, has completed and entered into the distribution stage. Production of the third drama is expected to be commenced in the third quarter of 2021.

For our production of variety programs, it was progressing normally in accordance with the Group's established directions. The production of the Company's original project "Tribute to the Centuries (《致敬百年風華》)", which was recommended by the National Radio and Television Administration, was completed and successfully aired; the original cultural documentary reality show "Home Coming from the End of the Yangtze River" (《從長江的盡頭回家》) was successfully aired and was awarded with Magnolia Awards for the "Best TV Variety Show"at the 27th Shanghai International TV Festival in June 2021.

OUTLOOK

With the gradual control of COVID-19 pandemic in the PRC, a valuable opportunity has arisen for the development of the cultural content industry. We will continue to adhere to the mission of exploring the consumer value of content to further enhance the competitiveness of our content. Our development initiatives include:

- actively deploying regional business: the second content headquarter focusing on serving new platforms and new economic establishments will be established in the Yangtze River Delta region, with an aim to creating industrial content centre in the Chengdu-Chongqing economic rim; and

- exploring new aspects for revenue growth and strengthening the deployment of strategic investments: more efforts will be made to seek cooperation with various leading enterprises in the industry by involving in the upstream and downstream of the vertical content industry and capital cooperation with industry partnersw will be maintained, with an aim to creating more value for the Group.

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, the PRC, August 27, 2021

FINANCIAL HIGHLIGHTS

Consolidated statement of profit or loss (selected items)

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**505,848**	475,566	282,931	160,429	127,840
Gross profit	**261,806**	267,181	115,953	89,306	50,262
(Loss)/profit from operations	**(118,998)**	195,694	92,767	60,856	23,094
(Loss)/profit before income tax	**(137,036)**	186,554	90,340	57,279	18,517
Net (loss)/profit	**(198,575)**	147,868	85,733	56,083	13,864

Consolidated statement of financial position (selected items)

	As of December 31,				
	2020	2019	2018	2017	2016
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**7,914**	26,867	11,865	17,430	4,792
Current assets	**1,438,599**	914,477	359,704	225,363	118,613
Total assets	**1,446,513**	941,344	371,569	242,793	123,405
Total equity	**1,104,542**	572,284	281,916	182,529	35,446
Non-current liabilities	**5,312**	12,416	5,839	8,306	412
Current liabilities	**336,659**	356,644	83,814	51,958	87,547
Total liabilities	**341,971**	369,060	89,653	60,264	87,959
Total equity and liabilities	**1,446,513**	941,344	371,569	242,793	123,405

BUSINESS REVIEW

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FINANCIAL REVIEW

Revenue

The Group's revenue primarily consists of revenue related to the content that it developed, marketed, produced and distributed, including revenue from media platforms and revenue from corporate sponsors. The total revenue of the Group increased by 6.4% from approximately RMB475.6 million in 2019 to approximately RMB505.8 million in 2020. The following table sets forth the breakdown of revenue by source for the years indicated.

	For the year ended December 31,			
	2020		2019	
	Amount	Percentage	Amount	Percentage
	(RMB'000, except for percentages)			
Content-related				
Media platforms	**267,977**	**53.0%**	346,758	72.9%
Corporate sponsors	**237,871**	**47.0%**	128,808	27.1%
Total	**505,848**	**100.0%**	475,566	100.0%

The Group's content-related revenue from media platforms decreased by 22.7% from approximately RMB346.8 million in 2019 to approximately RMB268.0 million in 2020. The decrease was primarily due to the fact that the Group reduced the cooperation with traditional platforms such as TV stations on content production while increased the investments in the content produced for end-customers amid the COVID-19 pandemic.

The Group's relevant revenue from corporate sponsors increased by 84.7% from approximately RMB128.8 million in 2019 to approximately RMB237.8 million in 2020. The increase was primarily attributable to the commencement of direct cooperation with corporate sponsors to produce most of our content through the production and placement of customised content for specific brands and their products in light of the habit change of a number of users and the continuously strengthened corporate mission that content is produced to directly serve consumer value, which had a direct impact on the brands and the sales of their products and resulted in the increase in both the number of programs produced and the revenue generated from our services.

Cost of Sales

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

	For the year ended December 31,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(RMB'000, except for percentages)			
Content-related	**244,042**	**100.0%**	208,385	100.0%
Total	**244,042**	**100.0%**	208,385	100.0%

The Group's cost of sales increased by 17.1% from approximately RMB208.4 million in 2019 to approximately RMB244.0 million in 2020, primarily due to the increase in the procurement costs of the production of programs in respect of which we recognised revenue.

Gross Profit and Gross Profit Margin

The Group recorded the gross profit of approximately RMB261.8 million and the gross profit margin of 51.8% in 2020, compared with the gross profit of approximately RMB267.2 million and the gross profit margin of 56.2% in 2019. The lower percentage of change in the gross profit margin was primarily due to the increase in the procurement costs for the production and prolonged production schedule of certain programs in 2020 due to the COVID-19 pandemic resulting in increase in costs of sales.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consist of (1) staff costs of our employees for content development, production and sales and marketing; (2) marketing and promotional expenses for our programs; and (3) traveling and transportation expenses in relation to selling and marketing activities. The Group's selling and marketing expenses increased by 67.1% from approximately RMB9.6 million in 2019 to approximately RMB16.0 million in 2020, primarily due to the increase in staff costs and operating costs of the Company.

General and Administrative Expenses

The Group's general and administrative expenses primarily consist of (1) staff costs for the Group's administrative staff; (2) depreciation and amortisation; (3) expenses for rent, office, transportation and traveling; and (4) professional service fees for legal and accounting services. The Group's general and administrative expenses increased by 49.3% from approximately RMB59.0 million in 2019 to approximately RMB88.2 million in 2020, primarily due to the corresponding increase in various expenses arisen from the operation of the Group after the listing.

Impairment Losses on Trade and Other Receivables

The increase of impairment losses on trade and other receivables from approximately RMB4.5 million in 2019 to approximately RMB278 million in 2020 was mainly due to negative impacts on our customers as a result of the COVID-19 pandemic which in turn lead to difficulties by us to collect receivables.

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, amounts due to third parties, and amounts due to Mr. LIU Mu ("**Mr. Liu**"), one of the executive Directors; (3) interest on lease liabilities; and (4) net foreign exchange gains from the appreciation of certain U.S. dollar bank deposits due to the fluctuations in U.S. dollars to Renminbi exchange rate. The Group's net finance expenses increased by 138.4% from approximately RMB9.1 million in 2019 to approximately RMB21.8 million in 2020, primarily due to the increase in interest expenses on bank loans.

(Loss)/profit Before Taxation

As a result of the foregoing, the Group's loss before taxation was approximately RMB137.0 million in 2020, representing a decrease of 173.5% from profit before taxation of approximately RMB186.6 million in 2019.

Income Tax Expense

The Group's income tax expense increased by 59.1% from approximately RMB38.7 million in 2019 to approximately RMB61.5 million in 2020, primarily due to increase in tax losses and temporary differences not recognised as deferred tax assets. Other than Yili Zhongsheng and Yueying Xingyao, our operating entities in the PRC are subject to the standard enterprise income tax ("**EIT**") rate of 25% under the EIT Law.

(Loss)/profit for the Year

As a result of the foregoing, the Group's loss was approximately RMB198.6 million in 2020, representing a decrease of 234.3% from profit of approximately 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,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(RMB'000, except for percentages)			
Programs under production	**346,573**	**100.0%**	341,591	95.9%
Completed programs	**–**	**–**	14,512	4.1%
Total	**346,573**	**100.0%**	356,103	100.0%

The Group's program copyrights decreased by 2.7% from approximately RMB356.1 million as of December 31, 2019 to approximately RMB346.6 million as of December 31, 2020, primarily due to the suspension of production of certain programs.

Trade Receivables

The Group's trade receivables represent outstanding amounts due from its customers. As of December 31, 2019 and 2020, the Group's total trade receivables (after deduction of loss allowance) were approximately RMB491.3 million and approximately RMB593.8 million, respectively, representing an increase of 20.9%. The increase was attributable to the portion of the revenue growth of the Group in 2020. The loss allowance increased by 750.5% from approximately RMB35.3 million as of December 31, 2019 to approximately RMB300.2 million as of December 31, 2020, primarily due to the fewer consolidated impacts of the pandemic on the recovery of the trade receivables of the Company in 2020 as compared with those in 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 allowance, as of the dates indicated:

	As of December 31,	
	2020	2019
	(RMB'000)	
Within one month	**97,481**	134,458
One month to three months	**117,328**	80,806
Three months to six months	**20,085**	124,132
Six months to one year	**164,733**	81,652
One year to two years	**162,853**	70,206
Two years to three years	**31,315**	–
Total	**593,795**	491,254

Prepayments and Other Receivables

The Group's prepayments and other receivables primarily consist of (1) the Promissory Note; (2) prepayments to third parties, which represented the prepayments to suppliers, such as talent coordinators, prior to commencement of program production; and (3) other receivables, 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 increased by 1,945.2% from approximately RMB23.3 million as of December 31, 2019 to approximately RMB475.7 million as of December 31, 2020, primarily due to the partial early redemption of the Promissory Note. For more details on the Promissory Note and the redemption thereof, please refer to Note 17(ii) to the consolidated financial statements.

Trade Payables

The Group's trade payables primarily relate to payments due to third party suppliers for services such as content arrangement, video, lighting and sound. Its trade payables increased by 93.7% from approximately RMB33.7 million as of December 31, 2019 to approximately RMB65.3 million as of December 31, 2020, primarily due to the decrease in payables to suppliers in relation to program production expenses.

Liquidity and Capital Resources

The Group's cash and cash equivalents amounted to approximately RMB1.3 million as of December 31, 2020, compared to approximately RMB9.0 million as of December 31, 2019.

Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB1,101.9 million and approximately RMB1,104.5 million, respectively, as of December 31, 2020, compared to approximately RMB557.8 million and approximately RMB572.3 million, respectively, as of December 31, 2019.

As of December 31, 2019 and 2020, the Group's total indebtedness amounted to approximately RMB221.7 million and approximately RMB86.9 million, respectively. As of the same dates, the Group's bank loans payable within one year amounted to approximately RMB111.0 million and approximately RMB36.0 million, respectively. The Group incurred a net loss of RMB198,575,000 and a net operating cash outflow of RMB186,285,000 for the year ended December 31, 2020. The suspension of trading of the Company's shares since April 1, 2021 and the prolonged impact of COVID-19 have adverse impacts on the Group's operations. The Group also faced longer average trade receivables turnover days than its average trade payables turnover days. In view of such circumstances, the Group has taken and will continue to take including but not limited to the following measures to manage its liquidity needs and to improve its financial position: (i) continue to pay close attention to the television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations; and (ii) putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series.

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

	As of December 31,	
	2020	2019
	(RMB'000)	
Net cash used in operating activities	**(186,285)**	(307,510)
Net cash used in investing activities	**(475,934)**	(495)
Net cash generated from financing activities	**653,492**	250,622
Net decrease in cash and cash equivalents	**(8,727)**	(57,383)

Net Cash Used in Operating Activities

In 2020, the net cash used in operating activities was approximately RMB186.3 million, primarily due to the increase in program production expenses.

Net Cash Used in Investing Activities

In 2020, the net cash used in investing activities was approximately RMB475.9 million, primarily due to the payment for the purchases of the Promissory Note, which were wholly redeemed as of the date of this annual report.

Net Cash Generated from Financing Activities

In 2020, the net cash generated from financing activities was approximately RMB653.5 million, primarily due to the increase in cash generated from bank loans and pre-IPO financing activities.

Gearing Ratio

As of December 31, 2020, the Group's gearing ratio (calculated by dividing bank loans by total equity as of the end of each year) was approximately 3.3%, compared to approximately 19.4% as of December 31, 2019.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Pursuant to an asset management agreement entered into between the Company and AMTD Global Markets Limited ("AMTD") dated March 13, 2020 (the "Asset Management Agreement"), the Company deposited a total of USD70.8 million (equivalent to RMB495,834,000) into an investment portfolio account of the latter. On the same day, the Company signed a promissory note purchase letter with L.R. Capital Property Investment Limited ("L.R. Capital") and instructed AMTD to purchase a promissory note (the "Promissory Note") issued by L.R. Capital with a principal amount of USD70.8 million, using the investment portfolio account proceeds. Relevant details of the Promissory Note are as follows:

Description of investment	Approximate interest rate per annum	Approximate outstanding balance as at December 31, 2020	Percentage to the Group's total assets as at December 31, 2020
the Promissory Note issued by L.R. Capital with principal amount of USD70,800,000	5%	USD64,000,000	28.9%

On November 17, 2020, the Company served an early redemption notice. Subsequent to this, USD6.8 million (equivalent to RMB44,734,000) proceeds have been received from AMTD on November 20, 2020. As at December 31, 2020, the outstanding principal balance of the Promissory Note was amounted to USD64.0 million (equivalent to RMB417,594,000). On March 4, 2021, the Company served another redemption notice to L.R. Capital to instruct for full redemption of the remaining principal amount of the Promissory Note. During the period from March to June 2021, the Company redeemed the remaining balance of the Promissory Note with a principal amount of USD64.0 million (equivalent to RMB417,594,000), from L.R. Capital directly and a third party known as 北京中安華信投資管理有限公司 ("中安華信"), a limited company incorporated in the PRC, amounted to HKD89.0 million (equivalent to approximately USD11.5 million) and RMB340.0 million (equivalent to approximately USD52.5 million) respectively. Payment from 中安華信 was made under the instruction of L.R. Capital pursuant to the settlement agreement entered into among the Company, L.R. Capital and 中安華信 dated June 21, 2021 for settling the redemption of outstanding balance of the Promissory Note. On 24 June 2021, the Company entered into termination agreement with AMTD to terminate the Asset Management Agreement. For more details on the Promissory Note and the redemption thereof, please refer to Notes 17(ii) and 30(ii) to the consolidated financial statements. In order to assess the recoverability of the aforesaid AMTD investments, the Audit Committee had reviewed various agreements, supporting documents and legal opinions, and was satisfied that asset management agreement with AMTD was duly terminated and the investment amounts under the aforesaid AMTD investments were fully redeemed and received by the Group. The Audit Committee is also aware of and satisfied with the subsequent outgoing monies in relation to the Loan (as defined below) and procurement of three program copyrights TV drama. For more details, please refer to the section headed "Use of Proceeds from the Global Offering" in this annual report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of December 31, 2020, save as disclosed in the Company's prospectus published on February 28, 2020 and the section headed "Outlook and Plans" in this annual report, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business sectors and consider whether any asset or business acquisitions, restructuring or diversification may become appropriate in order to improve its long-term competitiveness.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 13, 2020 (the "**Listing Date**"), and the subscription price was HK$2.26 per share. The Company received net proceeds of approximately HK$829.9 million (approximately RMB749.2 million) (after deduction of underwriting commission and related costs and expenses) from the issuance of 400 million shares under the global offering. During the period from the Listing Date to December 31, 2020 (the "**Relevant Period**"), the amount utilised by the Company for funding the expenditures of the production of its principal projects was approximately RMB306.2 million. The business objectives, future plans and planned use of proceeds as stated in the prospectus were based on the best estimation and assumption of future market conditions and industry development made by the Company at the time of preparing the prospectus while the proceeds will be applied based on the actual development of the Group's business and the industry.

Details of the use of proceeds are as follows:

Table 1

Use of proceeds as described in the prospectus	**Expected amounts to be utilised as disclosed in the prospectus** *(RMB'000)*	**Amounts utilised during the Relevant Period** *(RMB'000)*	**Amounts unutilised as of December 31, 2020** *(RMB'000)*	**Amount utilised as at June 30, 2021** *(RMB'000)*	**Amounts unutilised as at June 30, 2021** *(RMB'000)*	**Expected time of use**
Funding the development of our new pipeline programs	636,799	257,111	379,688	523,633	113,166	June 30, 2022
Of which: Funding the programs that are expected to be released in 2020[2]	524,423	170,931	353,492	437,453	86,970	June 30, 2022
Of which: TV variety programs in the food, work/career, youth and police/crime genres	217,260	110,783	106,477	196,969	20,291	June 30, 2022
TV drama series in the urban and police/crime genres	202,278	58,799	143,479	173,360	28,918	June 30, 2022
Made-for-internet drama series in the urban, youth and police/crime genres	104,885	1,349	103,536	67,125	37,760	June 30, 2022
Funding the programs that are expected to be released in 2021	112,376	86,180	26,196	86,180	26,196	June 30, 2022
Expanding our team	37,459	1,263	36,196	24,550	12,909	June 30, 2022
For working capital and general corporate purposes	74,918	47,845	27,073	56,114	18,804	June 30, 2022
Total	749,176	306,219	442,957	604,297[2]	144,879[1]	

Notes:

(1) The approximately RMB144.9 million of the net proceeds has been used to fund the secured loan ("**Loan**") to Tianjin Fangzhou Technology Development Company Limited* (天津方舟科技發展有限公司) ("**Tianjin Fangzou**") pursuant to loan agreement ("**Loan Agreement**") dated June 16, 2021, and the remaining principal amount of the Loan (i.e. RMB34.1million) was funded by its internal resources. For more details, please refer to the announcement of the Company dated August 12, 2021 and the disclosure in this section below.

(2) The use of net proceeds for programs that are expected to be released in 2020 were delayed due to adverse impact of the COVID-19 pandemic and were partially incurred in 2021. The amount utilised as at June 30, 2021 includes the Group's purchase of the three program copyrights of TV drama in the urban, youth and police/crime genres of the amount of RMB161 million as mentioned in the section headed "Outlook and Plans" in this annual report.

Due to the impact of COVID-19 pandemic, 2020 saw a new round of growth and change in the industry where demand for e-commerce and online shopping with the combination of variety programs, advertisements, product placements and live broadcasts had been growing rapidly. As a result, production of conventional pipeline programs including conventional TV dramas and variety programs has been slowed down and the actual usage of the net proceeds in 2020 was delayed and slower than estimated in the prospectus, and it was estimated that approximately 60% to 70% of the net proceeds would not be immediately required by the Company in implementing the business strategies as disclosed in the Prospectus.

In order to preserve and make use of the anticipated idle proceeds, the Board resolved to change the use of the idle proceeds and entered into the Asset Management Agreement with AMTD and pursuant to which instructed AMTD to purchase the Promissory Note. The Board believed that the guaranteed annualised return pursuant to the Promissory Note would provide additional ncome without affecting normal operations. The Promissory Note of the aggregate principal amount of USD70.8 million was fully redeemed in June 2021. For more details on the Promissory Note and the redemption thereof, please refer to the section headed "Significant Investments, Acquisitions and Disposals" in this annual report and notes 17(ii) and 30(ii) to the consolidated financial statements.

With a view to expand our principal business in order to embrace the aforementioned change and development in industry trend and mitigate the possible impact of slower production of conventional pipeline programs, the Company officially launched its content e-commerce business in May 2021 with an aim to expand its source of income from our corporate sponsors. Unlike conventional programs, the content e-commerce business includes live broadcast programs or advertisements which usually involve direct sales and marketing channels via online media platforms and real-time interaction between sellers and consumers. The Company expects to strategically and gradually increase its budget in this business line. Tianjin Fangzhou as the borrower has been a supplier in respect of this business since second quarter of 2021. On June 16, 2021, Yueying Xingyao Information Technology (Tianjin) Company Limited* (月影星耀信息技術(天津)有限公司) ("**Yueying Xingyao**"), our wholly owned subsidiary, entered into the Loan Agreement with Tianjin Fangzhou, which is a multi-channel network institution with integrated digital marketing capabilities, pursuant to which Yueying Xingyao agreed to grant the Loan of the principal amount of RMB179 million to Tianjin Fangzhou for a term ending on December 31, 2021. The Loan is secured by 35% of the total issued shares of Tianjin Fangzhou. In order to assess the financial background of Tianjin Fangzhou, certain due diligence measures was performed on Tianjin Fangzhou including background search, review of financial statements of Tianjin Fangzhou for the year ended December 31, 2020; internal analysis of comparable multi-channel network (MCN) institutions listed in the PRC prepared by our finance team of the Company coupled with the ongoing business relationship between the Group and Tianjin Fangzhou and continuous media services rendered and to be rendered by Tianjin Fangzhou going forward, the Company is of the view that the Loan Agreement is fair and reasonable and the security provided is sufficient to safeguard the Loan. Of the said RMB179 million principal amount of the Loan, approximately RMB144.9 million was funded by unutilised net proceeds from the listing and the remaining principal amount of the Loan (i.e. RMB34.1million) was funded by the Company's internal resources.

The Board is of the view that entering into the Loan Agreement would be in furtherance of the existing cooperation and business relationship with Tianjin Fangzhou in content e-commerce business. However, it constituted a change in use of proceeds as disclosed in the prospectus dated February 28, 2020. The Board confirms that there are no material changes in the nature of the business of the Group as set out in the prospectus. The Board considers the above change in the use of the net proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

The Board will continuously assess the plan for the use of the unutilised net proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group's capital expenditures in 2020 primarily related to improvements to leased properties and purchase of electronic equipment and other office equipment. In 2020, the Group incurred capital expenditures of approximately RMB0.5 million, compared to approximately RMB0.7 million in 2019.

CONTINGENT LIABILITIES

The Group had no material contingent liability as of December 31, 2020.

CHARGES ON GROUP ASSETS

As of December 31, 2020, save for the restricted bank deposit amounted to RMB1.2 million, the Group did not have any other charges on its assets.

FOREIGN EXCHANGE RISK

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

CREDIT RISK

The Group's credit risk is primarily attributable to trade receivables and influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. Therefore, significant concentration of credit risk arises when it has significant exposure to individual customers. As of December 31, 2019 and 2020, 82.3% and 84.1% of the total trade receivables were due from our five largest customers, respectively. These customers were mainly TV networks and advertising agent companies with diversified end-customers.

LIQUIDITY RISK AND FUNDING AND TREASURY POLICY

The Group regularly monitors its liquidity requirements to ensure that it maintains sufficient reserves of cash and capital for the short and long term. For measures that the Company had taken and will continue to take to manage its liquidity needs and to improve its financial position, please refer to the section headed "Liquidity and Capital Resources" in this annual report.

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the year ended December 31, 2020. To manage the liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 30 to the consolidated financial statements and the sections headed "Significant Investments, Acquisitions and Disposals", "Use of Proceeds from the Global Offering" and "Outlook and Plans" in this annual report, no significant event took place subsequent to December 31, 2020.

OUTLOOK AND PLANS

There is no material adverse change to the Company's business or financial performance since December 31, 2020 and up to the date of this annual report. As of the date of this annual report, the Group continued to operate normally in all of the Group's businesses.

With the gradual control of COVID-19 pandemic in the PRC, which ushered in valuable opportunities for the development of the cultural content industry. We will continue to adhere to exploring the consumer value of content to further enhance the competitiveness of our content. Series have now been initially developed for content of vertical fields such as work/career and cultural tourism. Meanwhile, the plan for creating medium video clips, represented by the "Star-Moon Alliance" plan, has gradually achieved scale effect. As of the date of this annual report, preparations for the production of new projects such as the "New Super Winner" (新超級大贏家) have been commenced, and content of e-sports games is under preparation. Content of the first batch of the 12 medium video clips with 240 episodes has been successively released on prevailing online video platforms since July 9, 2021. As of the date of this annual report, none of the projects has received any notification from relevant platforms about delay in broadcast or of similar issues.

The Company also had its trial operation of its content e-commerce business in 2020 which was officially launched in May 2021. Our content e-commerce business derives from our content-related operations. In addition to our ordinary advertising revenue from our corporate sponsors, we provide direct sales channel for content-related products of our corporate sponsors under our content e-commerce business. We engage multi-channel network (MCN) institutions for media marketing solutions, key-opinion-leaders (KOLs) or internet influencers to have live broadcast on media platform. In order to secure revenue from this business line with a view to develop it to become a growing source of revenue, the Group expects to gradually increase its budget in this business. The Board is of the view that investing in such business is in line with the Group's business strategy to expand its principal business.

On June 16, 2021, Yueying Xingyao entered into a strategic cooperation agreement with 浙江溪直門文化發展有限公司 and had purchased three program copyrights of TV drama in the urban, youth and police/crime genres (names of the three TV dramas are yet to be confirmed pending approval from relevant government authorities) from the same for the amount of RMB161 million paid during 23 to June 25, 2021 of which RMB140 million was for two of the said programs, the production of which have been completed as at the date of this annual report. RMB21 million was for the third program and the production of which is expected to be commenced in the third quarter of 2021.

HUMAN RESOURCES

As at December 31, 2020, the Group had 88 full-time employees (2019: 84), all of whom were based in the PRC. The following table sets forth the number of our employees by function.

	Number of employees	% of total
Content development	45	51.1
Marketing	18	20.5
Administrative and human resources	6	6.9
Finance and capital raising	7	7.9
Management and support	12	13.6
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 thereof and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonuses, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The remuneration policy for the employees of the Group is formulated by the Board on the basis of their merit, qualifications and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

OUR DIRECTORS

The biography of each Director, senior management and the company secretary is set out below.

Executive Directors

Mr. LIU Mu (劉牧) ("Mr. Liu"), aged 37, 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.

Mr. XIA Rui (夏瑞) ("Mr. Xia"), aged 31, was appointed as an executive Director of the Company on June 30, 2020. He is responsible for overseeing daily business operation, assisting in overall management of the Group and content development.

Mr. Xia has been serving as a vice president and a supervisor of Zhongguang Yusheng, one of the Group's PRC operating entities, since May 2015 and March 2019, respectively. Mr. Xia also has been serving as an executive director and manager of Yueying Xingyao Information Technology (Tianjin) Co., Ltd.* (月影星耀信息技術(天津)有限公司), one of the Company's subsidiary, since May 2020. Prior to joining the Group, Mr. Xia served as a project manager of the market department of 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 May 2012 to February 2013.

Mr. Xia graduated from Beijing Contemporary Music Academy in June 2010.

Independent non-executive Directors

Ms. RAN Hua (冉華) ("Ms. Ran"), aged 59, was appointed as an independent non-executive Director of the Company on August 7, 2019. She is responsible for supervising and providing independent advice to the 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. ZHANG Yiwu (張頤武) ("Mr. Zhang"), aged 58, was appointed as an independent non-executive Director of the Company on August 7, 2019. He is responsible for supervising and providing independent advice to the 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.

Mr. YANG Chengjia (楊成佳) ("Mr. Yang"), aged 34, was appointed as an independent non-executive Director of the Company on July 24, 2020. He is responsible for supervising and providing independent advice to the Board.

Mr. Yang has served as the director of Investment Supervision in the Pension Investment Department of Taikang Pension Co., Ltd. since January 2021. Mr. Yang has served as a vice president of the risk management department of Dongxing Securities Co., Ltd. (東興證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601198) from January 2019 to January 2021. He served as an assistant vice president of the risk management department of Founder Securities Co., Ltd. (方正證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601901) from June 2017 to January 2019. Mr. Yang served as an actuary of the product management department of China Export & Credit Insurance Corporation (中國出口信用保險公司) from January 2013 to June 2017.

Mr. Yang graduated from Central South University (中南大學) with the bachelor's degree in June 2009 and obtained the master's degree from Nankai University (南開大學) in June 2013. Mr. Yang was accredited as an Associate of China Association of Actuaries (中國准精算師) by China Insurance Regulatory Commission (中國保險監督管理委員會) in April 2014.

Ms. YAO Li (姚麗) ("Ms. Yao"), aged 38, was appointed as an independent non-executive Director of the Company on November 27, 2020. She is responsible for supervising and providing independent advice to the Board.

Ms. Yao has over 13 years of experience in auditing and financial management. Ms. Yao served several positions in PricewaterhouseCoopers, including: (i) a manager in independence office from March 2014 to January 2020, (ii) an operation manager in financial services group from June 2012 to March 2014, and (iii) an audit manager in financial services group from August 2004 to December 2010. Ms. Yao graduated from Central University of Finance and Economics (中央財經大學) with a bachelor's degree in financial management in July 2004. She is a member of Chinese Institute of Certified Public Accountants (CICPA).

SENIOR MANAGEMENT

The senior management is responsible for the daily management and operation of business. The executive Directors (namely Mr. LIU Mu and Mr. XIA Rui) also hold senior management positions in the Group. Please refer to the disclosure above for their respective biography.

COMPANY SECRETARY

Mr. NGAI Tsz Hin Michael (倪子軒) ("Mr. Ngai"), is the company secetary and one of the authorised representatives of the Company and was appointed on August 17, 2021. He has over eight years of experience in legal industry and had obtained his Bachelor of Laws and postgraduate certificate in laws from City University of Hong Kong in 2011 and 2012, respectively. He is a practicing solicitor in Hong Kong, and currently a partner of Khoo & Co. and a consultant of O Tse & Co.. He is currently the company secretary of three companies listed on the Stock Exchange.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

We are an original video content service provider and as such, we not only develop, produce, market and distribute video content (including but not limited to long, medium and short scale video content) for media platforms (including TV media platforms and online video platforms). While retaining the intellectual property rights of the original video content, we maximise the commercial value of the content through direct contact with the corporate sponsors. We also rely on the original content produced to serve the various industries involved.

RESULTS

The results of the Group for the year ended December 31, 2020 are set out in the consolidated statement of profit or loss on page 90 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended December 31, 2020 (2019: 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 20 of this annual report. These discussions form a part of this Report of the Directors.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Details of the use of the proceeds are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2020, the Group's five largest customers contributed to a total of 88.1% of the Group's total revenue and the Group's largest customer contributed to a total of 36.7% of the Group's total revenue.

For the year ended December 31, 2020, the Group's five largest suppliers contributed to a total of 50.6% of the Group's total purchase and the Group's largest supplier contributed to a total of 23.2% 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 environmental policies and performance of the Group 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 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out on page 130 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2020, the Company's reserves available for distribution, amounted to approximately RMB117.6 million (as of December 31, 2019: RMB316.2 million).

BANK LOANS

Particulars of bank loans of the Group as of December 31, 2020 are set out in Note 19 to the consolidated financial statements.

LOAN AND GUARANTEE

During the year ended December 31, 2020, 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 during the Reporting Period and as of the date of this annual report are:

Executive Directors:

Mr. LIU Mu *(Chairman and Chief Executive Officer)*
Mr. XIA Rui *(appointed on June 30, 2020)*
Ms. CHEN Jia *(resigned on October 23, 2020)*

Non-executive Director:

Mr. CHEN Kai *(resigned on July 24, 2020)*

Independent Non-executive Directors:

Ms. RAN Hua
Mr. HUANG Victor *(resigned on November 27, 2020)*
Mr. ZHANG Yiwu
Mr. YANG Chengjia *(appointed on July 24, 2020)*
Ms. YAO Li *(appointed on November 27, 2020)*

In accordance with Article 16.2 of the Articles of Association, Mr. XIA Rui, Mr. YANG Chengjia and Ms. YAO Li shall retire, and being eligible, will offer themselves for re-election at the AGM.

In accordance with Article 16.18 of the Articles of Association, Mr. LIU Mu shall retire from office by rotation at the AGM, and being eligible, will offer himself 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 21 to 23 of this annual 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 Mu and Mr. XIA Riu, has entered into a service contract with the Company for a term of three years with effect from the commencement date of the service contract.

Each of the independent non-executive Directors, being Ms. RAN Hua, Mr. ZHANG Yiwu, Mr. YANG Chengjia and Ms. YAO Li, has entered into an appointment letter with the Company. 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 initial terms for the appointment letters of Mr. YANG Chengjia and Ms. YAO Li shall be three years from July 24, 2020 and November 27, 2020, respectively, until terminated by giving to the other not less than one month's prior notice in writing in accordance with the terms and conditions of their appointment letters.

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 27 to the consolidated financial statement contained in this annual 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 annual 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 27 to the consolidated financial statements contained in this annual 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, 2020 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, 2020 or subsisted at the end of the year.

REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's remuneration 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. The remuneration of the Directors shall be approved by the shareholders at the general meeting. Other emoluments are determined by the Board with reference to the duties, responsibilities and performance of the Directors and the results of the Group.

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

Save as disclosed below, as of December 31, 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

Notes:

(1) The Shares are registered under the name of Double K Limited and Blueberry Culture Limited, the issued share capital of which is owned as to 100% by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Double K Limited and Blueberry Culture Limited for the purpose of Part XV of the SFO.

(2) Zhongguan Yusheng is a limited liability company established in the PRC without issued shares.

(3) Mr. XIA Rui holds 16,000,000 underlying shares under the options granted under the Share Option Scheme.

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

Save as disclosed below, as of December 31, 2020, to the best knowledge of the Directors, the Directors were not aware of any persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. LIU Mu(1)	Interest in controlled corporations	774,263,739	Long position	48.39%
Ms. CHANG Xing(2)	Interest of spouse	774,263,739	Long position	48.39%
Double K Limited(1)	Beneficial owner	741,365,961	Long position	46.34%
China Zenith Limited(3)	Beneficial owner	106,752,945	Long position	6.67%
Star Fortune Investment Holdings Limited(3)	Interest in a controlled corporation	106,752,945	Long position	6.67%
Mr. LIU Chuanjun(3)	Interest in a controlled corporation	106,752,945	Long position	6.67%
Eastern Pearl Capital Fund SPC-Eastern Pearl Caelus Fund SP	Beneficial owner	166,626,000	Long position	10.30%
Ms. LIU Yang(4)	Interest in controlled corporations	145,001,000	Long position	9.06%
Atlantis Capital Group Holdings Limited(4)	Interest in controlled corporations	145,001,000	Long position	9.06%
Atlantis Investment Management Limited(4)	Interest in controlled corporations	145,001,000	Long position	9.06%
OBOR Stable Growth Fund Limited(4)	Beneficial owner	113,501,000	Long position	7.09%
UBS Group AG	Interest in controlled corporations	135,326,000	Long position	8.46%
UBS AG	Beneficial owner	135,326,000	Long position	8.46%

Notes:

(1) The entire issued share capital of Double K Limited is directly owned by Mr. Liu. Mr. Liu is also the beneficial owner of Blueberry Culture Limited which directly holds 32,897,778 Shares. Accordingly, Mr. Liu is deemed to be interested in the Shares held by Double K Limited and Blueberry Culture Limited.

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

(3) The entire issued share capital of China Zenith Limited is wholly owned by Star Fortune Investment Holdings Limited, which is wholly owned by Mr. LIU Chuanjun (劉傳軍), an independent third party of the Group. Accordingly, each of Star Fortune Investment Holdings Limited and Mr. LIU Chuanjun is deemed to be interested in the Shares held by China Zenith Limited.

(4) The entire issued share capital of OBOR Stable Growth Fund Limited is wholly owned by Atlantis Investment Management Limited, which is wholly owned by Atlantis Capital Group Holdings Limited. Atlantis Capital Group Holdings Limited is wholly owned by Ms. LIU Yang(劉央). Accordingly, Atlantis Capital Group Holdings Limited and Ms. LIU Yang are respectively deemed to be interested in the Shares held by Atlantis Investment Management Limited and OBOR Stable Growth Fund Limited.

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 annual 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 (i.e. February 7, 2020) 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.

On December 8, 2020, the Board of the Company has approved the grant of options (the "Options") to 10 grantees including 1 director and 9 employees (the "Grantees") under the Share Option Scheme. On 1 January, 2021, the share options were granted with both service condition and performance condition to purchase 77,000,000 ordinary shares with an exercise price of HK$0.97 per share, all of which were granted to the Grantees based on the mutual understanding of the key terms and conditions of the performance conditions. Among the options granted, 16,000,000 options were granted to Mr. Xia Rui, an executive director of the Company and 61,000,000 options were granted to the other 9 employees. The validity period of the options granted is 10 years from the date of grant. Save as discussed above, no share options have been granted or agreed to be granted, exercised, lapsed or cancelled under the Share Option Scheme as at the date of this annual report.

The share-based payments are the equity-settled share-based payments issued by the Group to certain Directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

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 annual report or subsisted as at the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries or the PRC Operating Entities purchased, sold or redeemed any of the Company's listed 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 27 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 annual report, during the year ended December 31, 2020, 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

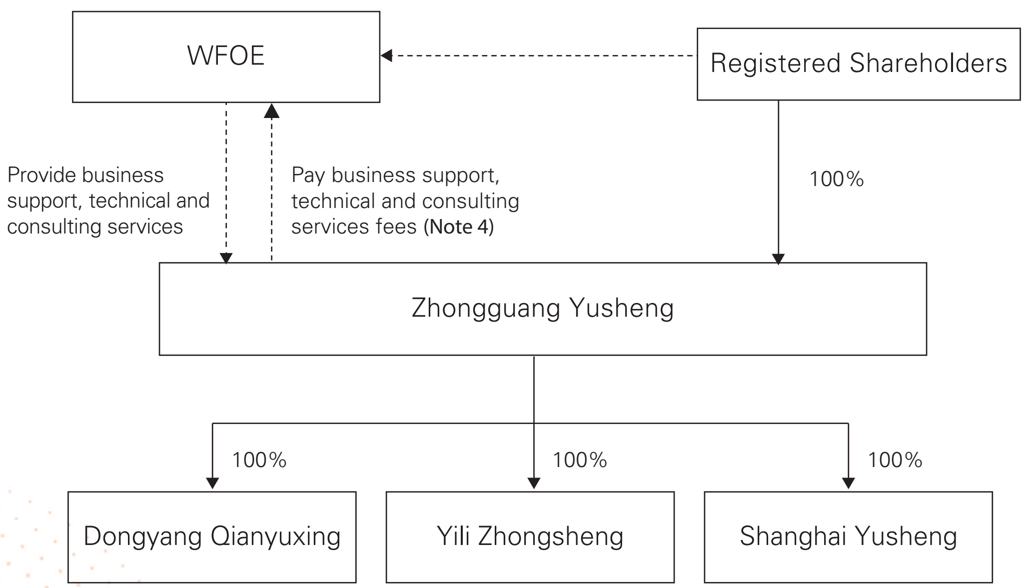
Our Group has entered the Contractual Arrangements with, among other, the WFOE, Zhongguang Yusheng and the Registered Shareholders, to enable us to, among others, exercise control over and derive the economic benefits from our PRC Operating Entities and consolidated their results of operations into those 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) Powers of attorney to exercise all shareholders' rights in Zhongguang Yusheng **(Note 1)**

(2) Exclusive option to acquire all or part of the equity interest in and/or assets of Zhongguang Yusheng **(Note 2)**

(3) First priority security interest over the entire equity interest in Zhongguang Yusheng **(Note 3)**



(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, 2020. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended December 31, 2020.

For the year ended December 31, 2020, 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, 2020, 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 approximately RMB505.8 million for the year ended December 31, 2020, representing an increase by 6.4% from approximately RMB475.6 million for the year ended December 31, 2019. For the year ended December 31, 2020, the revenue of the PRC Operating Entities accounted for approximately 100% of the revenue for the year of our Group (2019: 100%).

The total assets of the PRC Operating Entities amounted to approximately RMB970 million for the year ended December 31, 2020, representing an increase by 7.0% from approximately RMB906.2 million for the year ended December 31, 2019. For the year ended December 31, 2020, the total assets of the PRC Operating Entities accounted for approximately 67.1% of the total assets for the year of our Group (2019: 96.3%).

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) is a connected person. 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, 2020 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 (2019: nil).

LEGAL PROCEEDINGS AND COMPLIANCE

The Group mainly operates in the PRC through its subsidiaries. Therefore, the Group is required to comply with relevant PRC laws and regulations, including but not limited to the provisions in relation to the production and distribution of films and variety shows, intellectual property rights, environmental protection, labor and human resources and other laws and regulations. Meanwhile, as a company established in the Cayman Islands and listed on the Stock Exchange, the Company is subject to the Cayman Islands Companies Act, the Listing Rules and the SFO. For the year ended December 31, 2020, 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

Save as disclosed in Note 30 of the consolidated financial statements and the sections headed "Significant Investments, Acquisitions and Disposals", "Use of Proceeds from the Global Offering" and "Outlook and Plans" in this annual report, no significant event took place subsequent to December 31, 2020.

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 42 to 55 of this annual report.

HUMAN RESOURCES

As of December 31, 2020, the Group had 88 full-time employees (2019: 84), all of whom were based in the PRC. The following table sets forth the number of our employees by function.

	Number of employees	% of total
Content development	45	51.1
Marketing	18	20.5
Administrative and human resources	6	6.9
Finance and capital raising	7	7.9
Management and support	12	13.6
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 thereof and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonuses, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The remuneration policy for the employees of the Group is formulated by the Board on the basis of their merit, qualifications and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel.

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 annual report.

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on September 27, 2021. The notice of the AGM will be issued and despatched to the Shareholders, and will also be made available on the websites of the Company at www.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 September 21, 2021 to September 27, 2021, 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 September 20, 2021.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders have any doubt about the taxation implications of purchasing, holding, 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 upon the Listing of the Company. The accompanying financial statements prepared in accordance with IFRS have been audited by KPMG.

KPMG shall retire at the forthcoming AGM 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, the PRC, August 27, 2021

CORPORATE GOVERNANCE REPORT

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 annual 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 annual report, the Board comprises two executive Directors and four independent non-executive Directors as follows:

Executive Directors:
Mr. LIU Mu *(Chairman and Chief Executive Officer)*
Mr. XIA Rui

Independent Non-executive Directors:
Ms. RAN Hua
Mr. ZHANG Yiwu
Mr. YANG Chengjia
Ms. YAO Li

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual 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 Company has 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 Mu, Mr. XIA Rui, Ms. RAN Hua, Mr. ZHANG Yiwu, Mr. YANG Chengjia and Ms. YAO Li, 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 CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Liu is the chairman and chief executive officer of the Company. Mr. Liu is principally responsible for overseeing overall operation and management, strategic planning and major decision-making of the Group, and he has considerable experience in strategic planning and has been assuming day-to-day responsibilities in operating and managing the Group since August 2015. The Board considers that vesting the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for and communication with the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises two executive Directors (including Mr. Liu) and four independent non-executive Directors and therefore has a strong independence element in its composition.

Appointment and Re-election of Directors

Each of Mr. LIU Mu and Mr. XIA Rui, the executive Directors, has entered into a service contract with the Company for three years commencing from the Listing Date and the entering of the service contract, respectively.

Each of Ms. RAN Hua, Mr. ZHANG Yiwu, Mr. YANG Chengjia and Ms. YAO Li, the independent non-executive Directors, has entered into an appointment letter with the Company. (i) the initial term of the appointment letters of Ms. RAN Hua and Mr. ZHANG Yiwu shall be for a period of three years commencing on August 7, 2019, while (ii) the initial terms of the appointment of Mr. YANG Chengjia and Ms. YAO Li shall be for a period of three years commencing on July 24, 2020 and November 27, 2020, respectively, until terminated by giving to the other not less than one month's prior notice in writing in accordance with the terms and conditions of their appointment letters.

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.

Mr. HUANG Victor ("Mr. Huang") was re-elected as an independent non-executive Director at the AGM of the Company held on June 28, 2020. 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 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.

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 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.

The Company convenes regular Board meeting(s) at least once in each financial year at approximately quarterly intervals in accordance with the code provisions A.1.1 of the CG Code. During the Relevant Period, the Board held ten meetings on March 31, 2020, April 15, 2020, June 30, 2020, July 24, 2020, August 28, 2020, October 23, 2020, November 27, 2020, December 8, 2020, December 27, 2020, and December 30, 2020. The Board has handled, among other things, the following matters:

1. to consider and approve the unaudited and audited annual results of the Group for the year ended December 31, 2019;

2. to consider and approve the appointment of new executive Director, appointment of new vice president of the Group and the change of the Joint Company Secretary;

3. to consider and note the resignation of the non-executive Directors and members of the Audit Committee and approve the appointment of new independent non-executive Directors and members of the Audit Committee;

4. to consider and approve the unaudited interim results of the Group for the year ended July 30, 2020;

5. to consider and note the resignation of the executive Directors and members of the Remuneration Committee, and approve the appointment of members of the Remuneration Committee and the new vice president of the Group and the change of the Joint Company Secretary;

6. to consider and note the resignation of the independent non-executive Directors and the chairman of the Audit Committee, and approve the appointment of independent non-executive Directors and the Chairman and members of the Audit Committee;

7. to consider and approve the grant of option;

8. to consider and approve the opening of fund accounts; and

9. to consider and approve the allotment and issuance of ordinary shares under the general mandate.

The following table indicates the specific attendance of each member of the Board at the above meetings of the Board:

Directors	Number of meetings attended/held
Mr. LIU Mu	10/10
Ms. CHEN Jia *(resigned on October 23, 2020)*	5/5
Mr. XIA Rui *(appointed on June 30, 2020)*	7/7
Mr. CHEN Kai *(resigned on July 24, 2020)*	4/4
Ms. RAN Hua	10/10
Mr. HUANG Victor *(resigned on November 27, 2020)*	7/7
Mr. ZHANG Yiwu	10/10
Mr. YANG Chengjia *(appointed on July 24, 2020)*	6/6
Ms. YAO Li *(appointed on November 27, 2020)*	3/3

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and the chairman should also invite the chairpersons of audit, remuneration and nomination committees to attend. Mr. LIU Mu, the Chairman of the Company has attended the annual general meeting held on June 28, 2020.

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 with all Directors by the Company and they have confirmed that they have complied with the relevant Model Code throughout the Relevant Period.

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

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 recognises that corporate governance should be the collective responsibility of the Directors and the duties performed during this year are summarised as follows:

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 independent non-executive Directors, namely Ms. RAN Hua (Chairman), Mr. YANG Chengjia and Ms. YAO Li. 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.

During the Relevant Period, the Audit Committee held three meetings on March 31, 2020, April 15, 2020 and August 28, 2020. The Audit Committee had performed the followings tasks, among others:

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

2. reviewed the unaudited interim results for the six months ended June 30, 2020;

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.

The following table indicates the specific attendance of each member of the Audit Committee at the above meetings of the Audit Committee:

Directors	Number of meetings attended/held
Ms. RAN Hua *(Chairman)*	3/3
Mr. CHEN Kai *(resigned on July 24, 2020)*	2/2
Mr. HUANG Victor *(resigned on November 27, 2020)*	3/3
Mr. YANG Chengjia *(appointed on July 24, 2020)*	2/2
Ms. YAO Li *(appointed on November 27, 2020)*	0/0

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.

During the year under review, the major duties of the Nomination Committee include: establishing a formal and transparent procedure for the development of the Company's nomination policy for the approval by the Board; the Board should take into account all factors that need to be considered for appointment, such as skills, knowledge, experience, length of service, role and competence; identifying persons suitably qualified to serve as directors, or advise the Board on the selection of individuals for nomination as directors, which will assess academic and professional qualifications, business experience, expertise and knowledge and other requirements under the Listing Rules to determine the suitability of the nomination; making recommendations to the Board on the development of the Board's diversity policy and to review such policy from time to time to ensure its ongoing effectiveness; accessing the independence of the independent Directors and to make annual confirmation in respect of the independence of the independent Directors. As of the date of this annual report, 2 of the 6 Directors were women (representing one-third of the total number of Directors). The age of the Directors ranges from 31 to 59 years old. In terms of education and professional background, the members of the Board have knowledge of literature, journalism, investment, finance and general business. The Board believes that there is still room for improvement in gender diversity of the Board.

During the Reporting Period, the Nomination Committee held four meetings on April 15, 2020, June 30, 2020, July 24, 2020 and November 27, 2020. The Nomination Committee had reviewed the structure, size and composition of the Board, the Board's diversity policy, the discussions on re-appointment, retirement and re-election of Directors as well as nomination of new Directors for appointment.

As of the date of this annual report, the objectives of nomination policy of the Company have been met.

The following table indicates the specific attendance of each member of the Nomination Committee at the above meetings of the Nomination Committee:

Directors	Number of meetings attended/held
Mr. LIU Mu *(Chairman)*	4/4
Ms. RAN Hua	4/4
Mr. ZHANG Yiwu	4/4

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 Mr. XIA Rui. 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.

During the Relevant Period, the Remuneration Committee held seven meetings on April 15, 2020, June 30, 2020, July 24, 2020, August 28, 2020, October 23, 2020, November 27, 2020 and December 8, 2020 to consider the remuneration of the executive Directors, non-executive Directors and independent non-executive Directors, and matters relating to the grant of options.

The following table indicates the specific attendance of each member of the Remuneration Committee at the above meetings of the Remuneration Committee:

Directors	Number of meetings attended/held
Mr. ZHANG Yi Wu *(Chairman)*	7/7
Mr. XIA Rui *(appointed on October 23, 2020)*	3/3
Ms. CHEN Jia *(resigned on October 23, 2020)*	4/4
Ms. RAN Hua	7/7

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, 2020.

Details of the remuneration by band of senior management of the Company, whose biographies are set out on pages 21 to 23 of this annual report, for the year ended December 31, 2020 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, 2020 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 83 to 89 of this annual 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. Such systems are designed to manage rather than eliminate the risk of failure to meet business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. 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.

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. Regarding issues relating to internal control and risk management, the Audit Committee will maintain more closely communication with the Company's management team, legal personnel, and external auditor to regularly evaluate its risk management and internal control system, as well as arrive at a fair view on the system and report to the Chairman of the Board and relevant senior management the results and follow up all the reports to ensure that all matters are properly resolved. The review of the Group's risk management and internal control system covers all major control aspects, including the financial, operational and compliance control, and risk management of different systems. The risk management process includes the following elements: identifying major risks in the business environment of the Group and assessing the impact of these risks on the business of the Group; formulating necessary measures to control these risks; and monitoring and reviewing the effectiveness of such measures.

For the year end December 31, 2020, the Audit Committee reviewed the risk management and internal control system for two times, and reported to the Board the issues identified, the discussion results of its effectiveness and made recommendations accordingly.

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.

Policy on Handling the Disclosure of Inside Information

The Company has a well-established policy on disclosure of inside information to ensure timely, fair, accurate and complete disclosure of inside information and compliance with applicable laws and regulations. The Company has also implemented control procedures for inside information to ensure that inside information disclosures are handled and disseminated in a timely manner to provide the Directors, senior management and relevant employees with sound working guidelines. The Company has also implemented stringent internal monitor procedures to prohibit unauthorized access to and use of inside information by Directors, senior management and relevant employees.

AUDITOR'S REMUNERATION

The remuneration for the audit services provided by the Auditor to the Group during the year ended December 31, 2020 was approximately as follows:

Type of Services	Amount (RMB'000)
Annual Audit Services	3,700
Other services	108
Total	**3,808**

COMPANY SECRETARY

Ms. AU Wai Ching ("Ms. Au") has resigned as the company secretary with effect from August 17, 2021.

Mr. Ngai has been appointed as the company secretary of the Company with effect from August 17, 2021. Details of the biography of Mr. Ngai is set out in the section headed "Directors and Senior Management – Company Secretary" in this annual report. Ms. HU Huisong, Manager of the Executive's Office of the Company is the main contact person of Mr. Ngai in the Company.

For the year ended December 31, 2020, Ms. Au and Mr. Ngai 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 the company secretary 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 Yard 4, Wanhui Cultural, Sports and Leisure Industrial Park, No. 2 Guangbai East Road, Chaoyang District, Beijing, the PRC.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has not been amended or restated by the Company after 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.

INTERNAL CONTROL ENHANCEMENT

There had been 2 instances of inadvertent breach of the Listing Rules as disclosed in announcements of the Company dated August 28, 2020 and August 12, 2021. In order to reduce the risk of reoccurrence of non-compliance, the Company is minded to strengthen internal control and enhance monitoring of compliance matters. It has gradually adopted the following measures:

(a) engaged new compliance adviser in May 2021;

(b) accepted resignation of the joint company secretary and chief financial officer in June 2021;

(c) appointed a new company secretary in August 2021;

(d) established an internal control department which is responsible for the Group's internal control and compliance matters;

(e) will appoint a non-executive director to oversee and internal control department and to give advice on internal control measures adopted by the Company, identify the deficiencies and give recommendation on possible improvements;

(f) will instruct legal advisers of the Company to provide two refreshment trainings in respect of compliance and disclosure requirements under the Listing Rules to the Directors, the senior management and responsible finance staff in the coming six months;

(g) will continue to (i) hold regular departmental meetings to regularly monitor transactions, (ii) strengthen the reporting system between departments, Directors and the Board, and (iii) provide more guidance materials and trainings on compliance matters to the Directors and senior management of the Group on a regular basis to increase their awareness and knowledge of the Listing Rules; and

(h) will work more closely with its compliance adviser, company secretary and legal advisers on compliance matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1 About this Report

China Bright Culture Group is pleased to present the 2020 Environmental, Social and Governance Report (the "Report") to summarise the Group's efforts and contributions in the areas of environmental, social and governance ("ESG") 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.

Statement of the Board

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 Reporting Period

This Report covers the environmental, social and governance performance of the Group in its core business, during the period from January 1, 2020 to December 31, 2020 (the "Year 2020").

1.2 Scope of Report

Unless otherwise specified, the qualitative and quantitative information disclosed in this Report covers all companies of the Group.

1.3 Description of Names

For the purpose of presentation and reading, "China Bright Culture Group" is hereafter is referred to as the "Company", "Group" or "we" or "us" and "our" in this Report.

1.4 Basis of Preparation

This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" ("the Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") and on the basic of the reporting principles, includings materiality, quantitative and consistency.

1.5 Feedback Contacts

We welcome your feedback on this ESG Report. We also appreciate the sharing of your views with the Group at ir@sinozswh.com.

1.6 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 Statement of the Board

Overview of ESG Governance Structure

Being the highest decision-making body, the Board of Directors of the Company (the "Board") provides guidance on the sustainability direction of the Company and is accountable for the overall responsibility of ESG matters of the Company. The composition of the Board adopts a diversified approach that facilitates review and provisions of independent opinions in the preparation of the Report. Looking forward, the Board will strengthen the work of ESG risk management and will commit to the responsibility of internal control of ESG risks in order to protect both the development and the long-term interests of the stakeholders of the Company.

Meanwhile, an ESG working group comprising appointed representatives of relevant departments is formed to perform ESG supervision and coordination functions, to implement actions of decision-made, to communicate and coordinate ESG-related matters, to organize the preparation of Report, and to report relevant working progress to the Board of Directors on an annual basis.

In addition, various functional departments and subsidiaries of the Company are the bodies of execution of specific work responsible for carrying out ESG plans set up by the working group, recording earnest documentation, reporting ESG-related data, and implementing complete ESG-related management work.

3 ESG Management Philosophy and Vision

China Bright Culture is an independent integrated content service provider in China focusing on the development, marketing, production and distribution of original content. At the same time, as the pioneer of integrated content industry in China, we continuously integrate new technologies and new business models into the development of the Group. At present, the Group's content has covered a full range of variety shows, film and television dramas, audio books, paid videos, and comics. The Company has always been embracing its mission of "brightening up a happier life to people with light, shadow and entertainment" and targets to become a first-class enterprise exporting film and television entertainment content with international presence.

The Group has been striving for sustainable development management concept as the foundation of sustainability and has been integrating it into business strategic development and implementation at work. In the future, the Group will continuously commit to fulfilling its social responsibilities and serving the community by contributing further to the sustainable development of the society.

3.1 Communication with Stakeholders

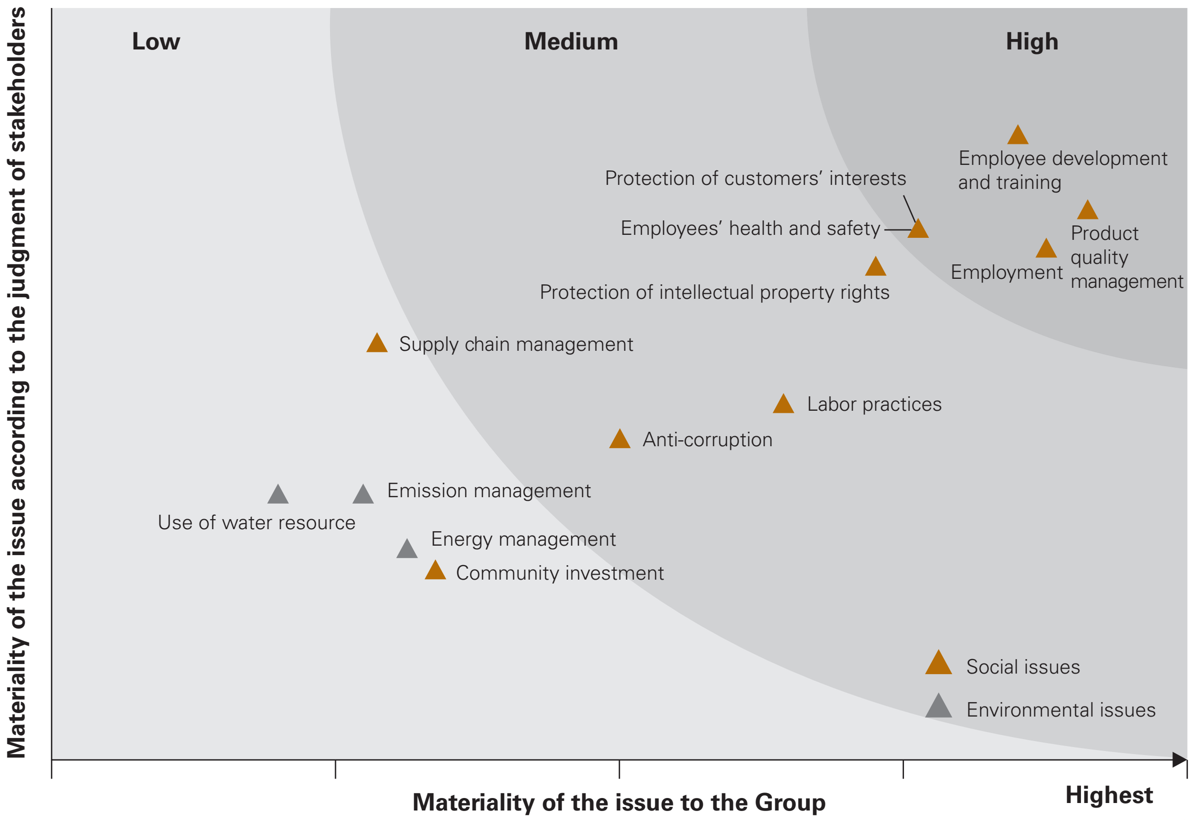
The Group has always attached great importance to communication and relationship with stakeholders. Our key stakeholders include shareholders and investors, government authorities, employees, customers, members of the society, suppliers and business partners. We reach out to our stakeholders through 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, interim 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 customer service hotline
Suppliers and business partners	— Open tender — Supplier management system — Review and performance evaluation — Internal monitoring and risk management

3.2 Materiality Assessment

Based on the Guide and the issues disclosed by industrial peers, the Group, with reference to the procedures of the global reporting initiative for material analysis, has identified ESG issues relating to the Group through questionnaire surveys, and has invited important stakeholders for communication in respects of the environmental, social and governance issues related to the Group's core business. Insofar the long-term development, management improvement, investment urgency and risks of the Company are primarily considered by internal stakeholders, external stakeholders are having the views from the perspective concerning their own interest of influence such that resulted in the following matrix.

Upon detailed analysis, key areas of sustainable development of the Group are mainly related to social issues, including employee development and training, product quality management, customer rights protection, and employee health and safety, etc.



4 Environment

4.1 Emission

The Group strictly complies with relevant laws and regulations including the Environmental Protection Law of the People 's Republic of China (《中華人民共和國環境保護法》), and have considered it with the actual business operations for good practice of environmental related work. According to the materiality assessment analysis, emission management is an issue with lower importance, and the core business of the Group covers cultural and entertainment operations and we do not own any properties or operating factories, therefore, our daily operations have relatively lower impact on the environment.

The major direct and indirect greenhouse gas emissions of the Group were mainly accounted for the Carbon dioxide (CO_2) emissions from gasoline combustion in commercial vehicles and office electricity consumption. During the year, the Company's direct greenhouse gas emissions generated by commercial vehicles were equivalent to 8.94 tonnes CO_2, the indirect greenhouse gas emissions generated by electricity consumption were equivalent to 18.72 tonnes CO_2, and the total greenhouse gas emissions were equivalent to 27.66 tonnes CO_2. The greenhouse gas emission intensity was 3.6 kg CO_2 equivalent/RMB 10,000 of revenue.

During the year, the exhaust gas generated by the Group was mainly attributed to the exhaust emissions of the Group's vehicles, among which, the emissions of sulfur dioxide, nitrogen dioxide and particle matter were 0.06 kg, 5.83 kg and 0.43 kg respectively.

The hazardous wastes generated by the Group were mainly from office operations including waste toner cartridges, waste ink cartridges and waste lamps and tubes. Non-hazardous waste mainly included domestic waste, consumable waste generated in the office, etc. The Group actively responded to the domestic waste classification of the property, and recycled the paper that can be recycled in a reasonable manner. The amount of used paper recycled this year is detailed in the table for key environmental performance indicators below.

As for the reduction of greenhouse gas emissions, the Group will also set targets on eliminating CO_2 emissions by promotion of employees' low-carbon travel, advocacy of public transportation, minimization of cooperate vehicles utilization, increase of green vegetation in office area, reduction of consumption of disposable chopsticks, etc.

During the Year 2020, 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 2020, please refer to the following table:

Hazardous Wastes

Key Environmental Indicators	Year 2020 Waste Emission (tonnes)	Year 2020 Intensity Per Capita (tonnes/person)
Toner cartridges	0.0047	0.00007
Ink cartridges	0.00014	0.000002
Waste lamps and tubes	0.014	0.00022
Total	0.01884	0.00029

Non-hazardous Wastes

Key Environmental Indicators	Year 2020 Waste Emission (tonnes)	Year 2020 Intensity Per Capita (tonnes/person)
Domestic waste	2.23	0.03484
Used paper recycled	0.015	0.00023
Total	2.245	0.03508

4.2 Use of Resources

The main sources of energy consumed in actual operations of the Group include electricity, gasoline, water resources and paper, etc.

The Group is fully mindful of the catastrophic impact of climate change on the planet and complies strictly with relevant laws and regulations including 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》), etc. The Group proactively advocates the concepts of environmental protection and sustainable development, and strives for achieving a green office environment. In respect of paper usage reduction, we regularly encourage employees to use less paper in office and to make use of e-mails for document transmission with an aim to create a paperless working environment. If printing is required, unless single-sided printout is required, double-sided printout is recommended whenever possible. Minimal usage of disposable paper cups and employees' participation in waste sorting and recycling are encouraged. In respect of reduction of energy and electricity consumption, the Group uses energy-saving appliances such as LED lights in the office area and reminders are sent to employees for switching off power of related electrical equipment before leaving office after work. The air-conditioning temperature is set within the standard range to raise employees' awareness of electricity and energy saving and emission reduction.

The Group mainly involves in daily consumption for water. As the Group engages in cultural and entertainment-related businesses, the consumption of water resources is relatively minimal. Nevertheless, we still encourage our employees to conserve water. By posting "water saving" slogans in the Company, employees are urged to use water in an appropriate and reasonable manner. After taking relevant measures, the Group recorded a decrease of 45 m^3 in water consumption as compared with last year according to the statistics.

In accordance with the "Management Manual of Zhongguang Yusheng (中廣煜盛管理手冊)", the Group requires the Company's employees to adhere to the principle of frugality. When going out for work, employees shall take public transportation or travel on foot or by bicycle for short-distance trips to a practical extent according to the degree of urgency in handling matters, thereby reducing the fuel consumption of vehicles.

We do not encounter any water shortage issues in our daily operations, and the core business of the Group does not have a significant impact on the environment and natural resources.

During the year of 2020, the Group has not come across any non-compliance issues with relevant laws and regulations relating to water resources, paper and gasoline consumption of the Group.

For resource utilization of the Group during the Year 2020, please refer to the following table:

	Year 2020			
Key Environmental Indicators	**Consumption**	**Unit (Consumption)**	**Intensity**	**Unit (Intensity)**
Gasoline fuel consumption related to vehicles	**2.92**	Tonne	**0.004**	Tonne/m^2
Electricity consumption	**30,680**	KWh	**38.06**	KWh/m^2
Water consumption	**215**	m^3	**0.27**	m^3/m^2
Paper consumption	**235.72**	Kg	**3.68**	Kg/person

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

4.3 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.

4.4 Tackling Climate Change

In view of the risks identified and the actual business operations of the Group, it is assessed that the Group's impact on climate change is relatively minimal. Nevertheless, with a determination and dedicated efforts in safeguarding global climate change, the Group strictly follows the "Guiding Opinions on Integrating and Strengthening Efforts in Climate Action and Ecological and Environmental Protection (《關於統籌和加強應對氣候變化與生態環境保護相關工作的指導意見》)". It includes formulating a carbon emission plan, reducing the consumption of corporate vehicles and electricity, promoting green travelling, advocating water and electricity saving, lowering the generation of hazardous and non-hazardous wastes in actual operations and reducing pollutant emissions. Hazardous wastes such as waste toner cartridges and waste ink cartridges, etc. are centrally recycled and treated. Garbage classification is carried out. In the future, we will also aim at pioneering our Group as a green environmental protection enterprise, actively carrying out environmental protection activities such as green forestation, and enhancing promotion of green environmental protection initiative, etc.

5 Employment and Labor Practices

5.1 Employment

5.1.1 Employee Distribution

The Group believes that our employees are fundamental to enterprise development, and that our pillars of success depend on employees of high-quality capabilities, great experience, and professionalism. In response to the Company's future development goals, our organization have undergone a comprehensive restructuring that resulted in a decrease of actual number of employees to some extent. Looking ahead, we will continuously maintain the stability of existing employees and make reserve as appropriate.

As of December 31, 2020, the Group comprised a total of 88 employees. In respect of the employee distribution of the Group in 2020, please refer to the tables below:

Distribution		Number of Person(s)
By Gender	Male	39
	Female	49
By Geographical Location	Beijing	76
	Shanghai	12
By Employment Type	Full Time	88
	Part-time	0
By Age Group	Below 30 (inclusive)	45
	31-50	43
	Above 51 (inclusive)	0
By Job Function	Senior Management	8
	Middle Management	14
	Base-level Employee	66
By Education Level	Postgraduate or above	15
	Undergraduate	58
	Tertiary education	14
	Others	1

Distribution		Percentage of turnover rate (%)
By Gender	Male	41
	Female	47
By Geographical Location	Beijing	55
	Shanghai	56
By Age Group	Below 30 (inclusive)	41
	31-50	39
	Above 51 (inclusive)	0

5.1.2 Recruitment and Dismissal

The Group strictly complies with relevant laws and regulations including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Law on the Protection of Minors (《未成年人保護法》) and the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》), etc. It is aimed at creating a fair and equal working environment, strengthening standardized and regular employee management such that employees are able to adapt more instantly the human and physical environment of the Group for improvement of work efficiency. Meanwhile, in view of the actual conditions, the "Human Resources Management System" of the Group is established to cover relevant details of recruitment and dismissal of employees, probation period of new employees, performance management, remuneration and benefits, and employee communication. Upholding the principals of openness, fairness, impartiality, and priority of the best, the Group recruits outstanding talents through different recruitment channels pursuant to departmental goals. Standard recruitment forms are used, and a rigorous recruitment process is designed. The Group insists on equality between men and women and equal pay for equal work. In accordance with the laws and the Group's system, each employee is entered into an employment contract with provisions of content such as salary, benefits, and termination clauses.

The Group also values career development of each employee and dedicates to provide better career path for its employees. To fully engage employees' enthusiasm, motivation and sense of belonging, the Group has established the "Performance Management System" whereas review and assessment of the employee's job or position are performed subject to operational needs and business conditions. A management system has also been established outlining the form, basis, authority, principle and process relating to promotion. Employees who have been evaluated on their outstanding performance will be promoted based on the results of review and assessment. Warning will be given to employees who have violated the Company's rules under the "Disciplinary Ruling Standards" of the management manual. Human Resources Department is responsible for enforcement of demotion, salary cut or dismissal. In the future, the Group will continue to optimize and improve promotional system, including advancement of talent building management and performance appraisal systems as well as optimization of performance management process that would enable a more standardized management work and process, and facilitate a more market-oriented competition mechanism for team promotion and training.

During the Year 2020, 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.

5.1.3 Remuneration and benefits

The Group has established the "Remuneration and Benefits Management System" to ensure that the remuneration offer, distribution and management of the Company are scientific and reasonable. Based on the development status and human resource management strategy framework, the adherence to the principles, namely "market environment adaptation", "talents' values reflection", and "incentive role", and the core focus of an incentive salary distribution system, a remuneration system of the Company is established taking into account internal fairness and market competitiveness. It is aimed at pursuing the goals of salary distribution in line with "responsibility and interest", "ability and value" and "performance and profit consistent". Sustainable, stable, and healthy development can be achieved with the effective alignment of personal and company benefits and leveraging on the guarantee of remuneration.

The Group makes payment for employee social insurance and housing provident funds in accordance with national laws and regulations, and actively provides humane benefits to employees with activities such as holding birthday parties, purchasing birthday cakes, shopping cards, organizing travel trips for its employees, etc.

A birthday party held by the Company for its employees

During the year of 2020, there were no cases of non-compliance with relevant laws and regulations relating to the remuneration and benefits of the Group.

5.1.4 Working hours, rest periods and welfare

The Group strictly complies with relevant laws and regulations including the "Provisions of the State Council on the Working Hours of Employees (《國務院關於職工工作時間的規定》)", and in conjunction with the "Attendance Management System" of the Group, work days are regulated from Monday to Friday except for rest days and statutory holidays. Employees are also entitled to benefits of annual leave and vacations, including paid sick leave, personal leave, funeral leave, marriage leave, annual leave, maternity leave, breastfeeding leave, maternity leave and paternity leave and other relevant rights.

5.1.5 Diversity, equal opportunities and anti-discrimination

The Group has been upholding the core value of "equality and justice" and firmly refuses differential treatment in relation to religion, ethnicity, race, gender, nationality. We strive for materializing diversification by taking multiple factors into considerations, and uphold to the principle of "recruitment based on talents and all are equal" with a balanced mix approach of knowledge and skills which, include knowledge and experience in the fields of program production, education, finance, legal profession, auditing and accounting, etc. Employees have all possessed different professional degrees, including communication, radio and television news, economics, accounting and business administration. Continuously adopting the principle of meritocracy, we have taken measures to promote gender diversity at different levels of the Company, and will not consider any factors that may constitute discrimination in the decision-making process. The Group does not accept any form of harassment of employees. Any form of harassment shall be subject to the Code of Practice of the Group and shall be treated as official business practices. At the same time, the Group has made its best efforts to ensure the compliance of regulatory standards and laws and regulations related to diversity, equal opportunities and anti-discrimination.

During the Year 2020, 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.

5.1.6 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 2020, 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.

5.2 Health and Safety

The Group cares for health and safety of employees, and is in strict compliance with relevant laws and regulations including the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). Regarding the environment, the Group regularly conducts safety and fire protection inspections on the office environment, and purchases green and environmentally friendly products for office areas under renovations or refurbishments to ensure the safety and health of the office environment where the employees work. As for office area security, the Group performs registration management of visitors, and employees must wear employee cards for entrance and exit office area. At the same time, the Group has arranged annual health checks for its employees, allowing them to understand to their health conditions.

In respect of the pandemic outbreak of the coronavirus disease in early 2020, the Group promptly responded to the calls of the state and the government, and arranged for measures such as work flexibility and work from home for its employees; recorded real-time travel and health conditions of its employees; and arranged remote video conferences for work communication. Meanwhile, anti-epidemic materials such as medical protective masks, disinfectants, hand-washing disinfection gel, thermometers etc. were procured emergently. Regularly disinfection of office area was performed.

Responding to the calls of the state and the government during the pandemic, the Group issued initiative documents and health notices at the group level to encourage employees to celebrate the New Year in the business premises, mitigating the risk of epidemic transmission caused by travel. In order to protect the personal health and safety free from infringement, the Company had also made arrangements for its employees to work in the office premise; maintained one meter safety distance during meal; performed measurement of the temperature of employees for real-time monitoring twice a day by designated persons; and switched to using face recognition, instead of fingerprint, for clocking in.

During the year 2020, the Group has not come across any non-compliance issue in relation to relevant laws and regulations that have a significant impact on the Company. In the current year, employees of the Company did not record any loss of working days due to work-related injuries.

Year	Work-related fatalities (Person)	Percentage of Work-related fatalities
2020	0	0

During the year 2020, there were no cases of industrial accidents or personal injuries or working days lost by the Group.

5.3 Development and Training

Employee development and training are essential for the long-term development of the Group's business. Therefore, the Group has established the "Employee Training and Career Development Management System" for the improvement of employees' working abilities from enhancement of current or future management performance, unleashing the development potential of employees, underpinning responses and adaptability of units or individuals to gaining and building up employees' recognition and sense of belonging to the Company, in order to create a sound corporate culture.

The Group encourages its employees to voluntarily participate in learning schemes to obtain professional qualifications issued by the national administrative (industry) department, and has established a flexible working scheme in support of the learning scheme. We also attach great importance to professional development and leadership of the management by holding annual leadership training event. We have also provided business trainings to all employees of the Group at least once a year, in order to facilitate their understandings of corporate culture, service procedures, etc. In addition, we encourage all business departments to organize related trainings and arrange learning outings, drawing on the lessons learnt from previous advanced results as required for enrichment and improvement of employee competencies.

Training Types	Training Objects	Training Objectives	Training Details	Training Benefits
New employee training	New employee	Facilitate new employees' understanding to the Company's overview, corporate culture and corporate management system, job functions, and join relevant corporate departments for learning	1. Introduction of the Company and corporate culture 2. Various departmental rules and regulations of the Company 3. Corporate code of conduct of employee	1. Obtain a basic understanding of the enterprise; 2. Enhance understanding and recognition of corporate culture; 3. Comprehensive understanding of corporate management system; 4. Familiar with Company's product knowledge.

Training Types	Training Objects	Training Objectives	Training Details	Training Benefits
Position skills training	Departmental employee	Enhance job skills and knowledge of base-level employee; understand basic management knowledge	1. Goal and performance management 2. Planning and execution management 3. Self-motivation and management skills	1. Set effective goals based on performance, and make improvement and uplift performance; 2. Improve ability on work execution to achieve planned plan; 3. Understand methods and skills of self-motivation and overcome work-life obstacles
Management skill training	Departmental person in charge	Improve innovation, leadership and communication skills of middle management	1. Scenario leadership 2. Efficient meeting, communication and coordination 3. Leadership charisma and effective motivation skills	1. Understand the importance of implementation the Company's operation strategy, and master the mindset, knowledge and skills required to strategy implementation; 2. Master the right communication skills, learn to establish a benign relationship with customers, partners and competitors; 3. Assist learning in proper applications of the arts of management and leadership in business operations.

Training Types	Training Objects	Training Objectives	Training Details	Training Benefits
Specific financial training	Departmental employee	From a more professional perspective, train financial personnel keeping abreast of state taxation to compile with corporate financial statements	1. Final settlement of corporate income tax 2. New personal income tax policy 3. Comprehensive budget and control	1. Provide interpretations on new policies, facilitate a better understanding on how to work on related policies and business; 2. Become more specialized for compliant corporate finance and taxation.
Specific business training	Department employee	Enable thorough understanding on the golden age of internet film and television	The golden age of internet film and television	Analyse the golden age of internet development, understand the future market dynamics over times, and facilitate continuous improvement of the enterprise.

The Group carried out training activities in company system, work skills, financial specific projects as well as film and television specific projects during the year.

Special training in finance and business

During the year 2020, the Company had trained in an total of 27 employees with a training coverage rate at 30.1%, and the average training hour(s) per employee was 2.7 hours. The proportion of training time by gender and level is shown in the following table:

Description of Indicators	Year 2020 (Person(s))	Percentage of Total Annual Headcount (%)	Average Training Hour(s)
Number of male employees trained	9	23.1	3.8
Number of female employees trained	18	56.7	2.2
Number of base-level employees trained	18	27.3	1.9
Number of middle management trained	5	35.7	3.6
Number of senior management trained	4	50.0	5.5

6 Operation Management

6.1 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.

The Group strictly complies with relevant laws and regulations including the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and the Regulation on the Implementation of the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》), and has established the rules and regulations including the "Tendering Management System" and the "Project Establishment Management System", upholding firmly the principles of openness, transparency, fair competition, good faith and credibility. Prior to any purchase, the procurement team will evaluate suppliers based on the principles of quantitative evaluation, fair competition, and survival of the fittest. At the same time, the supplier's environmental and social risks will be taken into account in the assessment. The procurement team will negotiate with multiple suppliers, and will also perform preliminary evaluation on various standards for different suppliers, conduct on-site review, and carry out supervision and inspection for overall evaluation, and after the selection of suppliers, multiple factors will be considered for quality supervision. Items for assessment mainly include factors such as quality, delivery time, service, and cooperation attitudes. With regard to the purchase of related products, the environmental indicators of the purchased products will also be incorporated as the key scoring item in the process of supplier assessment. Given the same condition, preference will be given to suppliers of environmentally friendly products.

Subject to our long-term development strategy and core competitiveness, the Group will continue to optimize related management systems going forward, enhance standardized supplier management, expand supplier sourcing channels, and diversify supplier selection. As for future supplier management, the fulfilment of corporate social responsibility will be an important indicator of first-choice supplier selection.

6.2 Product Responsibility

6.2.1 Product Quality Management

Major customers of the Group are leading TV media platforms in China. The Group strictly complies with relevant laws and regulations including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). A project responsibility system is adopted to require the content production department be held fully responsible for the quality of programs. We have performed internal evaluation of service execution and overall performance of the program, which allows us to control the quality of future projects of similar nature. At the same time, we will continue to communicate closely with relevant teams in the initial stages of preparation, shooting, and production of the programs, and will deliver the final product with assured quality.

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 fulfil the requirements of regulatory authorities.

6.2.2 Protection of Intellectual Property Rights

The Group engages in the core businesses of production of variety shows and film and television programs, and is in strict compliance with relevant laws and regulations including the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》). Whereas great importance is attached to intellectual property rights and protection, we are also committed to research and development and protection of intellectual property rights, and recognizing the importance of intellectual property rights to our business. The Group adopts integrated management of matters related to intellectual property rights (including trademarks, designs, copyrights, domain names) to protect the Group's creations, and is committed to safeguarding and respecting intellectual property rights. During the Year 2020, we had 9 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. We also regularly monitor our intellectual property rights and require TV networks and media platforms to implement adequate digital rights management technologies to protect the intellectual property of our programs.

During the Year 2020, the Group was not involved in any case in relation to violation of intellectual property laws and regulations.

6.2.3 Protection of Customer' Rights and Interests

The Group highly recognizes the importance of protection of customers' rights and interests and regards it as one of the significant issues. The Group has established an electronic customer management system to record and store customer data and information, with the protection of encryption. Borrowing procedures and data modification authority measures are also in place to mitigate the risk of information leakage and enhance security. At the same time, the Group has set up a mailbox, zswh@sinozswh.com, tailored specifically for customer complaints, and has assigned a designated person to check and manage the mailbox on a daily basis to deal with and handle relevant complaints as soon as possible whenever any complaints email is observed. During the year, the Group received no complaints from customers.

During the Year 2020, 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.

6.3 Anti-corruption

The Group strictly complies with relevant laws and regulations including the Supervision Law (《監察法》), the Regulations for Supervision and Enforcement of Disciplinary Inspection Organs (《紀律檢查機關監督執工作規則》) and the Regulations on Supervision and Enforcement of Supervisory Authorities (《監察機關監督執法工作規定》). Anti-corruption and anti-bribery related policies are formulated and implemented including the "Anti-fraud and Reporting and Complaint Management Measures (《反舞弊及舉報投訴管理辦法》)" and the "Anti-Money Laundering Internal Control System (《反洗錢內部控制制度》)" and the "Anti-Corruption Ordinance (《反貪腐條例》)". 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 2020, 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.

7 Community Investment

As a benevolent and responsible enterprise, the Group particularly cares about corporate social responsibility. We strongly encourage our employees to participate in community charity activities. In the future, the Company will also allocate more time and personnel to participate in charity activities. For instance, the charity activity was jointly initiated with the "Loving Decibels" Charity Foundation for drawing attention to the hearing restoration of children and teenagers. We will continuously contribute to and give back to the society with practical actions.

8 Appendix – HKEx Environmental, Social and Governance (ESG) Content Index

ESG Reporting Guide		Section	Report Content
Subject Area A.	**Environment**		
Aspect A1:	**Emissions**		
A1 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.	4.1	
A1.1	The types of emissions and respective emissions data.	4.1	
A1.2	Total greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	
A1.5	Description of measures to mitigate emissions and results achieved.	4.1	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	4.1	

	ESG Reporting Guide	Section	Report Content
Aspect A2:	**Use of Resources**		
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.2	
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).	4.2	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2	
A2.3	Description of energy use efficiency initiatives and results achieved.	4.2	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	4.2	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	N/A The Group did not use any packaging material
Aspect A3:	**The Environment and Natural Resources**		
A3 General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	4.3	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3	

ESG Reporting Guide		Section	Report Content
Subject Area B.	**Social**		
Employment and Labour Practices			
Aspect B1:	**Employment**		
B1 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 compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1	
B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1.1	
Aspect B2:	**Health and Safety**		
B2 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 providing a safe working environment and protecting employees from occupational hazards.	5.2	
B2.1	Number and rate of work-related fatalities occurred.	5.2	
B2.2	Lost days due to work injury.	5.2	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.2	

	ESG Reporting Guide	Section	Report Content
Aspect B3:	**Development and Training**		
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3	
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	5.3	
B3.2	The average training hours completed per employee by gender and employee category.	5.3	
Aspect B4:	**Labour Standards**		
B4 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 preventing child and forced labour.	5.1.6	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1.6	
B4.2	Description of steps taken to eliminate such practices when discovered.	N/A	N/A

ESG Reporting Guide		Section	Report Content
Operating Practices			
Aspect B5:	**Supply Chain Management**		
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	6.1	
Aspect B6:	**Product Responsibility**		
B6 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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6.2.1	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	6.2.3	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.2.2	
B6.4	Description of quality assurance process and recall procedures.	6.2.1	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	6.2.3	

	ESG Reporting Guide	Section	Report Content
Aspect B7:	**Anti-corruption**		
B7 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 bribery, extortion, fraud and money laundering.	6.3	
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.	6.3	Nil
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.3	
Community			
Aspect B8:	**Community Investment**		
B8 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.	7	

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

(incorporated in the Cayman Islands with limited liability)

KPMG

OPINION

We have audited the consolidated financial statements of China Bright Culture Group ("the Company") and its subsidiaries ("the Group") set out on pages 90 to 151, which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(b) to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB198,575,000 and a net operating cash outflow of RMB186,285,000 for the year ended December 31, 2020. As stated in note 2(b), the suspension of trading of the Company's shares since April 1, 2021 and the prolonged impact of COVID-19 have adverse impacts on the Group's operations. The Group also faced longer average trade receivables turnover days than its average trade payables turnover days which may result in increase in net operating cash outflows in the next twelve months. The Group will be unable to fund the Group's operating activities and repay the bank loans and other borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(incorporated in the Cayman Islands with limited liability)

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. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Expected credit loss allowances for trade receivables and other receivables

Refer to Notes 16 and 17 to the consolidated financial statements and the accounting policies on Note 2(h)(i).

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2020, the Group's gross carrying amount of trade receivables and other receivables totaled RMB1,336.0 million (with RMB894.0 million as stated in note 16 and RMB442.0 million as stated in note 17, together). An allowance for expected credit losses (ECLs) of RMB314.1 million (with RMB300.2 million as stated in note 16 and RMB13.9 million as stated in note 17, together) recorded. ECLs are a probability-weighted estimate of credit losses. Credit losses 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 Group measures ECLs by taking into account the ageing of receivable balances, the repayment history of the Group's counterparties of different risk characteristics, current market conditions, counterparty-specific conditions, and the Group's view of economic conditions over the expected lives of the trade receivables and other receivables. Management always measured loss allowance for trade receivables at an amount equal to lifetime ECLs and for other receivables at an amount 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.	Our audit procedures to assess the ECL allowance for trade receivables and other receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the credit control, the receivables collection process and estimating the credit loss allowance for the receivables; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the applicable accounting standard; • obtaining an understanding of the key parameters and assumptions that management uses in its implementation of the ECL model; • assessing the appropriateness of management's estimate of loss allowance derived from a provision matrix by – examining, on a sample basis, the relevant underlying documents for the individual receivable to ensure receivables in the aging report were categorised in the appropriate time band. For trade receivables, the relevant underlying documents include the relevant sales agreement or licensing contract, the customer's acknowledgement of acceptance of the master tapes;

KEY AUDIT MATTERS (continued)

Expected credit loss allowances for trade receivables and other receivables

Refer to Notes 16 and 17 to the consolidated financial statements and the accounting policies on Note 2(h)(i).

The Key Audit Matter	How the matter was addressed in our audit
We identified ECL allowances for trade receivables and other 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.	– testing the accuracy of the historical credit loss data; and – evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; • assessing, on a sample basis, the appropriateness of management's estimate of loss allowance for other receivables by: – evaluating management's assessment of whether the credit risk of other receivables has increased significantly since initial recognition by examining the credit ratings of the counterparties; – assessing the reasonableness of the expected cash shortfalls with reference to the counterparties' financial conditions; • checking the mathematical accuracy of management's calculation of the loss allowance as at December 31, 2020; and • assessing the appropriateness of the disclosures in the consolidated financial statements in relation to credit risks of trade receivables and other receivables with reference to the requirements of the applicable accounting standards.

(incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Impairment assessment of programs under production

Refer to Note 15 to the consolidated financial statements and the accounting policies on Note 2(i).

The Key Audit Matter	How the matter was addressed in our audit
As at December 31, 2020, the balance of programs copyrights of the Group represents programs under production with the gross book value amounted to RMB368.2 million. An impairment loss of RMB21.6 million was recognized. Impairment assessment of the programs under production is assessed annually or whenever events or changes in circumstances indicate that the recoverable amount of a program under production may be below the carrying amount at the end of the reporting period. The recoverable amount is determined based on the value-in-use calculation, using a discounted cash flow forecast. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing expected revenue and forecasted cost/expenses. 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 under production, and whether there is any adverse change on the expected performance and distribution plans, which may affect the future production and distribution plans, and exercised judgement in developing its expectation for the future cash flows from these programs under production.	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 appropriateness of the methodology used by management to determine the recoverable amounts of programs under production with reference to the requirements of the applicable accounting standards; • assessing the appropriateness of the key assumptions made and inputs used in the discounted cash flow forecasts, including: – comparing the expected revenue to be generated by the programs under production through checking the preliminary agreements or related business communications with potential customers, such as external corporate sponsors or media platforms;

KEY AUDIT MATTERS (continued)

Impairment assessment of programs under production

Refer to Note 15 to the consolidated financial statements and the accounting policies on Note 2(i).

The Key Audit Matter	How the matter was addressed in our audit
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.	– comparing the forecasted costs/expenses during the production and promotion of the programs under production with historical information and market 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; • inspecting relevant documents on the further production of the programs under production, broadcasting situation or revenue confirmation subsequent to the reporting date; and • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to the impairment of programs under production.

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.

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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.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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, actions taken to eliminate threats or safeguards applied.

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

August 27, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended December 31, 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**505,848**	475,566
Cost of sales		**(244,042)**	(208,385)
Gross profit		**261,806**	267,181
Other net income	5	**1,392**	1,636
Selling and marketing expenses		**(16,009)**	(9,581)
General and administrative expenses		**(88,153)**	(59,029)
Impairment losses on trade and other receivables		**(278,034)**	(4,513)
(Loss)/profit from operations		**(118,998)**	195,694
Net finance expenses	6(a)	**(21,792)**	(9,140)
Fair value changes on investments measured at fair value through profit or loss		**3,754**	–
(Loss)/profit before taxation	6	**(137,036)**	186,554
Income tax	7	**(61,539)**	(38,686)
(Loss)/profit attributable to equity shareholders of the Company for the year		**(198,575)**	147,868
(Loss)/earnings per share	10		
Basic and diluted (RMB)		**(0.131)**	0.131

The notes on pages 96 to 151 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 note 25(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2020

	2020 RMB'000	2019 RMB'000
(Loss)/profit for the year	**(198,575)**	147,868
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	**(35,073)**	1,997
Other comprehensive income for the year	**(35,073)**	1,997
Total comprehensive income attributable to equity shareholders of the Company for the year	**(233,648)**	149,865

The notes on pages 96 to 151 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2020

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets			
Property and equipment	11	**796**	1,427
Right-of-use assets	12	**7,118**	16,928
Deferred tax assets	24(b)	**–**	8,512
		7,914	26,867
Current assets			
Short-term investment	13	**20,066**	–
Program copyrights	15	**346,573**	356,103
Trade receivables	16	**593,795**	491,254
Prepayments and other receivables	17	**475,653**	23,257
Restricted bank deposit	18	**1,220**	34,881
Cash and cash equivalents	18	**1,292**	8,982
		1,438,599	914,477
Current liabilities			
Bank loans	19	**36,000**	111,000
Contract liabilities	20	**22,745**	16,506
Trade payables	21	**65,319**	33,724
Accruals and other payables	22	**115,672**	144,914
Lease liabilities	23	**1,903**	4,392
Current taxation	24(a)	**95,020**	46,108
		336,659	356,644
Net current assets		**1,101,940**	557,833
Total assets less current liabilities		**1,109,854**	584,700

as at December 31, 2020

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current liabilities			
Lease liabilities	23	5,312	12,416
Net assets		1,104,542	572,284
Equity			
Share capital	25	73	45
Reserves	25	1,104,469	572,239
Equity attributable to the equity shareholders of the Company		1,104,542	572,284
TOTAL EQUITY		1,104,542	572,284

Approved and authorised for issue by the board of directors on August 27, 2021.

Liu Mu	**Xia Rui**
Director	Director

The notes on pages 96 to 151 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2020

		Attributable to equity shareholders of the Company					
	Note	Share capital RMB'000 (Note 25(b))	Share premium RMB'000 (Note 25(d)(i))	Capital reserves RMB'000 (Note 25(d)(ii))	Exchange reserves RMB'000	Retained profit RMB'000 (Note 25(d)(iii))	Total RMB'000
Balance at January 1, 2019	25(d)	–	–	113,606	–	168,310	281,916
Changes in equity for 2019:							
Profit and other comprehensive income for the year		–	–	–	1,997	147,868	149,865
Capital injection from owners of the Company	25(d)(i)	45	116,958	–	–	–	117,003
Capital injection from owners of companies comprising the Group	25(d)(ii)	–	–	23,500	–	–	23,500
Balance at December 31, 2019 and January 1, 2020		**45**	**116,958**	**137,106**	**1,997**	**316,178**	**572,284**
Changes in equity for 2020:							
Loss and other comprehensive income for the year		**–**	**–**	**–**	**(35,073)**	**(198,575)**	**(233,648)**
Issuance of shares by initial public offering	25(b)	**28**	**765,878**	**–**	**–**	**–**	**765,906**
Balance at December 31, 2020		**73**	**882,836**	**137,106**	**(33,076)**	**117,603**	**1,104,542**

The notes on pages 96 to 151 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Net cash used in operations	18(b)	**(182,170)**	(304,744)
Income taxes paid	24(a)	**(4,115)**	(2,766)
Net cash used in operating activities		**(186,285)**	(307,510)
Cash flows from investing activities			
Interest received		**292**	251
Disposal of a subsidiary		**700**	–
Payments for purchase of property and equipment		**(459)**	(746)
Payments for purchases of the Promissory Note (as defined in note 17)	17	**(495,834)**	–
Redemption of the Promissory Note	17	**44,734**	–
Payments for purchases of short-term investments		**(31,972)**	–
Redemption of short-term investments		**6,605**	–
Net cash used in investing activities		**(475,934)**	(495)
Cash flows from financing activities			
Proceeds from issuance of shares by initial public offering, net of share issuance expenses	25(b)	**765,906**	–
Capital injection from owners of the Company and companies comprising the Group		**–**	140,503
Proceeds from bank loans	18(c)	**36,000**	111,000
Proceeds from other interest-bearing borrowings	18(c)	**59,677**	83,857
Borrowings from / (repayment to) a related party	18(c)	**8,500**	(446)
Repayment of bank loans	18(c)	**(111,000)**	(30,000)
Repayment of other interest-bearing borrowings	18(c)	**(118,534)**	(10,000)
Borrowing costs paid	18(c)	**(15,419)**	(4,861)
Capital element of lease rentals paid	18(c)	**(3,805)**	(3,877)
Interest element of lease rentals paid	18(c)	**(738)**	(673)
Decrease/(increase) in restricted bank deposit		**32,905**	(34,881)
Net cash generated from financing activities		**653,492**	250,622
Net decrease in cash and cash equivalents		**(8,727)**	(57,383)
Cash and cash equivalents at the beginning of the year	18(a)	**8,982**	64,368
Effect of exchange rate fluctuations on cash held		**1,037**	1,997
Cash and cash equivalents at the end of the year	18(a)	**1,292**	8,982

The notes on pages 96 to 151 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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on March 13, 2020 (the "Listing Date"). The Company and its subsidiaries (collectively referred to as 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 (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

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

The consolidated financial statements for the year ended December 31, 2020 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments in debt securities are stated at their fair value as explained in the accounting policies set in Note 2(e).

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

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

Judgements 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.

2 Significant accounting policies (continued)

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

Prior to the incorporation of the Company and the completion of the reorganization 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, the Group underwent a reorganization (the "Reorganization") to establish the Company as the ultimate holding company of the companies comprising the Group.

As the Business conducted by Zhongguang Yusheng is subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganization, Beijing Yusheng Culture Co., Ltd. ("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.

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 the completion of the Reorganization on July 15, 2019, the Company became the holding company of the companies now comprising the Group. The Reorganization 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 Reorganization. Accordingly, the Historical Financial Information 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 Reorganization. Intragroup balances, transactions and unrealized gain/loss on intra-group transactions are eliminated in full in preparing the financial statements for the year ended December 31, 2020.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

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

The Group incurred a net loss of RMB198,575,000 and a net operating cash outflow of RMB186,285,000 for the year ended December 31, 2020. The suspension of trading of the Company's shares since April 1, 2021 and the prolonged impact of COVID-19 have adverse impacts on the Group's operations. The Group also faced longer average trade receivables turnover days than its average trade payables turnover days which may result in increase in net operating cash outflows in the next twelve months. The Group will be unable to fund the Group's operating activities and repay the bank loans and other borrowings in full when they fall due unless it is able to generate sufficient net cash inflows from its operations and/or extend or renew its existing borrowings upon their maturities. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

– The Group will continue to pay close attention to the television media industry and make good use of its resources with an aim to attain positive and sustainable cash flow from operations.

– The Group is putting extra efforts on collecting its trade and other receivables and procuring the distribution of the drama series.

The directors of the Company have reviewed the Group's cash flow projection covering a period of not less than twelve months from the end of the reporting period prepared by management. In the opinion of the directors of the Company, assuming the success of the above measures, the Group will have sufficient working capital to meet its financial liabilities as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(c) 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 IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IFRS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

2 Significant accounting policies (continued)

(c) Changes in accounting policies (Continued)

None of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries

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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the financial statements. Unrealised loss resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)).

(e) Other investments

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

Investments are recognised/derecognised 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 recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(e). These investments are classified into one of the following measurement categories and are subsequently accounted for as follows:

- Amortised 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(r)(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 recognised 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 derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(e) Other investments (Continued)

– Fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss (see Note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property and equipment, 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 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.

(g) 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.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(g) Leased assets (continued)

As a lessee

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 recognises 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 capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised 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 amortised 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.

The right-of-use asset recognised when a lease is capitalised 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(f) and 2(h)(ii)).

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(h) Credit loss and impairment of assets

(i) Credit loss from financial instruments

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses 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). Short-term investments measured at FVPL are not subject to ECL assessment

The expected cash shortfalls of trade and other receivables and contract assets are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

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

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.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(h) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

Measurement of ECLs (continued)

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 recognises 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 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 market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(h) Credit loss and impairment of assets (continued)

(i) Credit loss from financial instruments (continued)

Significant increases in credit risk (continued)

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 recognised as an impairment gain or loss in profit or loss. The Group recognises 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 recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(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 amortised 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 becoming probable that the borrower will enter into bankruptcy or other financial Pre-IPO reorganisation;

- significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

Write-off policy

The gross carrying amount of a financial asset or contract 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 recognised 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)

(h) 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 recognised no longer exists or may have decreased:

– property and equipment;

– right-of-use assets; and

– investment in a subsidiary in the Company's statement of financial position. 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 recognised 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 recognised 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.

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

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(i) 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 amortised 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 recognised to reduce the asset to its recoverable amount. Such impairment loss is recognised 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 recognised 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 recognised in profit or loss on the date of disposal.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

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(r)).

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(k) Trade and other receivables

A receivable is recognised 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 recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) 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(h)(i).

(m) Trade and other payables

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

(n) 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 amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(o) 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) Share-based payments

The fair value of shares granted to employees is recognised as an employee cost with a corresponding increase in equity. The fair value is measured at grant date.

(iii) Termination benefits

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

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (continued)

(p) 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 recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised 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.

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 utilised, are recognised. 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 utilised.

2 Significant accounting policies (Continued)

(p) Income tax (continued)

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 recognised 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 utilised. 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 recognised when the liability to pay the related dividends is recognised.

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 realise the asset and settle the liability simultaneously; or

– 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised 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.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (Continued)

(q) Provisions and contingent liabilities (Continued)

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.

(r) 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 recognised 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 recognised 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.

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 recognised 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 over time when the related program is broadcasted and the amount of revenue is confirmed by the media platform.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (Continued)

(r) Revenue and other income (Continued)

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

The Group authorises corporate sponsor clients to use its program materials for their offline marketing activities. Revenue from licensing of IP is recognised 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 recognised as it accrues using the effective interest method. For financial assets measured at amortised 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 amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(v) Government grants

Government grants are recognised 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 recognised 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 recognised as deferred income and subsequently are recognised in profit or loss over the useful life of the asset as other income.

(s) 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 recognised in profit or loss.

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 recognises 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 recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(Expressed in RMB unless otherwise indicated)

2 Significant accounting policies (Continued)

(t) 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 capitalised 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.

(u) 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.

(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.

2 Significant accounting policies (Continued)

(v) 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.

3 Accounting judgements and estimates

Significant sources of estimation uncertainty are as follows:

(a) Expected credit losses for receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

(b) Impairment of program copyrights

If circumstances indicated that the carrying amount of a program copyright may not be recoverable, the program copyright may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of program copyrights as described in Note 2(i). Program copyrights are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the program copyright are discounted to their present value, which requires significant judgement relating to the level of revenue to be generated over the life cycle of the program copyright. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue to be generated over the life cycle of the program copyright. Changes in these estimates could have a significant impact on the recoverable amount of program copyrights and could result in additional impairment charge or reversal of impairment in future periods.

(Expressed in RMB unless otherwise indicated)

3 Accounting judgements and estimates (Continued)

(c) Recognition of deferred tax assets

Deferred tax assets in respect of deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the future operating performance of the Group and requires a significant level of judgement exercised by the management. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised in future periods.

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:

	2020	2019
	RMB'000	RMB'000
Content related program		
— Media platforms	**267,977**	346,758
— Corporate sponsors	**237,871**	128,808
	505,848	475,566

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:

	2020	2019
	RMB'000	RMB'000
Customer A	**185,462**	158,359
Customer B	**100,446**	*
Customer C	**81,132**	90,252
Customer D	*	70,755

* 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 26(a).

(Expressed in RMB unless otherwise indicated)

4 Revenue and segment reporting (Continued)

(a) Revenue (Continued)

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

	2020 RMB'000	2019 RMB'000
Point in time – revenue from licensing of broadcasting rights of programs	**109,434**	265,138
Over time – revenue from advertising and licensing of IP	**396,414**	210,428
	505,848	475,566

(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

	2020 RMB'000	2019 RMB'000
Government grants	**1,864**	1,684
Others	**(472)**	(48)
	1,392	1,636

6 (Loss)/profit before taxation

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

(a) Net finance expenses

	2020 RMB'000	2019 RMB'000
Interest income on bank deposits	**(292)**	(26)
Interest expense (Note 18(c))	**20,662**	8,718
Interest on lease liabilities (Note 18(c))	**738**	673
Net foreign exchange loss/(gain)	**684**	(225)
Net finance expense	**21,792**	9,140

(Expressed in RMB unless otherwise indicated)

6 (Loss)/profit before taxation (Continued)

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	**15,050**	16,700
Contributions to defined contribution retirement plans (i)	**134**	1,107
	15,184	17,807

Note:

(i) The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit plans managed by the local government authorities. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement plans at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employees are required to make contributions to the plan, subject to a cap of monthly relevant income of Hong Kong Dollar ("HK$") 30,000. Contributions to the MPF Scheme vest immediately.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

In 2020, in an effort to provide financial support to enterprises during the COVID-19 pandemic, the PRC government authorise have granted partial exemption on the Group's contributions to the defined contribution retirement plans. The total exempted amount was RMB2,085,000 in 2020.

(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.

	2020 RMB'000	2019 RMB'000
Cost of program copyrights (Note 15(b))	**244,042**	208,385
Short-term leases	**214**	855
Depreciation expenses		
— Property and equipment (Note 11)	**1,090**	834
— Right-of-use assets (Note 12)	**4,022**	4,838
Loss allowance for trade and other receivables	**278,034**	4,513
Auditors' remuneration		
— Audit service	**3,700**	2,066
— Other services	**108**	450

(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current taxation (Note 24(a))		
Provision for the year	53,027	46,331
Deferred taxation (Note 24(b))		
Origination and reversal of temporary differences	8,512	(7,645)
	61,539	38,686

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

	2020 RMB'000	2019 RMB'000
(Loss)/profit before taxation	(137,036)	186,554
Tax calculated at statutory tax rates applicable to profits in the respective jurisdictions (i)	(34,259)	46,639
Tax effect of:		
Non-deductible expenses and losses	3,355	9,277
Preferential tax rate applicable to subsidiaries (i)	(615)	(10,929)
Tax losses and temporary differences not recognised as deferred tax assets	84,546	215
Utilisation of previously unrecognised tax losses and temporary differences	–	(6,516)
Reversal of temporary differences recognized as deferred tax assets in prior years	8,512	–
Actual tax expense	61,539	38,686

Note:

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

The Company and the subsidiary of the Group incorporated in Cayman Islands and British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

The Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax rate of 16.5% for the year ended December 31, 2020 (2019: RMB Nil).

(Expressed in RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss

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

Note: (Continued)

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 (see below), as determined in accordance with the relevant PRC income tax rules and regulations for the year ended December 31, 2020.

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 October 1, 2016 to September 30, 2020. From October 1, 2020 to September 30, 2025, Yili Zhongsheng has obtained approvals from the tax bureau for entitlement of local enterprise income tax exemption of 40% and enjoys a preferential PRC Corporate Income Tax rate of 15%.

According to the relevant PRC income tax law, the Company's subsidiary, Yueying Xingyao information technology (Tianjin) Co., Ltd. ("Yueying Xingyao"), was certified as a small and micro enterprise, and is entitled to a reduction taxable income by half and a preferential PRC Corporate Income Tax rate of 20% for the year ended December 31, 2020.

8 Directors' emoluments

Directors' emoluments are as follows:

	2020				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Liu Mu (Note (i))	–	1,281	–	4	1,285
Chen Jia (Note (i))	–	201	–	4	205
Xia Rui (Note (i))	–	467	–	–	467
Non-executive director					
Chen Kai (Note (i))	–	–	–	–	–
Independent non-executive directors					
Ran Hua	260	–	–	–	260
Zhang Yiwu	260	–	–	–	260
Yu Kwok Kuen (Note (ii))	22	–	–	–	22
Huang Victor (Note (ii))	260	–	–	–	260
Yang Chengjia (Note (ii))	89	–	–	–	89
Yao Li (Note (ii))	24	–	–	–	24
	915	1,949	–	8	2,872

(Expressed in RMB unless otherwise indicated)

8 Directors' emoluments (Continued)

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

Notes:

(i) Ms. Chen Jia resigned as executive director of the Company on October 23, 2020. Mr. Xia Rui was appointed as executive director of the Company on June 30, 2020. All the executive directors are key management personnel of the Group during the reporting period and their remuneration disclosed above include those for services rendered by them as key management personnel.

Mr. Chen Kai resigned as non-executive director of the Company on July 24, 2020. The Group did not pay any salary to the non-executive directors during the year.

(ii) Mr. Yu Kwok Kuen resigned as independent non-executive director of the Company and Mr. Huang Victor was appointed as an independent non-executive director of the Company on February 3, 2020. Mr. Yang Chengjia was appointed as independent non- executive director of the Company on July 24, 2020. Mr. Huang Victor resigned as an independent non-executive director of the Company and Ms. Yao Li was appointed as an independent non-executive director of the Company on November 27, 2020.

(iii) 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.

(Expressed in RMB unless otherwise indicated)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2019: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	**2,131**	1,335
Retirement scheme contributions	**4**	123
	2,135	**1,458**

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

	2020 Number of individuals	2019 Number of individuals
Hong Kong dollar ("HK$")Nil to HK$1,000,000.	**3**	3

10 (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB198,575,000 (2019: profit of RMB147,868,000) and the weighted average number of ordinary shares of 1,521,311,000 shares (2019: 1,129,779,000 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 on March 13, 2020), calculated as follows:

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

	2020 '000	2019 '000
Issued ordinary shares at January 1,	**1,200,000**	588,476
Issuance of shares prior to the listing of the Company	**–**	29,682
Effect of capitalisation issue (i)	**–**	511,621
Effect of shares issued by initial public offering on the Listing Date	**321,311**	–
Weighted average number of ordinary shares during the year	**1,521,311**	1,129,779

Note:

(i) The effect of capitalisation issue has been considered from the beginning of the earliest period as detailed in Note 25(b).

There were no dilutive potential shares outstanding during the years ended December 31, 2020 and 2019.

(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, 2019	199	283	343	2,415	3,240
Additions	–	74	47	625	746
At December 31, 2019 and January 1, 2020	**199**	**357**	**390**	**3,040**	**3,986**
Additions	**–**	**15**	**15**	**429**	**459**
At December 31, 2020	**199**	**372**	**405**	**3,469**	**4,445**
Accumulated depreciation:					
At January 1, 2019	(59)	(144)	(42)	(1,480)	(1725)
Charge for the year	(47)	(29)	(66)	(692)	(834)
At December 31, 2019 and January 1, 2020	**(106)**	**(173)**	**(108)**	**(2,172)**	**(2,559)**
Charge for the year	**(47)**	**(32)**	**(72)**	**(939)**	**(1,090)**
At December 31, 2020	**(153)**	**(205)**	**(180)**	**(3,111)**	**(3,649)**
Net book value:					
At December 31, 2019	93	184	282	868	1,427
At December 31, 2020	**46**	**167**	**225**	**358**	**796**

(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:

	2020 RMB'000	2019 RMB'000
Cost:		
At January 1,	27,216	14,933
Additions	8,051	12,283
Decrease	(27,216)	–
At December 31,	8,051	27,216
Accumulated depreciation:		
At January 1,	(10,288)	(5,450)
Charge for year	(4,022)	(4,838)
Decrease	13,377	–
At December 31,	(933)	(10,288)
Net book value:		
At December 31,	7,118	16,928

13 Short-term investment

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Participating shares	20,066	–

Participating shares are managed by Oakwise Value Fund SPC ("OAK"), a fund incorporated in the Cayman Islands, amounted to USD4,500,000 as its initial investment. The investment was redeemable at any time with no guaranteed returns. The Group initially classified such investment managed by OAK as FVPL in accordance with the accounting policy set out in Note 2(e).

As at December 31, 2020, the investment in participating shares was measured at fair value with corresponding gains on changes in fair value of RMB3,754,000, credited to "fair value changes on investments measured at fair value through profit or loss" for the year. By January 22, 2021, all of the investment in the participating shares was redeemed and received with an effective return rate of 13.3%.

(Expressed in RMB unless otherwise indicated)

14 Investments in subsidiaries

The following list contains the particulars of subsidiaries as at December 31, 2020. The class of shares held is ordinary unless otherwise stated.

Name of company	Place and date of incorporation/ establishment	Particulars of registered/issued and paid-up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
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$ 10,000	100%	–	100%	Investment holding
Beijing Yusheng Culture Co., Ltd. 北京煜盛文化有限公司*	PRC July 15, 2019	Registered capital of USD 66,660,000 and paid-up capital of RMB 37,910,000	100%	–	100%	Investment holding
Yueying Xingyao Information Technology (Tianjin) Co., Ltd. ("Yueying Xingyao") 月影星耀信息技術(天津)有限公司*	The PRC May 9, 2020	Registered capital of RMB 100,000,000 and paid-up capital of RMB Nil	100%	–	100%	Advertising agency for TV programs and online programs
Huajin Chengpin (Tianjin) Equity Investment Partnership (Limited Partnership) ("Huajin Chengpin") 華金誠品(天津)股權投資合夥企業(有限合夥)*	The PRC September 1, 2020	Registered capital of RMB 150,000,000 and paid-up capital of RMB Nil	100%	–	100%	Investment holding
Held through Contractual Arrangements						
Beijing Sino-Prosperity Culture Group Co., Ltd. ("Zhongguang Yusheng") 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	Registered capital of RMB 10,000,000 and paid-up capital of RMB 3,000,000	100%	–	100%	Producer of variety programs

(Expressed in RMB unless otherwise indicated)

14 Investments in subsidiaries (Continued)

Name of company	Place and date of incorporation/ establishment	Particulars of registered/issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Yili Zhongsheng Quanxing Media Co., Ltd. ("Yili Zhongsheng") 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	Registered capital of RMB 100,000,000 and paid-up capital of RMB Nil	100%	–	100%	Producer of variety programs
Shanghai Yumi Trading Co., Ltd. ("Shanghai Yumi") 上海煜米商貿有限公司*	The PRC June 23, 2020	Registered capital of RMB 1,000,000 and paid-up capital of RMB Nil	100%	–	100%	Science and Technology Extension and Application Services

* 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)

15 Program copyrights

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

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Programs under production	**346,573**	341,591
Completed programs	**–**	14,512
	346,573	356,103

(b) Movement of program copyrights are as follows:

	2020 RMB'000	2019 RMB'000
At January 1,	**356,103**	64,390
Additions	**234,512**	500,098
Recognised as cost of sales (Note 6(c))	**(244,042)**	(208,385)
At December 31,	**346,573**	356,103

Note: During the year ended December 31, 2020, 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 RMB21,570,000 is recognised as cost of program copyrights as at December 31, 2020. (2019: Nil)

16 Trade receivables

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Amounts due from third parties	**894,031**	526,556
Less: loss allowance (Note 16(b))	**(300,236)**	(35,302)
	593,795	491,254

As at December 31, 2020, Zhongguang Yusheng offset trade receivables from media platforms with trade payables to them amounted to RMB85,000,000, as Zhongguang Yusheng had a legally enforceable right to net off the amounts and to settle them on a net basis.

(Expressed in RMB unless otherwise indicated)

16 Trade receivables (Continued)

(a) 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:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Within 1 month	97,481	134,458
1 month to 3 months	117,328	80,806
3 months to 6 months	20,085	124,132
6 months to 1 year	164,733	81,652
1 to 2 years	162,853	70,206
2 to 3 years	31,315	–
	593,795	491,254

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 26(a).

(b) Impairment of trade receivables

The movements in the loss allowance account during the year are as follows:

	2020 RMB'000	2019 RMB'000
Balance at January 1,	35,302	31,419
Loss allowance recognised during the year	264,934	3,883
Balance at December 31,	300,236	35,302

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

(Expressed in RMB unless otherwise indicated)

17 Prepayments and other receivables

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Prepayments		
Prepayments to third parties (i)	47,587	19,740
Other receivables		
Receivables from disposal of a subsidiary	548	1,248
Promissory note (ii)	417,594	–
Redemptive investment in transit	6,523	–
Others	17,345	3,113
	442,010	4,361
Less: loss allowance	(13,944)	(844)
	428,066	3,517
	475,653	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) Pursuant to an asset management agreement entered into between the Company and AMTD Global Markets Limited ("AMTD") dated March 13, 2020 (the "Asset Management Agreement"), the Company deposited a total of USD70.8 million (equivalent to RMB495,834,000) into an investment portfolio account of the latter. On the same day, the Company signed a promissory note purchase letter with L.R. Capital Property Investment Limited ("L.R. Capital") and instructed AMTD to purchase a promissory note (the "Promissory Note") issued by L.R. Capital with a principal amount of USD70.8 million, using the investment portfolio account proceeds. The Promissory Note can be early redeemed at the request and in case of early redemption, the redemption amount will only be the principal amount of the Promissory Note, no interest shall be payable.

On November 17, 2020, the Company served an early redemption notice. Subsequent to this, USD6.8 million (equivalent to RMB44,734,000) proceeds have been received from AMTD on November 20, 2020. As at December 31, 2020, the outstanding principal balance of the Promissory Note was amounted to USD64.0 million (equivalent to RMB417,594,000).

On March 4, 2021, the Company served another redemption notice to L.R. Capital to instruct for full redemption of the remaining principal amount of the Promissory Note. During the period from March to June 2021, the Company redeemed the remaining balance of the Promissory Note with a principal amount of USD64.0 million (equivalent to RMB417,594,000), from L.R. Capital directly and a third party known as 北京中安華信投資管理有限公司("中安華信"), a limited company incorporated in the PRC, amounted to HKD89.0 million (equivalent to approximately USD11.5 million) and RMB340.0 million (equivalent to approximately USD52.5 million) respectively. Payment from 中安華信 was made under the instruction of L.R. Capital pursuant to the settlement agreement entered into among the Company, L.R. Capital and 中安華信 dated June 21, 2021 for settling the redemption of outstanding balance of the Promissory Note.

(Expressed in RMB unless otherwise indicated)

18 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cash on hand	1	17
Deposits with banks	2,511	43,846
	2,512	43,863
Less: restricted bank deposit	(1,220)	(34,881)
Cash and cash equivalents	1,292	8,982

The Group's operations in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

As at December 31, 2020, out of the bank deposit restricted, RMB581,000 was to secure the bank loan borrowed by Zhongguang Yusheng, and RMB 639,000 was restricted for repayment of interests of bank loans.

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

(Expressed in RMB unless otherwise indicated)

18 Cash and cash equivalents and other cash flow information (Continued)

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

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**(137,036)**	186,554
Adjustments for:			
Depreciation and amortisation	6(c)	**5,112**	5,672
Net finance expense	6(a)	**21,792**	9,140
Fair value changes on investments measured at fair value through profit or loss		**(3,754)**	–
Loss allowance for trade and other receivables	6(c)	**278,034**	4,513
Changes in working capital:			
Decrease/(Increase) in program copyrights		**9,530**	(291,713)
Increase in trade receivables		**(367,475)**	(291,283)
(Increase)/decrease in prepayments and other receivables		**(42,079)**	3,205
Increase in trade payables		**31,595**	27,731
Increase in accruals and other payables and contract liabilities		**22,111**	41,437
Cash used in operations		**(182,170)**	(304,744)

(Expressed in RMB unless otherwise indicated)

18 Cash and cash equivalents and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities:

		Accruals and other payables					
	Bank loans	Amounts due to Mr. Liu Mu	Amounts due to a shareholder	Amounts due to third parties	Interest payables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	(Note 22)	(Note 22)	(Note 22)	(Note 22)	(Note 23)	
At January 1, 2019	30,000	–	20,000	–	310	8,402	58,712
Changes from financing cash flows:							
Proceeds from bank loans	111,000	–	–	–	–	–	111,000
Proceeds from other interest-bearing borrowings	–	–	–	83,857	–	–	83,857
Repayment of bank loans	(30,000)	–	–	–	–	–	(30,000)
Repayment of other interest-bearing borrowings		–	–	(10,000)	–	–	(10,000)
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

(Expressed in RMB unless otherwise indicated)

18 Cash and cash equivalents and other cash flow information (Continued)

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

		Accruals and other payables					
	Bank loans	Amounts due to Mr. Liu Mu	Amounts due to a shareholder	Amounts due to third parties	Interest payables	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	(Note 22)	(Note 22)	(Note 22)	(Note 22)	(Note 23)	
At December 31, 2019 and January 1, 2020	111,000	–	20,000	73,857	3,721	16,808	225,386
Changes from financing cash flows:							
Proceeds from bank loans	36,000	–	–	–	–	–	36,000
Proceeds from other interest-bearing borrowings	–	–	–	59,677	–	–	59,677
Repayment of bank loans	(111,000)	–	–	–	–	–	(111,000)
Repayment of other interest-bearing borrowings	–	–	(20,000)	(98,534)	–	–	(118,534)
Borrowing costs paid	–	–	–	–	(15,419)	–	(15,419)
Amounts from related parties	–	27,824	–	–	–	–	27,824
Repayment to related parties	–	(19,324)	–	–	–	–	(19,324)
Interest element of finance lease rentals paid	–	–	–	–	–	(738)	(738)
Capital element of finance lease rentals paid	–	–	–	–	–	(3,805)	(3,805)
Other changes:							
Increase in lease liabilities from entering into new lease during the year (note 12)	–	–	–	–	–	8,051	8,051
Decrease in lease liabilities from termination of lease contract during the period (note 12)	–	–	–	–	–	(13,839)	(13,839)
Interest expenses (Note 6(a))	–	169	–	–	20,493	738	21,400
At December 31, 2020	36,000	8,669	–	35,000	8,795	7,215	95,679

(Expressed in RMB unless otherwise indicated)

19 Bank loans

The Group's short-term bank loans comprise:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Secured (i)	35,000	111,000
Unsecured	1,000	–
	36,000	111,000

Note:

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

As at December 31, 2020, the bank loans of RMB10,000,000 of the Group were guaranteed by Beijing Xingzhan Rongda Financing Guarantee Co., Ltd. (北京興展融達融資擔保有限公司), a third party. China Bright Culture Group, parent company of the Group, Shanghai Yusheng, a subsidiary of the Group, and Mr. Xia Rui, an executive director of the Company, provided counter guarantees for the guarantee mentioned above. It is repayable within one year.

As at December 31, 2020, the bank loans of RMB10,000,000 of the Group were guaranteed by Zhongguang Yusheng, with an amount of RMB581,000 security deposit. It is repayable within one year.

As at December 31, 2020, the bank loans of RMB5,000,000 of the Group were guaranteed by Beijing culture and technology Financing Guarantee Co., Ltd. (北京市文化科技融資擔保有限公司), a third party and Mr. Xia Rui, an executive director of the Company. Zhongguang Yusheng, a subsidiary of the Group, and Mr. Xia Rui, an executive director of the Company, provided counter guarantees for the guarantee mentioned above. It is repayable within one year.

20 Contract liabilities

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Content related program		
— Corporate sponsors	22,745	16,506

The Group received the consideration of advertising revenue from corporate sponsors in advance of the authorisation period and such amount are expected to be recognised as revenue in one year.

(Expressed in RMB unless otherwise indicated)

21 Trade payables

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Payables to third parties	**65,319**	33,724

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

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Within 1 year	**47,924**	33,188
1 to 2 years	**16,880**	536
2 to 3 years	**515**	–
	65,319	33,724

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

22 Accruals and other payables

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Accrued listing expenses	**3,372**	21,894
Received in advance from other producers	**–**	10,000
Amounts due to Mr. Liu Mu (i)	**8,989**	–
Amounts due to a shareholder (ii)	**–**	20,000
Amounts due to third parties (iii)	**35,000**	73,857
Payroll payables	**4,342**	4,884
Program and IP content research and development expenses	**14,245**	–
Other taxes and levies	**23,820**	7,937
Unrecognised government grant	**10,000**	–
Interest payables	**8,795**	3,721
Others	**7,109**	2,621
	115,672	144,914

(Expressed in RMB unless otherwise indicated)

22 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) Amounts due to Mr. Liu Mu, the controlling shareholder and executive director of the Company, represent the unsecured borrowing of RMB8,669,000 from Mr. Liu Mu with interest rate of 4.35% per annum and the government grant receipts on behalf of Mr. Liu Mu of RMB320,000.

(ii) In 2018, Zhongguang Yusheng borrowed RMB20,000,000 from Mr. Chen Dazhi, a shareholder of the Company, with interest rate of 12% per annum. The loan was settled in June 2020.

(iii) On August 1, 2018 and January 23, 2019, Zhongguang Yusheng received RMB5,000,000 and RMB5,000,000 from co-producers Guodu Jingrui Investment Co., Ltd. respectively. The program cooperation was terminated and the termination agreement was signed on May 6, 2020. Zhongguang Yusheng was required to repay the principal and 15% annualised interests for the investment.

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

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

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

(Expressed in RMB unless otherwise indicated)

23 Lease liabilities

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

	2020		2019	
	Present value of the minimum lease payments	**Total minimum lease prepayments**	Present value of the minimum lease payments	Total minimum lease prepayments
	RMB'000	**RMB'000**	RMB'000	RMB'000
Within 1 year	**1,903**	**2,219**	4,392	5,177
After 1 year but within 2 years	**1,448**	**1,679**	4,862	5,407
After 2 years but within 5 years	**3,864**	**4,085**	7,554	7,987
	5,312	**5,764**	12,416	13,394
	7,215		16,808	
Less: total future interest expenses		**768**		1,763
Present value of lease liabilities		**7,215**		16,808

24 Income tax in the consolidated statement of financial position

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

	December 31, 2020	December 31, 2019
	RMB'000	RMB'000
At January 1,	**46,108**	2,543
Provision for the year (Note 7(a))	**53,027**	46,331
Income tax paid during the year	**(4,115)**	(2,766)
At December 31,	**95,020**	46,108

(Expressed in RMB unless otherwise indicated)

24 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised:

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

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

	Loss allowance RMB'000
At January 1, 2019	867
Credit to profit or loss (Note 7(a))	7,645
At December 31, 2019 and January 1, 2020	8,512
Credit to profit or loss (Note 7(a))	(8,512)
At December 31, 2020	–

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax asset recognised in the consolidated statements of financial position	–	8,512

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses of RMB18,386,000 at December 31, 2020 (2019: RMB115,060), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant entities. The cumulative tax losses comprised tax losses arose from various years, and each year 's tax loss can only be carried forward for five years.

(d) Deferred tax liabilities not recognised

At December 31, 2020, taxable temporary differences relating to the retained profits of the Group's subsidiaries established in the PRC (excluding Hong Kong) amounted to RMB186,753,000 (2019: RMB312,961,000), where no deferred tax liabilities in respect of the PRC withholding tax that would be payable on the distributions of these profits were recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

(Expressed in RMB unless otherwise indicated)

25 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, 2020 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 May 28, 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 25(b))	45	116,958	–	–	117,003
Balance at January 1, 2020	45	116,958	1,595	(4,374)	114,224
Changes in equity for 2020:					
Loss for the year	**–**	**–**	**–**	**(52,463)**	**(52,463)**
Other comprehensive income	**–**	**–**	**(57,117)**	**–**	**(57,117)**
Total comprehensive income	**–**	**–**	**(57,117)**	**(52,463)**	**(109,580)**
Capital injection from owners of the Company (Note 25(b))	**28**	**765,878**	**–**	**–**	**765,906**
Balance at December 31, 2020	**73**	**882,836**	**(55,522)**	**(56,837)**	**770,550**

(Expressed in RMB unless otherwise indicated)

25 Capital, reserves and dividends (Continued)

(b) Share capital

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

The Company was incorporated in the Cayman Islands on May 28, 2019 with an initial authorised 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 Pre-IPO reorganisation on July 15, 2019, 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.

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

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

(c) Dividends

During the year of 2020, no dividends were declared to the shareholders of the Company.

(Expressed in RMB unless otherwise indicated)

25 Capital, reserves and dividends (Continued)

(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.

(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.

(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 utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

As at December 31, 2020, the statutory reserve provided by the Company's PRC subsidiaries amounting to RMB8,296,000 (2019: RMB7,992,000) 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.

(Expressed in RMB unless otherwise indicated)

25 Capital, reserves and dividends (continued)

(e) Capital management (continued)

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

26 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.

Trade receivables

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 December 31, 2020, 84.1% (2019: 82.3%) 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.

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. Payment terms varies under the Group's contracts with each customer, and are negotiated on an individual contract basis. Trade receivables are due within 30 - 360 days from the date of billing. Normally, the Group does not obtain collateral from 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.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the whole amount of the trade receivables will have difficulty to be recovered and has recognised impairment losses.

(Expressed in RMB unless otherwise indicated)

26 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:

	2020		
	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	3%	181,389	5,442
Within 3 months past due	21%	77,000	16,170
3 months to 6 months past due	30%	213,560	64,068
6 months to 9 months past due	39%	49,676	19,373
9 months to 12 months past due	43%	240,742	103,519
12 months to 15 months past due	50%	80,000	40,000
More than 18 months past due	100%	16,664	16,664
		859,031	265,236
Individually impaired trade receivables	100%	35,000	35,000
		894,031	300,236

	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
More than 18 months past due	100%	407	407
		526,556	35,302

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 trade receivables.

(Expressed in RMB unless otherwise indicated)

26 Financial risk management and fair values of financial instruments (continued)

(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:

	2020					
	contractual undiscounted cash outflow					Carrying amount in the consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans (Note 19)	37,512	–	–	–	37,512	36,000
Trade payables (Note 21)	65,319	–	–	–	65,319	65,319
Accruals and other payables (Note 22)	115,672	–	–	–	115,672	115,672
Lease liabilities (Note 23)	2,219	1,679	4,085	–	7,983	7,215
	220,722	1,679	4,085	–	226,486	224,206

	2019					
	contractual undiscounted cash outflow					Carrying amount in the consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans (Note 19)	115,826	–	–	–	115,826	111,000
Trade payables (Note 21)	33,724	–	–	–	33,724	33,724
Accruals and other payables (Note 22)	139,464	–	–	–	139,464	134,914
Lease liabilities (Note 23)	5,177	5,407	7,987	–	18,571	16,808
	294,191	5,407	7,987	–	307,585	296,446

(Expressed in RMB unless otherwise indicated)

26 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, 2020 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 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$.

	2020		2019	
	US$	**HK$**	US$	HK$
	RMB'000	**RMB'000**	RMB'000	RMB'000
Cash and cash equivalents	**4**	**655**	35,431	45

(Expressed in RMB unless otherwise indicated)

26 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 (loss)/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.

	2020		2019	
	Increase/ (decrease) in foreign exchange rates RMB'000	Effect on (loss)/ profit after tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates RMB'000	Effect on (loss)/ profit after tax and retained profits RMB'000
US$	5%	–	5%	(326)
	(5%)	–	(5%)	326
HK$	5%	33	5%	2
	(5%)	(33)	(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.

(Expressed in RMB unless otherwise indicated)

26 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

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

	Fair value at December 31, 2020	**Fair value measurement as of December 31, 2020 categories into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Short-term investment	20,066	–	20,066	–

During the year ended December 31, 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.

(Expressed in RMB unless otherwise indicated)

26 Financial risk management and fair values of financial instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurement

Investments in participating shares managed by OAK 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 this financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place.

(ii) 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 December 31, 2020.

27 Material related party transactions

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

Names of related parties	**Nature of relationship**
Mr. Liu Mu (劉牧)	Controlling shareholder and executive director of the Company
Mr. Xia Rui (夏瑞) (Appointed on June 30, 2020)	Executive director of the Company

(b) Transactions with related parties during the year

	2020 **RMB'000**	2019 RMB'000
Amounts received from Mr. Liu Mu	**27,824**	28,800
Amounts repaid to Mr. Liu Mu	**19,324**	28,800
Receipts on behalf of Mr. Liu Mu	**320**	–
Interest expense	**169**	446

Details of the bank loans and other payables guaranteed by directors of the Company are disclosed in Notes 19 and 22.

Details of the counter guarantees provided by directors of the Company, subsidiaries and the parent company related to the bank loans are disclosed in Note 19.

(Expressed in RMB unless otherwise indicated)

27 Material related party transactions (continued)

(c) Balances with related parties at the end of the reporting period

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Included in accruals and other payables (Note 22):		
Amounts due to Mr. Liu Mu	8,989	–

(d) 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:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	5,225	3,118
Retirement scheme contributions	17	175
	5,242	3,293

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

(e) Applicability of the Listing Rules relating to connected transactions

The Contractual Arrangements entered into by the Group as mentioned in Note 2(b) constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section Connected Transactions and Continuing Connected Transactions of the Directors' Report.

(Expressed in RMB unless otherwise indicated)

28 Company-level statement of financial position

	Note	2020 RMB'000	2019 RMB'000
Current assets			
Short-term investment	13	**20,066**	–
Cash and cash equivalents		**618**	35,133
Non-current assets			
Investment in subsidiaries	14	**35,130**	–
Prepayments and other receivables		**722,661**	121,386
		778,475	156,519
Current liabilities			
Accruals and other payables		**7,925**	42,295
NET ASSETS		**770,550**	114,224
Equity			
Share capital	25(b)	**73**	45
Reserves	25(d)	**770,477**	114,179
TOTAL EQUITY		**770,550**	114,224

Approved and authorised for issue by the board of directors on August 27, 2021.

Liu Mu
Director

Xia Rui
Director

(Expressed in RMB unless otherwise indicated)

29 Impacts from COVID-19 Pandemic

The COVID-19 pandemic since early 2020 continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the easing of the COVID-19 pandemic in Mainland China, the Group continues to closely monitor the possible impact of the COVID-19 pandemic has on the Group's businesses and keep contingency measures in place and under review in the case where the COVID-19 pandemic rebounds. The directors of the Company confirm that these contingency measures include but not limited to reassessing changes 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 management by expediting debtor settlements and negotiating with suppliers on extension of payment terms.

The exact timing of the cessation of the COVID-19 pandemic is still uncertain. Nonetheless, the directors of the Company is optimistic that the COVID-19 pandemic will eventually be under full control.

30 Non-adjusting events after the reporting period

(i) Grant of Options

The board of directors (the "Board") of the Company announces that, on December 8, 2020, the Board has approved the grant of options (the "Options") to 10 director and employees (the "Grantees") under the Share Option Scheme. On January 1, 2021, the Company granted share options with both service condition and performance condition to purchase 77,000,000 ordinary shares with an exercise price of HK$0.97 per share, all of which were granted to the Grantees based on the mutual understanding of the key terms and conditions of the performance conditions. Based on the fair value per share at issuance date, the Company estimates it will recognize approximately HK$41,888,000 (equivalent to RMB35,302,000) (unaudited) of share-based compensation expense related to these share options over the requisite service period of 1 – 3 years.

(ii) Redemption of the Promissory Note

Subsequent to the reporting period, the Company redeemed the remaining balance of the Promissory Note with a principal amount of USD64.0 million (equivalent to RMB417,594,000), from L.R. Capital directly and a third party known as 北京中安華信投資管理有限公司("中安華信"), a limited company incorporated in the PRC, amounted to HKD89.0 million (equivalent to approximately USD11.5 million) and RMB340.0 million (equivalent to approximately USD52.5 million) respectively. Payment from 中安華信 was made under the instruction of L.R. Capital pursuant to the settlement agreement entered into among the Company, L.R. Capital and 中安華信 dated June 21, 2021 for settling the redemption of outstanding balance of the Promissory Note. Based on the legal advice, the Directors are satisfied with the legality and enforceability of the aforementioned settlement agreement.

Subsequent to the full redemption of the Promissory Note with an original principal amount of USD70.8 million (equivalent to 495,834,000) by 25 June 2021, the Company entered into a termination agreement with AMTD in respect of the Asset Management Agreement. Based on the legal advice, the Directors are satisfied with the legality and enforceability of the aforementioned termination agreement.

(Expressed in RMB unless otherwise indicated)

30 Non-adjusting events after the reporting period (continued)

(iii) Provision of loan to Tianjin Fangzhou (as defined below)

On June 16, 2021, the Group's wholly-owned subsidiary, Yueying Xingyao, entered into a loan agreement with Tianjin Fangzhou Technology Development Company Limited ("Tianjin Fangzhou", 天津方舟科技發展有限公司), a limited liability company established in the PRC (the "Loan Agreement"). Pursuant to the Loan Agreement, Yueying Xingyao (lender), made available a principal amount of RMB179.0 million to Tianjin Fangzhou (borrower) for a term ending on December 31, 2021 and with an annual interest rate of 10%. Such loan is secured by 35% of the total issued shares of Tianjin Fangzhou owned by its ultimate beneficial owner.

(iv) Procurement of three program copyrights

On June 16, 2021, Yueying Xingyao entered into a strategic cooperation agreement with Zhejiang Xizhimen Culture Development Co., Ltd ("Xizhimen", 浙江溪直門文化發展有限公司), and paid RMB161.0 million to Xizhimen by end of June 30, 2021 to purchase the program copyrights of three TV drama, of which the production of two TV drama have been completed and the production of one TV drama is expected to be commenced in the third quarter of 2021.

31 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, 2020 to be Double K Limited and Mr. Liu Mu.

(Expressed in RMB unless otherwise indicated)

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year beginning on December 31, 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard which are not yet effective for the year ended December 31, 2020 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 periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	January 1, 2021
Amendment to IFRS 16, *COVID-19-Related Rent Concessions beyond June 30, 2021*	April 1, 2021
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	January 1, 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
IFRS 17, Insurance contracts Basis for conclusions on IFRS 17 Illustrative examples on IFRS 17 Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	January 1, 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined at a future date
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	To be determined at a future date

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 2021 annual general meeting of the Company to be held on September 27, 2021
"AMTD"	AMTD Global Markets Limited
"Articles of Association"	the articles of association of the Company adopted on February 7, 2020 and effective on the Listing Date and as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"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 annual report, references in this annual report to the PRC or China do not include Taiwan, Hong Kong or Macau
"Company", "our Company", or "the Company"	China Bright Culture Group, an exempted company incorporated in the Cayman Islands with limited liability on May 28, 2019 and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1859)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"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 company established under the laws of the PRC with limited liability on August 17, 2016
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and the PRC Operating Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements) from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 40,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong
"International Offer Shares"	the 360,000,000 Shares initially being offered by the Company at the offer price under the International Offering
"International Offering"	the offer of the International Offer Shares outside the United States in offshore transactions in accordance with Regulation S
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	March 13, 2020, being the date on which the Shares were listed on the Stock Exchange
"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"	the nomination committee of the Company
"PRC Operating Entity(ies)"	the entity(ies) controlled by the Company through the Contractual Arrangements, being Zhongguang Yusheng and its subsidiaries, namely Dongyang Qianyuxing, Yili Zhongsheng and Shanghai Yusheng
"Prospectus"	the prospectus of the Company dated February 28, 2020 in relation to its initial public offering
"Registered Shareholders"	Mr. Liu, Zhuhai Mubi No.2 Private Equity Investment Fund Management Enterprise (Limited Partnership)* (珠海木筆二號私募股權投資基金管理企業(有限合夥)), 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 annual report
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended December 31, 2020
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Yusheng"	Shanghai Yusheng Culture Media Co., Ltd* (上海煜盛文化傳媒有限公司), a company established under the laws of the PRC with limited liability on December 25, 2018
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.00001 each
"Share Option Scheme"	the share option scheme adopted by our Company on February 27, 2020, the principal terms of which are summarised in the section headed "Report of the Directors – Share Option Scheme"
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	United States dollars, the lawful currency of the United States
"WFOE"	Beijing Yusheng Culture Co., Ltd.* (北京煜盛文化有限公司), a company established in the PRC with limited liability on July 15, 2019 and a 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 company established under the laws of the PRC with limited liability on September 8, 2016
"Zhongguang Yusheng"	Beijing Sino-Prosperity Culture Group Co., Ltd.* (北京中廣煜盛文化傳播有限公司), a company established in the PRC with limited liability on April 3, 2014
"%"	per cent

* *For identification purposes only*

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