星宏传媒
STARRISE MEDIA

(incorporated in the Cayman Islands with limited liability)

Stock code: 1616

INTERIM REPORT 2019

CONTENTS

Summary	2
Corporate Information	3
Management Discussion and Analysis	5
Supplementary Information	16
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	31
Condensed Consolidated Cash Flow Statement	32
Notes to the Unaudited Interim Financial Report	34

SUMMARY

For the six months ended 30 June 2019 (the "**Period Under Review**"):

- Revenue was approximately RMB461.2 million, representing an increase of approximately 11.4% as compared to approximately RMB413.9 million recorded for the corresponding period of last year.

- Gross profit was approximately RMB127.6 million, representing an increase of approximately RMB64.9 million, or approximately 103.5% as compared to that of the corresponding period of last year.

- Gross profit margin was approximately 27.7%, representing an increase of approximately 12.6 percentage points as compared to approximately 15.1% recorded for the corresponding period of last year.

- Profit attributable to the equity shareholders of the Company was approximately RMB29.2 million, representing an increase of approximately RMB121.9 million as compared to the loss attributable to the equity shareholders of the Company of approximately RMB92.7 million for the corresponding period of last year.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive Directors

Mr. LIU Dong *(Chairman)*
Mr. LIU Zongjun *(Chief Executive Officer)*
Ms. CHEN Chen
Mr. HE Han
Mr. TAN Bin

Independent Non-Executive Directors

Mr. WANG Liangliang
Mr. LAM Kai Yeung
Ms. LIU Chen Hong

COMPANY SECRETARY

Ms. CHAN Yin Wah, *FCS, FCIS, FCCA*

AUTHORISED REPRESENTATIVES

Mr. LIU Dong
Ms. CHAN Yin Wah

AUDIT COMMITTEE

Mr. LAM Kai Yeung *(Chairman)*
Mr. WANG Liangliang
Ms. LIU Chen Hong

REMUNERATION COMMITTEE

Mr. WANG Liangliang *(Chairman)*
Mr. LIU Dong
Ms. LIU Chen Hong

NOMINATION COMMITTEE

Ms. LIU Chen Hong *(Chairman)*
Mr. WANG Liangliang
Mr. LIU Dong

REGISTERED OFFICE

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Central, Hong Kong

AUDITOR

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Certified Public Accountants
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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PRINCIPAL BANKER

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The PRC

STOCK CODE

1616

COMPANY'S WEBSITE ADDRESS

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MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the first half of 2019, China's economic growth experienced a slowdown due to the domestic deleveraging campaign and US-China trade war. The gross domestic product (the "**GDP**") growth fell to a record low of 6.2% in the second quarter of 2019. Although certain economic stimulus policies have been implemented to reduce the downward pressure of domestic economy, China's economy was still facing a number of challenges.

The film and television drama industry in China remains challenging due to strict supervision by authorities and the increasing requirements from the audience. Since the successive outbreaks of a series of incidents such as the "dual contract arrangements" in May 2018, the tax issues in the film and television drama industry have received high attention. In addition, due to the strengthened regulatory control including more clear and detailed restrictions on film and television contents as well as the reduction in capital investments, the startup number of film and television projects had decreased significantly since the beginning of 2019 and many film and television dramas had been pulled from cinemas or delayed. The film and television drama industry remains under the pressure from the effects of the implementation of tax and other policies. In terms of film, despite the high overall film quality and audience satisfaction during the 2019 Lunar New Year holidays, the total box office in China during the 2019 Lunar New Year holidays was approximately RMB5.84 billion, representing a year-on-year decrease of approximately 12%. Furthermore, according to the statistics of entgroup.cn, in the first half of 2019, the total box office of Chinese films reached approximately RMB31.17 billion, representing a year-on-year decrease of 2.7%; the number of people watching movies reached approximately 808 million, representing a year-on-year decrease of 10.3%; the time when the domestic combined box office reached RMB30 billion is a week later than last year. While it is apparent that the film and television drama industry still faces enormous challenges, there were also opportunities. The robust development of the cultural industry highlights the importance of the film and television drama industry. At the end of 2018, the National Film Bureau of the PRC issued the "Opinions on Accelerating the Construction of Movie Theaters to Promote the Prosperity and Development of the Film Market"(《關於加快電影院建設促進電影市場繁榮發展的意見》) and the General Office of the State Council issued the "Regulations on Further Supporting the Development of Cultural Enterprises" (《進一步支持文化企業發展的規定》), both indicating the government's intention to keep supporting the healthy development of the film and television drama industry.

During the first half of 2019, the textile industry continued the grim situation of 2018 (especially that of the fourth quarter). China's total exports of textile and apparel for the first half of 2019 amounted to approximately US$124.23 billion, representing a decrease of approximately 2.4% year-on-year. Among which, exports of textile products amounted to approximately US$58.62 billion, representing an increase of approximately 0.7% year-on-year; exports of apparel products amounted to approximately US$65.61 billion, representing a decrease of approximately 4.9% year-on-year. In particular, exports of pure cotton grey fabrics in June amounted to approximately 61.19 million meters, representing a decrease of approximately 60.8% year-on-year. In the first half of 2019, China's total exports of pure cotton grey fabrics were approximately 370 million meters, representing a decrease of approximately 62.4% year-on-year. It can be seen from these data that the intensification of US-China trade war has had a significant impact on the operation of the textile industry, especially in terms of exports. Production activities of China's textile industry as a whole was subdued. The growth of the industry had slowed down markedly, with profit margins, return on investment and return on assets continuing to decline, percentage of loss-incurring enterprises increasing and investors staying in wait-and-see mood.

BUSINESS REVIEW

For the six months ended 30 June 2019, the profit before tax of Starrise Media Holdings Limited (the "**Company**") together with its subsidiaries (collectively, the "**Group**") was approximately RMB35.2 million, representing an increase of approximately RMB121.0 million as compared to the loss before tax of approximately RMB85.8 million for the corresponding period of last year, which was mainly due to the sharp increase in the Group's revenue and gross profit, and the decrease in loss from changes in fair value of convertible bonds comparing to the corresponding period of last year.

1. Media business

Since the Group has entered into the film and television industry in 2015 and up to the date hereof, the Group's film, television and media business has been growing steadily. Due to the changes in market regulation and policies, "The Last Wish"(小小的願望, formerly known as "Great Wish"(偉大的願望)), a theatrical film, and "Once Upon A Time In The Northeast"(東北往事), a youth nostalgic film, both invested by Beijing Starrise Pictures Co., Ltd.(北京星宏影視文化有限公司)("**Starrise Pictures**"), a wholly-owned subsidiary of the Group, were revoked from and delayed to release before their respective release dates. In the first half of 2019, the films and dramas of the Group released included "Wandering Earth"(流浪地球), the first phenomenal science fiction film in China, and "The Grandmaster of Kungfu"(霍元甲之精武天下), an internet swordsman action film, both invested by Beijing Starwise Culture Media Co., Ltd.(北京睿博星辰文化傳媒有限公司) ("**Beijing Starwise**"), a wholly-owned subsidiary of the Group, and "Mystic Kitchen 1"(如意廚房第一部) and "Triple Threat"(三重威脅), internet movies invested by Starrise Pictures. Among them, "Wandering Earth"(流浪地球) has made remarkable achievements in both reputation and box office since its release, recording box office of approximately RMB4.66 billion and ushering in a new era of Chinese science fiction movie. "The Family in That City"(那座城,這家人), invested and produced by Beijing Huasheng Taitong Media Investment Co., Ltd.(北京華晟泰通傳媒投資有限公司)("**Huasheng Media**"), a wholly-owned subsidiary of the Group, was nominated for Best TV Series (China) of the 25th Shanghai TV Festival Magnolia Awards in May 2019, and won the 15th "Five-One Project" Award for the Construction of Spiritual Civilization issued by the Publicity Department of the Communist Party of China in August 2019. Moreover, "Soulmate"(七月與安生) and "Lipstick Princess"(唯美貌不可辜負), internet movies invested and produced by Beijing Starwise, were exclusively released on iQIYI on 22 July 2019 and 30 July 2019, respectively.

Meanwhile, among the films and television series invested by Huasheng Media, animated film "Tempering of King Gelsall"(格薩爾王之磨煉)is in the stage of preparing script. A large-scale television series "Legend of Businessman in Hongjiang"(一代洪商)and situation comedy "The 101-200 episodes of The New Big Head Son and The Little Head Father"(新大頭兒子小頭爸爸101-200集)had finished shooting in early 2019 and are currently under post production stage. Among the films, internet dramas and internet films invested by Starrise Pictures, theatrical film "In Broad Daylight"(光天化日), internet movies "Mystic Kitchen 2"(如意廚房2), "Alien Monster: Survival in the Wild"(異星怪獸之荒野求生), "Bosom Friend"(高山流水)and theatrical film "Space Dogs: Adventure to the Moon"(太空狗之月球大冒險)are all submitted for screening. Horror film "Scream"(驚聲尖叫, formerly known as "Horror Blockbuster"(恐不大片))and youth nostalgic film "Here Comes Dashan"(大山來了)were submitted for approval. Internet drama "Legend of Taotie"(饕餮記), internet movies "Monster Hunters"(鎮魂歌)and "Drift on! Zhi"(漂移吧!小志)have all finished shooting and are currently under post production stage. Theatrical film "Twin Blades"(歷小龍與程序媛), internet films "Breaking Gods"(破神錄)and "Sword Maker"(煉劍)are undergoing the filming process. Internet film "Mystery Case in Ying Dynasty"(大應奇案)and film "Tianta Crisis"(天塔危機)are preparing filming. Internet drama "The Counterattack of An Ordinary Man"(匹夫的逆襲)and film "Elderly Hero"(遲暮英雄)are in the stage of script development and preparation. Among the dramas, films, internet dramas and internet films invested by Beijing Starwise, internet film "Snow Monster(大雪怪, formerly known as "Trance"(迷幻境地))will be released on 11 September 2019. Animated film"GO!REX"(你好,霸王龍)has already been approved for broadcast and will be screened in November 2019. Internet film "Deadly Sniper"(致命狙殺, formerly known as "Spy"(叛諜)), television drama "Healer of Children"(了不起的兒科醫生), "The Lion's Reflection of Laying Cat"(賴貓的獅子倒影), internet films "Ninja Mission"(忍術之八岐大蛇), "Rat Disaster"(大鼠災)and "The Shark"(陸行鯊)have all finished shooting and are currently under post production stage. Particularly, the "Healer of Children" was selected by National Radio and Television Administration as one of the tribute plays to celebrate the 70th anniversary of the founding of the People's Republic of China. Internet dramas "Platina Data"(白金數據), "Bulletproof Teacher"(穿越火線:防彈教師)and "Back to the dynasty"(午門囧事), all being valuable IP projects, are also in the stage of script development and early investment.

In addition, on 8 July 2019, Starrise Pictures entered into a cooperation agreement with Chongqing Normal University Foreign Trade and Business College ("**Chongqing Normal University**"), pursuant to which Starrise Pictures and Chongqing Normal University will jointly establish a film and television media school under Chongqing Normal University ("**Film and Television Media School**") to cultivate vocational talents for the film and television industry by leveraging on the parties' resources and brand influence. The Board believes that the establishment of the Film and Television Media School will provide the Group with consistent and stable income, as well as a source of professional talents from various disciplines, which will further enhance the competitiveness of the Company.

2. Textile business

Under the grim situation of the textile industry, the Company continued to strengthen the innovation strategies and stringent cost saving measures to improve the performance of textile business to cushion the impact of textile market fluctuations on the Company's business performance. The Company continued to deepen the Amoeba operating model for striving to reduce operating costs. However, facing with the severe and complicated circumstance, although the Company has gone into full production and maintained the balance of production and sales, it still recorded operating losses for the first half of the year. The Group's textile business is under downward pressure due to unsatisfied economic environment.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group's textile business and media business for the six months ended 30 June 2019 and 2018, respectively:

	For the six months ended 30 June					
	2019			2018		
	Revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Textile business	**240,912**	**22,639**	**9.4%**	301,917	37,746	12.5%
Media business	**220,277**	**104,950**	**47.6%**	111,980	24,955	22.3%
Total	**461,189**	**127,589**	**27.7%**	413,897	62,701	15.1%

For the six months ended 30 June 2019, the gross profit margin of the Group increased by approximately 12.6 percentage points, from approximately 15.1% of the corresponding period of last year to approximately 27.7%.

The revenue of the media business of the Group recorded great increase in the Period Under Review as compared to the corresponding period of last year. Although the revenue of the textile business decreased during the Period Under Review, the increase in the media business's gross profit offsets the decrease in the textile business. As a result, the gross profit margin of the Group increased by 12.6 percentage points as compared to the same period in 2018. The gross profit margin of the media business was approximately 47.6%, representing an increase of approximately 25.3 percentage points as compared to the corresponding period in 2018. The gross profit margin of the textile business was approximately 9.4% during the Period Under Review, which represented a decrease of approximately 3.1 percentage points as compared to the same period in 2018.

Distribution costs

For the six months ended 30 June 2019, distribution costs of the Group was approximately RMB8.8 million, decreased by approximately RMB5.8 million from approximately RMB14.6 million for the corresponding period of last year. Such decrease was generally in line with the sharp decline in distribution costs of film and television projects in the media business.

Administrative expenses

For the six months ended 30 June 2019, the administrative expenses of the Group increased slightly to approximately RMB39.7 million, representing an increase of approximately 2.3% as compared to that of approximately RMB38.8 million for the corresponding period of last year.

Other net losses

For the six months ended 30 June 2019, the total amount of other net losses of the Group was approximately RMB24.0 million, (other net losses was approximately RMB52.3 million for the corresponding period of last year). Such decrease was mainly due to the losses on change in fair value recognized in profit or loss of RMB26.5 million in relation to the derivatives embedded in convertible bonds during the Period Under Review which represented a decrease of approximately RMB31.2 million as compared to approximately RMB57.7 million recorded during the corresponding period of last year.

Net finance costs

During the Period Under Review, the Group recorded a net finance costs of approximately RMB19.8 million. For the six months ended 30 June 2019, the finance costs of the Group were approximately RMB36.7 million, representing a decrease of approximately RMB22.0 million as compared to approximately RMB58.7 million recorded during the corresponding period in 2018. Such decrease was mainly due to the decrease in interest expense of convertible bonds. The finance income of the Group was approximately RMB16.9 million, representing an increase of approximately RMB1.1 million as compared to approximately RMB15.8 million recorded during the corresponding period of last year, which was mainly due to the increase in the interest income from bank deposit in 2019.

Taxation

For the six months ended 30 June 2019, taxation of the Group remained stable at approximately RMB6.1 million, representing an increase of approximately RMB0.1 million, as compared to approximately RMB6.0 million of the corresponding period of last year.

Profit/(loss) attributable to the equity shareholders of the Company

For the six months ended 30 June 2019, the profit attributable to the equity shareholders of the Company was approximately RMB29.2 million (the loss attributable to the equity shareholders of the Company was approximately RMB92.7 million in the corresponding period in 2018). This was mainly due to the large increase in the revenue and gross profit of the Group's media business during the Period Under Review.

Liquidity and financial resources

As at 30 June 2019, cash and cash equivalents of the Group were approximately RMB244.0 million, representing a decrease of approximately 14.3% from approximately RMB284.7 million as at 31 December 2018. This was mainly due to the increase in the cash used in operating activities and the decrease in the proceeds from financing activities.

For the six months ended 30 June 2019, the Group's net cash used in operating activities was approximately RMB93.1 million, net cash generated from investing activities was approximately RMB98.0 million and net cash used in financing activities was approximately RMB45.9 million. Cash and cash equivalents of the Group decreased by approximately RMB41.0 million over the Period Under Review. The Board believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

With respect to the payment terms of purchase or processing orders made by customers with long established business relationship, good settlement record and sound reputation, the Group may waive the deposit requirements and grant a credit period typically ranging from 30 to 180 days. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2019, the average trade receivables (including bills receivable) turnover days of the Group was approximately 140 days, increased from 58 days recorded during the corresponding period in the previous year. The increase was mainly due to the increase in the average balance of accounts receivables of the media business.

For the six months ended 30 June 2019, inventory turnover days of the Group increased to 117 days from 93 days for the corresponding period in 2018. The increase was mainly because of the increase in the balance of inventories and the decrease in selling cost.

For the six months ended 30 June 2019, drama series and films turnover days of the Group decreased to 327 days from 420 days for the corresponding period in 2018. The decrease was mainly because of the increase in selling cost of drama series and films during the Period under Review.

As at 30 June 2019, the Group's bank borrowings and lease liabilities were approximately RMB215.2 million (31 December 2018: approximately RMB204.7 million), which bore fixed interest at rates ranging from 4.4% to 5.7% per annum (31 December 2018: 4.4%-5.7%). As at 30 June 2019, the Group did not have any loans with floating interest (31 December 2018: Nil). The Group's liability component of the convertible bonds is approximately RMB154.7 million, with annual effective interest rate of 12.3% (31 December 2018: approximately RMB253.9 million, with annual effective interest rate of 22.0%).

Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2019, the debts of the Group were mainly represented by bank loans, bonds, convertible bonds and lease liabilities with a total amount of approximately RMB695.8 million (31 December 2018: approximately RMB845.5 million). As at 30 June 2019, cash and cash equivalents were approximately RMB244.0 million (31 December 2018: approximately RMB284.7 million). As at 30 June 2019, the Group's gearing ratio was approximately 38.8% (31 December 2018: gearing ratio was approximately 58.8%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, obligations under finance lease and bonds, after deducting cash and cash equivalents) by total equity.

As at 30 June 2019, the Group's debts due within a year were approximately RMB670.0 million (31 December 2018: approximately RMB627.2 million).

Capital commitments

Save as disclosed in note 16 to the unaudited interim financial report, the Group did not have any other significant capital commitments as at 30 June 2019 (31 December 2018: Nil).

Employee and remuneration policy

As at 30 June 2019, the Group had a total of approximately 1,755 employees (31 December 2018: 1,704; 30 June 2018: 1,721). Such increase in the number of employees was mainly due to the increase in the number of employees in textile business.

For the six months ended 30 June 2019, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB55.1 million (for the corresponding period of 2018: approximately RMB50.9 million). The increase in staff costs was mainly due to the increase in the staff costs in textile business.

The Group continues to provide training to its staff to improve their operational skills. Meanwhile, the Group enhanced the work efficiency and the average income of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy. In addition, the Group would provide bonuses and incentives based on employees' performances to encourage and motivate them to strive for better performance. For the rest of 2019, the Group will continue to provide training to staff according to their respective skill requirements, such as training sessions on safety and technical skill.

Exposure to foreign exchange risk

The Group has adopted a prudent policy in managing its exchange rate risk. The imports and exports of the Group were settled in US dollars. The convertible bonds, bonds and foreign currency bank deposits were calculated in HK dollars. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period Under Review. The Board believes that the Group will have sufficient foreign currency reserves to meet its requirements. For the six months ended 30 June 2019, no financial instruments were used for hedging purpose. nor were there any foreign currency net instruments hedged by current borrowings and/or other hedging instruments.

Contingent liabilities

Save as disclosed in the notes to the financial statements, the Group did not have any contingent liabilities as at 30 June 2019.

Charges on assets

Except for the pledged bank deposits disclosed in the consolidated statement of financial position, the Group pledged its machinery and equipment with net book value of approximately RMB10.4 million (31 December 2018: approximately RMB10.6 million) as securities for bank borrowings and lease liabilities as at 30 June 2019.

Significant investments

As at 30 June 2019, the Group did not hold any significant investments in equity interest in any other company.

Future plans for material investments and capital assets

As at the date of this report, the Group did not have any plans for future material investments and capital assets.

Material acquisitions and disposals of subsidiaries and associated companies

For the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

OUTLOOK

For all these years, the Group always stick to the market segment of high-end jacquard fabrics in spite the ever-changing textile markets by focusing on two aspects, namely, innovation and cost control, in attempt to increase revenue, reduce expenditures, constantly strength its own core competitiveness and enhance operating efficiency, thus allowing the Company maintain stable operation against the prolonged stagnant and challenging situation. However, the effects from the US-China trade war has not only caused concerns over the present situation of the textile industry in China, but also brought long-term worries about the redeployment of the global textile industry. What's more, as the operation-related costs of domestic enterprises increase, the competitiveness and influence of the textile industry in China would be severely damaged. We are becoming more aware of the fact that, the restructuring and upgrading of the Chinese economy, the social development as well as the competition among global markets will all bring fundamental changes to the living situation and environment of textile enterprises. Based on this recognition, the Company proposes to divest its textile business in order to shift the Group's focus to film and television business. The Company firmly believes that the disposal of textile business is in line with the long term benefits of the Group and its Shareholders as a whole.

The year of 2019 is the 70th anniversary of the founding of the People's Republic of China, as well as the crucial year for achieving the Two Centenary Goals. Despite the external uncertainties for economic growth, the television and film industry as an important pillar of the cultural industries and also the state-supported industry still shows a promising market outlook. The realistic films and dramas based on the theme of 70th anniversary of the founding of the People's Republic of China will be the mainstream on screen in the second half of 2019. In respect of the film industry, China Film Association issued "The Research Report on Chinese Film Industry 2019" at the 22th Shanghai International Film Festival in June 2019. The report states that, first of all, the sky-high remuneration of stars got restrained effectively with combining efforts; second, Chinese film market has showed signs of leading the industry, specifically, China is currently the fastest-growing country in terms of global box office with rapid-growing number of movie screens and low price of movie tickets, and Chinese people are also shaping their habits of going to the cinema; lastly, Chinese audiences are getting more rational in picking movies, which makes the quality and reputation of a movie become the crucial factor to success. In addition, video websites take an increasingly important role and the number of paid members of iQIYI.COM broke 100 million in June this year, marking the coming of "100 million" membership era of paid video market in China. The high-quality content on video platforms drove the growth of payment, which administrated the market law of "quality counts". Besides, the demand of audiences for dramas keeps increasing, so high-quality dramas and movies with mainstream theme and commercial characters will be the key for the industry to get through downturn period.

Going forward, the Group will continue to promote the development of its film and television media business. In the second half year of 2019, the Group will first take full advantages of the platform of its subsidiary, Huasheng Media, in terms of creating quality orthodox dramas with positive themes, to focus on high quality and innovative development of the contents and further spread positive energy to the community. Secondly, the Group will leverage on the advantages of its other two business platforms, namely that of Starrise Pictures and Beijing Starwise, respectively, in the areas of internet dramas and movies, IP resources reserves and the long cooperation relationship with video platforms to capture the opportunities due to the fast development of internet video platforms and promote the production of internet orthodox dramas subject to the national policies. Lastly, the Group will leverage on the advantages of the Film and Media Television School which is jointly established via the cooperation with the Chongqing Normal University, in the terms of professional talents training and provision of stable income, to gradually enhance the recognition and competitiveness of the Group and lay a solid foundation for the Group on a good development in the future. In the second half year of 2019, the Group will pay close attention to the developments in the government policies relating to the film and television media industry, make full use of its existing film and television resources to further diversify the Group's film and television media business, as well as actively invest in the shooting of high-quality television and internet dramas which are in line with the China's "Core Socialist Values", to achive a better development of the Group.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasting and production schedule of its films and television series for 2019 are as follows:

No.	Title	Theme	(Planed) Shooting Commencement Date	Current Status
1	Wandering Earth（流浪地球）	Science fiction film	In May 2017	Broadcasted in February 2019
2	The Grandmaster of Kungfu（霍元甲之精武天下）	Internet movie	In July 2018	Broadcasted in January 2019
3	Mystic Kitchen 1（如意廚房1）	Internet movie	In June 2018	Broadcasted in February 2019
4	Triple Threat（三重威脅）	Internet movie	–	Broadcasted in March 2019
5	Soulmate（七月與安生）	Internet dramas	In May 2018	Broadcasted in July 2019
6	Beauty is the Most important（唯美貌不可辜負）	Internet dramas	In August 2018	Broadcasted in July 2019
7	Once Upon A Time In The Northeast（東北往事）	Youth nostalgic film	In March 2017	Delayed for broadcast
8	The Last Wish（小小的願望, formerly known as "Great Wish"（偉大的願望））	Theatrical film	In November 2018	Broadcasted in September 2019
9	Snow Monster（大雪怪, formerly known as "Trance"（迷幻境地））	Internet movie	In November 2018	Broadcasted in September 2019
10	Mystic Kitchen 2（如意廚房2）	Internet movie	In June 2018	Submitted for screening
11	In Broad Daylight（光天化日）	Theatrical film	In June 2018	Submitted for screening
12	Bosom Friend（高山流水）	Internet movie	In July 2018	Submitted for screening
13	Alien Monster: Survival in the Wild（異星怪獸之荒野求生）	Internet movie	In August 2018	Submitted for screening
14	GO!REX（你好霸王龍）	Animated movie	In May 2017	Will be broadcasted in November 2019
15	Space Dogs: Adventure to the Moon（太空狗之月球大冒險）	Theatrical film	–	Submitted for screening
16	Scream 驚聲尖叫 (formerly known as "Horror Blockbuster"（恐不大片）)	Horror film	In November 2017	Submitted for approval
17	Here Comes Dashan（大山來了）	Youth nostalgic film	In December 2017	Submitted for approval
18	The Lion's Reflection of Laying Cat（賴貓的獅子倒影）	Internet dramas	In September 2018	Under post-production
19	Legend of Businessman in Hongjiang（一代洪商）	Historical story drama	In October 2018	Under post-production
20	The Tale of the Mythical Ferocious Animal（饕餮記）	Internet dramas	In October 2018	Under post-production
21	Monster Hunters（鎮魂歌）	Internet movie	In December 2018	Under post-production
22	Ninja Mission（忍術之八岐大蛇）	Internet movie	In January 2019	Under post-production

No.	Title	Theme	(Planed) Shooting Commencement Date	Current Status
23	Healer of Children (了不起的兒科醫生)	Workplace drama	In January 2019	Under post-production
24	The 101-200 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸101-200集)	Situation comedy	In February 2019	Under post-production
25	The Shark (陸行鯊)	Internet movie	In April 2019	Under post-production
26	Deadly Sniper (致命狙殺, formerly known as "Spy" (叛諜))	Internet movie	In May 2019	Under post-production
27	Rat Disasters (大鼠災)	Internet movie	In May 2019	Under post-production
28	Drift on! Zhi (漂移吧！小志)	Internet movie	In August 2019	Under post-production
29	Twin Blades (曆小龍與程序媛)	Theatrical film	In May 2019	Under filming
30	Breaking Gods (破神錄)	Internet movie	In June 2019	Under filming
31	Sword Maker (煉劍)	Internet movie	In August 2019	Under filming
32	Legend of Tang Xiaohu (唐伯虎後傳)	Internet movie	The first half of 2019	Preparing script
33	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	The first half of 2020	Preparing script
34	The 201-300 episodes of The New Big Head Son and The Little Head Father (新大頭兒子小頭爸爸201-300集)	Situation comedy	The first half of 2020	Preparing script
35	Platinum Data (白金數據)	Internet dramas	The first half of 2020	Preparing script
36	Bulletproof Teacher (穿越火線)	Internet dramas	The first half of 2020	Preparing script
37	Back To The Dynasty (午門囧事)	Internet dramas	The first half of 2020	Preparing script
38	Tempering of King Gelsall (格薩爾王之磨煉)	Animation film	–	Preparing script
39	The Past Days Spent Together (一起混過的日子)	Internet dramas	2020	Preparing script
40	The Counterattack of An Ordinary Man (匹夫的逆襲)	Internet dramas	2020	Preparing script
41	Yangtze River Bridge (長江大橋)	Realistic drama	2020	Preparing script
42	Mystery Case in Ying Dynasty (大應奇案)	Internet movie	2020	Preparing script
43	Outlaws of the Marsh: Wu Song (武松決戰十字坡)	Internet movie	2020	Preparing script
44	Yang Jian: God of War (少年楊戩)	Internet movie	2020	Preparing script
45	Hero Returns (遲暮英雄)	Theatrical film	2020	Preparing script

SUPPLEMENTARY INFORMATION

USE OF PROCEEDS

The entire net proceeds from the initial public offering of the Company have been fully utilized. For details of the use of the proceeds raised from IPO, please refer to the prospectus and the announcement of the Company dated 23 January 2013.

The Company placed an aggregate of 88,105,000 placing shares to not less than six placees at the placing price of HKD2.50 per placing share under specific mandate in June 2016. The net proceeds from this placing were all applied as follows: (i) repay the promissory notes issued as part of the consideration for the acquisition of Solid Will Limited and its subsidiaries; and (ii) general working capital. The net proceeds have been used for the intended purpose. For more information on this placing, please refer to the circular dated 11 April 2016 and the announcements dated 4 February 2016, 27 April 2016 and 7 June 2016.

In October 2016, the Company issued the convertible bonds to CCB International Overseas Limited under general mandate (the "**2016 CB**"). The proceeds were used for (i) working capital for development of the Company's television drama series (if additional funds are required); and (ii) general working capital of the Group's film and television media business. The net proceeds have been used for the intended purpose. The 2016 CB was early redeemed on 25 June 2018. For further details, please refer to the announcements of the Company dated 3 October 2016, 14 October 2016, 5 June 2018 and 25 June 2018.

In February 2017, the Company further issued convertible bonds under specific mandate to Dragon Capital Entertainment Fund One LP (the "**2017 CB**"). The net proceeds of which were intended to be used for the production of certain television drama series of the Group. As of 30 June 2018, the Company has used the proceeds of HKD256.85 million for the above disclosed purposes; while the surplus proceeds has been kept in the Company's bank account. For further details, please refer to the announcements of the Company dated 22 December 2016, 28 February 2017, 25 February 2019, 28 February 2019, 1 March 2019, 11 March 2019, and 6 May 2019, respectively, the circular dated 20 March 2019, and the 2018 annual report.

The Group timely adjusted the Company's film and television filming plan according to the market orientation and following up the guidelines of regulatory policies. The Group also adjusted some of the original 2017 CB repertoire plans. The adjustments mentioned above were disclosed in the 2018 annual report. As at the date of this report, the status and actual amount used of dramas and films are as follows:

Title	Theme	Status	Amount to be allocated (approximate HK$' million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 30 June 2019 (approximate HK$' million)
The Alarm of Xibaipo (formerly known as The Echoes of Xibaipo) (西柏坡的警鐘(原《西柏坡的回聲》))	Epic television drama based on revolution history	Submitted for screening	38.00	12.87%	38.00
Detective He (神探鶴真人)	Internet drama	Broadcasted	0.70	0.24%	0.70
The Heavenly Emperor 1 and 2 (御天神帝1、2)	Mythical fantasy internet drama	Broadcasted	1.80	0.61%	1.80
The Heavenly Emperor 3 and 4 (御天神帝3、4)	Mythical fantasy internet drama	Broadcasted	2.35	0.80%	2.35
Us and Them (後來的我們)	Urban emotional film	Broadcasted	5.30	1.79%	5.30
Hello My Dog (監獄犬計劃)	Comedy film	Broadcasted	3.80	1.29%	3.80
Once upon a Time in the Northeast (東北往事)	Youth nostalgic film	Delayer for broadcast	4.50	1.52%	4.50
Here Comes Dashan (大山來了)	Youth nostalgic film	Submitted for approval	0.70	0.24%	0.70
Scream 驚聲尖叫 (formerly known as "Horror Blockbuster" (恐不大片))	Horror film	Submitted for approval	2.35	0.80%	2.35
The Family in That City (那座城,這家人)	Realistic drama	Broadcasted	29.00	9.82%	29.00
Mystic Kitchen 1 (如意廚房1)	Internet movie	Broadcasted	0.40	0.14%	0.40
Mystic Kitchen 2 (如意廚房2)	Internet movie	Submitted for screening	0.60	0.20%	0.60

Title	Theme	Status	Amount to be allocated (approximate HK$' million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 30 June 2019 (approximate HK$' million)
Oh, My Honey!（甜心軟糖）	Internet movie	Broadcasted	0.95	0.32%	0.95
Alien Monster: Survival in the Wild（異星怪獸之荒野求生）	Internet movie	Submitted for screening	3.00	1.02%	2.00
Lipstick Princess（唯美貌不可辜負）	Internet drama	Broadcasted	5.40	1.83%	5.40
Soulmate（七月與安生）	Internet drama	Broadcasted	14.00	4.74%	14.00
Legend of Taotie（饕餮記）	Internet drama	Under post-production	24.00	8.13%	24.00
Monster Hunters（鎮魂歌）	Internet movie	Under post-production	9.5	3.22%	9.0
In Broad Daylight（光天化日）	Theatrical film	Submitted for screening	6.00	2.03%	6.00
Legend of Businessman in Hongjiang（一代洪商）	Historical story drama	Under post-production	120.00	40.63%	105.00
Bulletproof Teacher（穿越火線）	Internet drama	Preparing script	22.99	7.79%	1.00
Total			295.35	100%	256.85

The proceeds not yet utilised as at 30 June 2019 of approximately HKD38.5 million is expected to be used by the end of 2020.

In February 2018, the Company issued an aggregate of 209,000,000 new shares of the Company ("**Shares**") at the subscription price of HKD0.74 per subscription Share to Emerge Ventures Limited under general mandate. The net proceeds from the issuance of Shares were approximately HKD140.0 million. The net proceeds were utilised for (i) the establishment of an academy for motion pictures arts and performance arts; and (ii) paying up the registered capital of the subsidiary of the Company being set up for the film/drama production completion guarantee operations of the Group and financing the development of this operation. As of 31 December 2018, the Company had utilised the net proceeds of approximately HKD124.0 million for the intended purpose, As of 30 June 2019, all the net proceeds had been utilised for the intended purpose. For further details, please refer to the announcements of the Company dated 17 January 2018, 5 February 2018, and 8 July 2019.

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

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the directors of the Company (the "**Directors**") and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")), as 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 for Securities Transactions by Directors of Listed Issuers (the "**Mode Code**"):

Name of Directors	Name of Group member/ associated corporation	Capacity/nature of interest	Number and class of securities *(Note 1)*	Approximate percentage of shareholding
Mr. LIU Dong *(Note 2)*	The Company	Interest of a controlled corporation	273,609,836 shares (L)	19.31%
Mr. HE Han	The Company	Beneficial owner	14,008,000 share (L)	0.99%

Notes:

1. The letter "L" denotes the Directors' long position in the shares or the relevant associated corporation.

2. The shares are held by Excel Orient Limited, a company incorporated in the British Virgin Islands ("**BVI**") and is wholly-owned by Mr. LIU Dong. Mr. LIU Dong is therefore deemed to be interested in the shares of the Company held by Excel Orient Limited.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Name of Group member/associated corporation	Capacity/ nature of interest	Interest in underlying shares* *(Note 1)*	Number an class of securities *(Note 1)*	Approximate percentage of shareholding
Excel Orient Limited *(Note 2)*	The Company	Beneficial owner	–	273,609,836 (L)	19.31%
Ms. WANG Lingli *(Note 3)*	The Company	Family interest	–	273,609,836 (L)	19.31%
Dragon Capital Entertainment Fund One LP *(Note 4)*	The Company	Beneficial owner	243,243,243 (L)	–	17.17%
Dragon GP Partner Co *(Note 4)*	The Company	Interests of a controlled corporation	243,243,243 (L)	–	17.17%
China Huarong International Holdings Limited *(Note 5)*	The Company	Interests of a controlled corporation	243,243,243 (L)	–	17.17%
Huarong Real Estate Co. Ltd. *(Note 6)*	The Company	Interests of a controlled corporation	243,243,243 (L)	–	17.17%
China Huarong Asset Management Co., Ltd. *(Note 7)*	The Company	Interests of a controlled corporation	243,243,243 (L)	–	17.17%
Ministry of Finance of the PRC *(Note 8)*	The Company	Interests of a controlled corporation	243,243,243 (L)	–	17.17%
Aim Right Ventures Limited *(Note 9)*	The Company	Beneficial owner	–	202,472,656 (L)	14.29%
Mr. Liu Zhihua *(Note 9)*	The Company	Interests of a controlled corporation	–	202,472,656 (L)	14.29%

Name of Shareholders	Name of Group member/associated corporation	Capacity/ nature of interest	Interest in underlying shares* *(Note 1)*	Number an class of securities *(Note 1)*	Approximate percentage of shareholding
Ms. Zou Guoling *(Note 10)*	The Company	Interests of spouse	–	202,472,656 (L)	14.29%
Emerges Ventures Limited *(Note 11)*	The Company	Beneficial owner	–	209,000,000 (L)	14.75%
Mr. Jin Peng *(Note 11)*	The Company	Interests of a controlled corporation	–	209,000,000 (L)	14.75%
Ms. Shen Si *(Note 12)*	The Company	Interests of spouse	–	209,000,000 (L)	14.75%
BeiTai Investment LP *(Note 4)*	The Company	Beneficial owner	–	162,162,162 (L)	11.44%
BeiTai Investment Limited *(Notes 4 and 13)*	The Company	Interests of a controlled corporation	–	162,162,162 (L)	11.44%
Mr. Wong Jian *(Notes 4 and 14)*	The Company	Interests of a controlled corporation	–	162,162,162 (L)	11.44%

* *Unlisted derivatives – Convertible instruments*

Notes:

1. The letter "L" denotes the long position of the persons/entities (other than the Directors or chief executive of the Company) in the shares of the Company or the relevant Group member.

2. Excel Orient Limited is a company incorporated in the BVI and the entire issued share capital of which is beneficially owned by Mr. LIU Dong, one of the executive Directors of the Company. Therefore, Mr. LIU Dong is also deemed to be interested in the shares held by Excel Orient Limited.

3. Ms. WANG Lingli is the spouse of Mr. LIU Dong. Therefore, Ms. WANG Lingli is deemed, or taken to be interested in the shares of the Company which Mr. LIU Dong is interested in for the purpose of the SFO.

4. Pursuant to the terms of the convertible bonds issued to Dragon Capital Fund One LP on 28 February 2017, assuming the conversion rights attached to the convertible bonds are exercised in full at the conversion price of HK$1,21 per conversion share, 247,933,884 new Shares will fall to be issued to Dragon Capital Fund One LP. On 5 February 2018, the conversion price is adjusted to HK$0.74 per conversion Share. On 25 February 2019, Dragon Capital Fund One LP transferred part of the convertible bonds in the amount of HK$120,000,000, which could convertible into 162,162,162 ordinary Shares at the conversion price of HKD0.74 per Share, to BeiTai Investment LP. On the same date, BeiTai Investment LP exercised the conversion rights to convert the bonds at the conversion price of HKD0.74 per Share. Assuming the conversion rights attached to the remaining convertible bonds in the amount of HK$180,000,000 held by Dragon Capital Fund One LP are exercised in full at the conversion price of HKD0.74 per Share, 243,243,243 new Shares will fall to be issued to Dragon Capital Fund One LP.

5. Dragon GP Partner Co. is controlled by China Huarong International Holdings Limited. By virtue of the SFO, China Huarong International Holdings Limited is deemed to be interested in all the Shares which Dragon GP Partner Co. is interested in.

6. China Huarong International Holdings Limited is a limited liability company registered in the PRC owned as to 88.1% by Huarong Real Estate Co., Ltd. By virtue of the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in all the Shares which China Huarong International Holdings Limited is interested in.

7. Huarong Real Estate Co., Ltd. is a limited liability company registered in the PRC wholly owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in all the Shares which Huarong Real Estate Co., Ltd. is interested in.

8. China Huarong Asset Management Co., Ltd. is a limited liability company registered in the PRC owned as to 63.36% by the Ministry of Finance of the People's Republic of China. By virtue of the SFO, Ministry of Finance of the People's Republic of China is deemed to be interested in all the Shares which China Huarong Asset Management Co., Ltd. is interested in.

9. The Shares are held by Aim Right Ventures Limited, a limited liability company incorporated in the BVI wholly owned by Mr. Liu Zhihua. By virtue of the SFO, Mr. Liu Zhihua is deemed to be interested in all the Shares held by Aim Right Ventures Limited.

10. Ms. ZOU Guoling is the spouse of Mr. LIU Zhihua. Therefore, Ms. ZOU Guoling is deemed, or taken to be interested in the shares of the Company which Mr. LIU Zhihua is interested in for the purpose of the SFO.

11. The Shares are held by Emerge Ventures Limited, a limited liability company incorporated in Hong Kong wholly owned by Mr. Jin Peng. By virtue of the SFO, Mr. Jin Peng is deemed to be interested in all the Shares held by Emerge Ventures Limited.

12. Ms. SHEN Si is the spouse of Mr. JIN Peng. Therefore, Ms. SHEN Si is deemed, or taken to be interested in the shares of the Company which Mr. JIN Peng is interested in for the purpose of the SFO.

13. BeiTai Investment LP is controlled by BeiTai Investment Limited. By virtue of the SFO, BeiTai Investment Limited is deemed to be interested in all the Shares held by BeiTai Investment LP.

14. BeiTai Investment Limited is controlled by Mr. Wang Jian. By virtue of the SFO, Wang Jian is deemed to be interested in all the shares which BeiTai Investment Limited is interested.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DILUTIVE IMPACT ON THE SHARES IN THE EVENT THAT ALL OUTSTANDING CONVERTIBLE SECURITIES WERE CONVERTED

On 28 February 2017, the Company issued 2017 CB under special mandate to Dragon Capital Entertainment Fund One LP ("**Original Bondholder**"). On 5 February 2018, the Company issued 209,000,000 new shares under general mandate (the "**Issuance**"), which resulted in adjustments (the "**Adjustment**") to conversion price of the 2017 CB. For details of the Issuance and the Adjustment, please refer to the announcements of the Company dated 17 January 2018 and 5 February 2018.

On 25 February 2019, the Original Bondholder transferred part of the 2017 CB with an aggregate principal amount to HK$120,000,000 (the "**Transferred Bonds**"), which could convertible into 162,162,162 Shares at the conversion price of HK$0.74 per conversion share to BeiTai Investment LP ("**BeiTai**"). On the same date, BeiTai exercised the conversion rights to convert all of the Transferred Bonds into Shares.

On 28 February 2019, the Company and the Original Bondholder conditionally agreed (upon the approval and ratification of the Shareholders) to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HK$180,000,000 (the "**Remaining Bonds**") from 28 February 2019 to 28 February 2020. Please refer to the announcements dated 25 February 2019, 28 February 2019, 1 March 2019, 11 March 2019 and 6 May 2019 respectively, and the circular dated 20 March 2019 for further details.

If all outstanding convertible bonds as at 30 June 2019 were converted, the dilutive impact on the then number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company will be as follows:

	As of the date of 30 June 2019		Subsequent to the Issuance and upon full conversion of the Remaining Bonds at the conversion price of HKD0.74	
	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders				
Excel Orient Limited	273,609,836	19.31	273,609,836	16.48
Emerge Ventures Limited	209,000,000	14.75	209,000,000	12.59
Aim Right Ventures Limited	202,472,656	14.29	202,472,656	12.20
BeiTai Investment LP	162,162,162	11.44	162,162,162	9.77
Mr. He Han	14,008,000	0.99	14,008,000	0.84
Public Shareholders	555,659,164	39.22	555,659,164	33.47
Dragon Capital Entertainment Fund One LP (Holder of the Remaining Bonds)	–	–	243,243,243	14.65
Total	1,416,911,818	100	1,660,115,061	100

The total Shares as of the date of this report is 1,416,911,818; If all 2017 CB are converted into Shares, the total Shares will be 1,660,155,061.

In the event that all outstanding convertible bonds were converted as at 30 June 2019, the dilution impact on the (loss)/earnings per share is as follows:

	As of 30 June 2019 RMB'000/ '000 shares
Profit/(loss) attributable to ordinary equity shareholders	29,173
After tax effect of gains recognised on the derivative component of convertible bonds	26,518
After tax effect of effective interest on the liability component of convertible bonds	14,872
After tax effect of foreign exchange gains arising on translation of convertible bonds	(4,789)
Profit/(loss) attributable to ordinary equity shareholders (diluted)	65,774
Weighted average number of ordinary shares	1,344,907
Effect of conversion of convertible bonds	243,243
Weighted average number of ordinary shares (diluted)	1,588,150
Basic loss per share (RMB cents)	2.17
Diluted loss per share (RMB cents) *(note)*	2.17

Note: Diluted loss per share is the same as basic loss per share as the potential ordinary shares on exercise of the conversion rights are anti-dilutive.

To the best of the Directors' knowledge, having made all reasonable enquires, based on the financial position of the Group, the Directors expect that the Company will be able to meet its redemption obligations under the Remaining Bonds when they become due.

It would be equally financially advantageous for the security holders to convert or redeem the convertible securities upon the maturity date of the redemption based on the impelled internal rate of return of the Remaining Bonds at the Company's share price of HKD0.7844.

CORPORATE GOVERNANCE

Adapting and adhering to the recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

The Company had adopted the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and throughout the Period Under Review the Company had complied with the Code Provisions.

BOARD DIVERSITY POLICY

Code Provision A.5.6 stipulates that the nomination committee (the "**Nomination Committee**") (or "**the Board**") should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

With an aim to achieve diversity on the Board of the Company, the Board has approved and adopted a Board Diversity Policy (the "**Policy**") and revision to the terms of reference of the Nomination Committee of the Board to ensure the appropriate implementation of the Policy. The Policy was made with a view to achieving a sustainable and balanced development of the Company, of which, among others, all Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In recent years, the Company has focused on enhancing the diversity of the Board. Now, the Board consists of eight members, including two women (Ms. CHEN Chen and Ms. LIU Chen Hong), accounting for one quarter of the Board members. Directors are aged from around 35 to 50 years old. In addition, the professional background of Directors has also changed from focusing on experiences relating to a single industry in the past to the diversified composition including finance, accounting and law. The Board's composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of this Policy.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all the Directors confirmed that they have compiled with the required standards of dealing as set out in the Model Code throughout the Period Under Review.

AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financing reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2019 and the interim report).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

SHARE OPTION SCHEME

The Company's existing share option scheme (the "**Share Option Scheme**") was approved for adoption pursuant to a written resolution of all of our shareholders passed on 26 June 2012 for the purpose of providing our Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at its absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; (b) any person who have contributed or may contribute to the Group.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 12 July 2012 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating 10% limit.

Details of the principal terms of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in section headed "Statutory and General Information" in Appendix VI to the Prospectus dated 29 June 2012. The principal terms of the Share Option Scheme are summarised as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 26 June 2012 and remains in force until 25 June 2022. The Company may, by resolution in general meeting or, such date as the Board determined, terminate the Share Option Scheme at any time without prejudice to the exercise of options granted prior to such termination.

The exercise price per share of the Company for each option granted shall be determined by the Board in its absolute discretion but in any event shall be at least the higher of:

(1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the "**Date of Grant**") which must be a trading day;

(2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the shares on the Date of Grant.

Upon acceptance of the options, the grantee shall pay HKD1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within the date as specified in the offer letter issued by the Company. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years commencing on the Date of Grant and expiring on the last day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme.

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 6.38% of the shares in issue of the Company as at the date of this interim report.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by its shareholders in accordance with the Listing Rules.

During the six months ended 30 June 2019, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company has no outstanding options as at 1 January 2019 and 30 June 2019.

Apart from the Share Option Scheme, at no time during the Period Under Review was any of the Company and its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercise any such right.

EVENTS AFTER THE REPORTING PERIOD

On 13 August 2019 (after trading hours), the Company entered into a sale and purchase agreement with Excel Orient Limited, pursuant to which the Company has conditionally agreed to sell, and Excel Orient Limited has conditionally agreed to acquire, the entire issued share capital of Power Fit Limited at the total consideration of RMB335.32 million. Details of which may refer to the Company's announcement on the same date. As at the date hereof, the completion of such transaction has not yet taken place.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Revenue	*3*	**461,189**	413,897
Cost of sales and services		**(333,600)**	(351,196)
Gross profit		**127,589**	62,701
Other net losses	*4*	**(24,030)**	(52,280)
Distribution costs		**(8,827)**	(14,579)
Administrative expenses		**(39,708)**	(38,784)
Profit/(loss) from operations		**55,024**	(42,942)
Net finance costs	*5(a)*	**(19,809)**	(42,894)
Profit/(loss) before taxation		**35,215**	(85,836)
Income tax	*6*	**(6,123)**	(5,995)
Profit/(loss) and total comprehensive income for the period		**29,092**	(91,831)
Attributable to:			
Equity shareholders of the Company		**29,173**	(92,738)
Non-controlling interests		**(81)**	907
Profit/(loss) and total comprehensive income for the period		**29,092**	(91,831)
Earnings/(losses) per share (RMB cents)	*7*		
Basic and diluted		**2.17**	(7.64)

Note:

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 34 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment	2,8	**501,670**	492,702
Intangible assets		**1,150**	1,069
Goodwill		**441,475**	441,475
Interest in an associate		**–**	–
Other receivables	9	**11,059**	10,799
Deferred tax assets		**2,351**	1,786
		957,705	947,831
Current assets			
Inventories		**141,447**	140,120
Drama series and films		**186,133**	224,958
Trade and other receivables	9	**642,623**	500,480
Pledged bank deposits	10	**7,246**	11,000
Cash and cash equivalents	11	**243,956**	284,689
		1,221,405	1,161,247
Current liabilities			
Trade and other payables	12	**257,567**	268,954
Contract liabilities		**13,818**	11,233
Bank loans		**172,350**	180,500
Other borrowings	13	**480,532**	434,480
Lease liabilities	2(c)	**17,085**	12,201
Current taxation		**31,223**	27,776
		972,575	935,144

The notes on pages 34 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited (continued)

(Expressed in Renminbi)

	Note	**At 30 June 2019** **RMB'000**	At 31 December 2018 *(Note)* RMB'000
Net current assets		**248,830**	226,103
Total assets less current liabilities		**1,206,535**	1,173,934
Non-current liabilities			
Other borrowings	*13*	**–**	206,345
Lease liabilities	*2(c)*	**25,813**	11,973
Deferred tax liabilities		**5,226**	3,101
Deferred income		**10,067**	–
		41,106	221,419
Net assets		**1,165,429**	952,515
Capital and reserves			
Share capital	*14(b)*	**90,578**	79,730
Reserves		**1,075,339**	873,192
Total equity attributable to equity shareholders of the Company		**1,165,917**	952,922
Non-controlling interests		**(488)**	(407)
Total equity		**1,165,429**	952,515

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 34 to 56 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company							
		Share capital	Share premium	Statutory surplus reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018		66,559	523,284	66,095	118,450	235,008	1,009,396	8,561	1,017,957
Change in equity for the six months ended 30 June 2018:									
Loss and total comprehensive income for the period		–	–	–	–	(92,738)	(92,738)	907	(91,831)
Shares issuance		13,171	111,145	–	–	–	124,316	–	124,316
Balance at 30 June 2018		79,730	634,429	66,095	118,450	142,270	1,040,974	9,468	1,050,442
Balance at 1 January 2019		**79,730**	**634,429**	**75,792**	**82,385**	**80,586**	**952,922**	**(407)**	**952,515**
Change in equity for the six months ended 30 June 2019:									
Profit and total comprehensive income for the period		**–**	**–**	**–**	**–**	**29,173**	**29,173**	**(81)**	**29,092**
Shares issuance	*14(b)*	**10,848**	**172,974**	**–**	**–**	**–**	**183,822**	**–**	**183,822**
Balance at 30 June 2019		**90,578**	**807,403**	**75,792**	**82,385**	**109,759**	**1,165,917**	**(488)**	**1,165,429**

The notes on pages 34 to 56 form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Operating activities		
Cash (used in)/generated from operations	**(91,968)**	79,077
Tax paid	**(1,114)**	(419)
Net cash (used in)/generated from operating activities	**(93,082)**	78,658
Investing activities		
Acquisition of a subsidiary	**–**	(30,000)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	**–**	116,160
Disposal of an associate	**–**	6,000
Payments for the purchase of property, plant and equipment and intangible assets	**(7,577)**	(62,895)
Other cash flows arising from investing activities	**105,527**	39,049
Net cash generated from investing activities	**97,950**	68,314

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited (continued)

(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	**RMB'000**	RMB'000
Financing activities			
Proceeds from shares issuance		**–**	124,316
Proceeds from issuance of bonds		**–**	191,331
Payments for redemption of convertible bonds		**–**	(177,855)
Other cash flows arising from financing activities		**(45,900)**	(2,545)
Net cash (used in)/generated from financing activities		**(45,900)**	135,247
Net (decrease)/increase in cash and cash equivalents		**(41,032)**	282,219
Cash and cash equivalents at 1 January	*11*	**284,689**	155,598
Effect of foreign exchange rate change		**299**	13,560
Cash and cash equivalents at 30 June	*11*	**243,956**	451,377

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 34 to 56 form part of these financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the Company.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, Leases

IFRS 16 replaces IAS 17, Leases, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, Operating leases – incentives, and SIC 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. 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.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 8.

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.

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

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.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, Leases (Continued)

(b) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

The following table reconciles the operating lease commitments as disclosed in note 17(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	2,375
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(128)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	32,515
	34,762
Less: total future interest expenses	(7,334)
Present value of remaining lease payments at 1 January 2019	27,428
Add: finance lease liabilities recognised as at 31 December 2018	24,174
Total lease liabilities recognised at 1 January 2019	51,602

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, Leases (Continued)

(b) Transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**17,085**	**18,898**	17,244	19,356
After 1 year but within 2 years	**11,195**	**12,149**	17,089	18,437
After 2 years but within 5 years	**4,238**	**5,905**	6,570	8,381
After 5 years	**10,380**	**13,619**	10,699	14,190
	25,813	**31,673**	34,358	41,008
	42,898	**50,571**	51,602	60,364
Less: total future interest expenses		**(7,673)**		(8,762)
Present value of lease liabilities		**42,898**		51,602

2 CHANGES IN ACCOUNTING POLICIES (Continued)

IFRS 16, Leases (Continued)

(d) Impact on the financial result of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Total	
For the six months ended 30 June	**2019**	2018
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of textile products	**233,356**	282,369
– Licensing of drama series and films	**157,250**	55,073
– Provision of textile products processing service	**7,556**	19,548
– Provision of drama series and films production, distribution and related services	**63,027**	56,907
	461,189	413,897

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Information about profit or loss, assets and liabilities

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Textile		Media		Total	
For the six months ended 30 June	**2019**	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	**233,356**	282,369	**178,665**	58,053	**412,021**	340,422
Over time	**7,556**	19,548	**41,612**	53,927	**49,168**	73,475
Revenue from external customers	**240,912**	301,917	**220,277**	111,980	**461,189**	413,897
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**240,912**	301,917	**220,277**	111,980	**461,189**	413,897
Reportable segment result (adjusted profit/(loss) before taxes)	**(3,827)**	11,510	**84,523**	(2,686)	**80,696**	8,824
Reportable segment assets	**709,720**	775,538	**1,446,674**	1,215,637	**2,156,394**	1,991,175
Reportable segment liabilities	**273,082**	305,993	**244,043**	150,683	**517,125**	456,676

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

3 REVENUE AND SEGMENT REPORTING (Continued)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Reportable segment profit	**80,696**	8,824
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from the Group's external customers	**80,696**	8,824
Interest on convertible bonds	**(14,872)**	(39,505)
Interest on bonds	**(6,063)**	(1,665)
Change in fair value of derivatives embedded in convertible bonds	**(26,518)**	(57,747)
Gain on redemption of convertible bonds	**–**	569
Unallocated head office and corporate income/(expenses) (net)	**1,972**	3,688
Consolidated profit/(loss) before taxation	**35,215**	(85,836)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

4 OTHER NET LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Change in fair value of derivatives embedded in convertible bonds	**(26,518)**	(57,747)
Gain on redemption of convertible bonds	**–**	569
Net gains on sale of raw materials and scrap materials	**–**	334
Net gains on disposal of equipments	**3**	2,527
Government grants	**1,329**	1,928
Others	**1,156**	109
	(24,030)	(52,280)

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**5,881**	6,229
Interest on convertible bonds	**14,872**	39,505
Interest on bonds	**6,063**	1,665
Net foreign exchange gains	**(3,136)**	(5,516)
Interest on lease liabilities	**1,090**	965
Interest income on financial assets	**(5,754)**	(828)
Other finance charges	**793**	874
	19,809	42,894

(b) Other items

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Amortisation on intangible assets	**79**	61
Depreciation	**27,354**	21,694
Impairment losses		
– trade and other receivables	**2,257**	3,732
– drama series and films	**–**	6,684
– inventories	**–**	273

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

6 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax	**4,563**	6,162
Deferred tax	**1,560**	(167)
	6,123	5,995

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

(ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2019 and 2018, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.

(iii) The Group's PRC subsidiaries are subject to income tax rate of 25% (2018: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. YSL (HK) Ltd., Star Rise Investments Ltd. and Star Will Investments (HK) Ltd., Hong Kong subsidiaries of the Company, would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.

(v) Pursuant to the PRC Enterprise Income Tax preferential policies in Horgos of Xinjiang province, Horgos Star Rise Culture Media Co., Ltd., Horgos Yingsheng Film and TV Culture Co., Ltd. and Horgos Star Rise Dacheng Culture Development Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of television drama series, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. For Horgos Star Rise Culture Media Co., Ltd. and Horgos Yingsheng Film and TV Culture Co., Ltd., the first exemption year is 2016. For Horgos Star Rise Dacheng Culture Development Co., Ltd., the first exemption year is 2017.

7 EARNINGS/(LOSSES) PER SHARE

The calculation of basic earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB29,173,000 (six months ended 30 June 2018: loss of RMB92,738,000) and the weighted average of 1,344,907,156 ordinary shares (2018: 1,214,335,291 shares) in issue during the interim period.

For the six months ended 30 June 2019 and 2018, no adjustment is made in relation to the Company's outstanding convertible bonds as their assumed conversion would increase the basic profit per share (six months ended 30 June 2018: decrease the basic loss per share).

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 2, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in other property, plant and equipment is also identified as right-of-use assets.

(b) Acquisitions and disposal of owned assets

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a cost of RMB8,976,000 (six months ended 30 June 2018: RMB52,225,000). Items of machinery with a net book value of RMB82,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB7,821,000), resulting in gains on disposal of RMB3,000 (six months ended 30 June 2018: gains on disposal of approximately RMB2,527,000.

9 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current	**301,589**	241,982
Less than 3 months past due	**98,931**	4,603
3 to 6 months past due	**50,761**	1,742
6 to 12 months past due	**–**	2,011
Over 1 year past due	**1,527**	875
Trade debtors and bills receivable, net of loss allowance	**452,808**	251,213
Value-added tax recoverable	**–**	672
Advance to third parties	**22,118**	127,287
Amount due from an associate	**21,538**	23,961
Others	**9,859**	7,570
Financial assets measured at amortised cost	**506,323**	410,703
Prepayments relating to purchases of raw materials	**8,392**	5,449
Prepayments and advance relating to drama series and films	**134,541**	90,261
Prepayments relating to purchases of property, plant and equipment	**22**	1,071
Deferred expense	**4,404**	3,795
	653,682	511,279
Other receivables expected to be collected or recognised as expense after more than one year	**(11,059)**	(10,799)
Trade and other receivables expected to be recovered or recognised as expense within one year	**642,623**	500,480

Trade debtors and bills receivable are due within 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted.

10 PLEDGED BANK DEPOSITS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**7,246**	11,000

11 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank deposits	**243,863**	282,658
Cash in hand	**93**	2,031
	243,956	284,689

12 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Due within 3 months or on demand	**27,648**	33,860
Due after 3 months but within 6 months	**3,790**	8,275
Due after 6 months but within 12 months	**1,746**	3,785
Trade creditors and bills payable	**33,184**	45,920
Advance from third parties *(Note (i))*	**22,872**	24,000
Payables relating to drama series and films	**95,271**	88,055
Taxes payable other than income tax	**39,597**	36,085
Receipts in advance	**25,575**	29,439
Accrued charges	**16,685**	19,351
Other payables	**15,585**	17,817
Payables relating to purchases of property, plant and equipment	**8,798**	8,287
	257,567	268,954

Note (i): Included in the advanced from third parties are advance of RMB22,872,000 (31 December 2018: RMB24,000,000) from third parties which are unsecured, interest bearing at 8% per annum and repayable within one year. Other advances from third parties are unsecured, interest-free and had no fixed repayment terms or repayable within one year.

13 OTHER BORROWINGS

(a) The analysis of the carrying amount of other borrowings is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Convertible bonds (note 13(b)(i))		
– liability component	**154,665**	253,898
– derivative component	**118,006**	172,611
	272,671	426,509
Bonds (note 13(b)(ii))	**207,861**	214,316
	480,532	640,825
Amount expected to be settled within one year	**(480,532)**	(434,480)
Amount expected to be settled after one year	**–**	206,345

Except for the derivative component of convertible bonds, which is carried at fair value, all of the other non-current borrowings are carried at amortised cost.

(b) Significant terms and repayment schedule of non-current borrowings

(i) 2017 Convertible Bonds

On 28 February 2017, the Company issued convertible bonds with a face value of HKD300,000,000 and a maturity date on 28 February 2019, which is extendable to 28 February 2020, 28 February 2021 or 28 February 2022 if agreed by the Company and the bondholder. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

13 OTHER BORROWINGS (Continued)

(b) Significant terms and repayment schedule of non-current borrowings (Continued)

(i) 2017 Convertible Bonds (Continued)

The rights of the bondholders to convert the bonds into ordinary shares are as follows:

- Conversion rights are exercisable, wholly or partially, at any time up to maturity, or extended maturity, at the bondholders' option.
- If a bondholder exercises its conversion rights, the Company is required to deliver ordinary shares at the conversion price of HKD1.21 per share, which was adjusted to HKD0.74 per share in February 2018 (subject to further adjustments).

Bonds in respect of which conversion rights have not been exercised, will be redeemed at face value on 28 February 2019 or, if agreed to extend by the Company and the bondholder, on 28 February 2020, 28 February 2021 or 28 February 2022.

The convertible bonds contain two components, i.e. host liability component and derivative liability component. The effective interest rate of the host liability component is 22% per annum. The derivatives liability component of the convertible bonds is measured at fair value with changes in fair value recognised in the profit or loss.

On 25 February 2019, Dragon Capital Entertainment Fund One LP (the "Original Bondholder") transferred the convertible bonds with an aggregate face value of HKD120,000,000, which were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai Investment LP ("BeiTai"). On 28 February 2019, BeiTai exercised the conversion rights to convert the bonds with a face value of HKD120,000,000 at the conversion price of HKD 0.74 per share.

On 28 February 2019, the Company and the Original Bondholder agreed to extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD180,000,000 from 28 February 2019 to 28 February 2020.The effective interest rate of the host liability component is 12% per annum for the extended bonds.

(ii) 2018 Bonds

On 10 May 2018, the Company issued bonds with a face value of HKD235,500,000 and a maturity date on 9 May 2020, which is extendable to 9 May 2021, 9 May 2022 or 9 May 2023 if agreed by the Company and Bison Global Investment SPC (the "**bondholders**"). The bonds bear a nominal interest rate at 6% per annum and the interest is payable annually in arrears.

On 1 August 2019, the Company and the bondholders agreed to extend the maturity date of the bonds with an aggregate face value of HKD235,000,000 from 9 May 2020 to 9 March 2021.

14 CAPITAL AND DIVIDENDS

(a) Dividends

Dividend payable to equity shareholders attributable to the interim period

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Interim dividend declared after the interim period	–	–

Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period	–	–

(b) Share capital

	At 30 June 2019		At 31 December 2018	
	No. of shares	RMB'000	No. of shares	RMB'000
Authorised:				
Ordinary shares of USD0.01 each	10,000,000,000	632,110	10,000,000,000	632,110
Ordinary shares, issued and fully paid:				
At 1 January	1,254,749,656	79,730	1,045,749,656	66,559
Share issuance *(Note)*	162,162,162	10,848	209,000,000	13,171
At 30 June and 31 December	1,416,911,818	90,578	1,254,749,656	79,730

Note: On 28 February 2019, BeiTai exercised the conversion rights to convert the bonds with a face value of HKD120,000,000 into 162,162,162 ordinary shares of USD0.01 each at the conversion price of HKD0.74 per share.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

The Group has a team headed by the finance manager performing valuations for the financial instruments, including derivatives embedded in convertible bonds which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held to coincide with the reporting dates twice a year.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 30 June 2019	Fair value measurements as at 30 June 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	118,006	–	–	118,006

	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Derivatives embedded in convertible bonds	172,611	–	–	172,611

During the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	23% to 32% (2018:13% to 39%)	27% (2018: 29%)

The fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2019, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% would not have material impact on the Group's profit for the period (2018: increased/decreased the Group's loss for the period by RMB6,448,000/RMB4,095,000).

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2019 RMB'000	2018 RMB'000
Derivatives embedded in convertible bonds:		
At 1 January	**172,611**	1,363
Change in fair value recognised in profit or loss for the period	**26,518**	57,747
Derecognition on redemption	**–**	(5,335)
Derecognition on conversion	**(75,907)**	–
Exchange adjustments	**(5,216)**	6
At 30 June	**118,006**	53,781
Total losses for the period included in profit or loss	**21,302**	57,753

The losses arising from the remeasurement of the derivative component of the convertible bonds are presented in "other net losses" in the consolidated statement of profit or loss.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The carrying amounts of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair values as at 30 June 2019 and 31 December 2018 and except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2019		At 31 December 2018	
	Carrying amounts RMB'000	Fair value at RMB'000	Carrying amounts RMB'000	Fair value at RMB'000
Convertible bonds – liability component	154,665	153,633	253,898	255,850

16 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 and 31 December 2018 not provided for in the interim financial report were as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for		
– Purchases of property, plant and equipment	1,682	2,930
– Acquiring services relating to production of drama series and films	20,658	19,947
	22,340	22,877

16 COMMITMENTS (Continued)

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December 2018 RMB'000
Within 1 year	2,375

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Short-term employee benefits	**2,359**	2,374
Post-employment benefits	**50**	44
	2,409	2,418

(b) Transactions with related parties

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Provision of services	**–**	17

17 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

As at 30 June 2019 and 31 December 2018, the Group had the following balances with related parties:

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Amount due from an associate	*(i)(ii)*	**21,538**	23,961

Notes:

(i) Loss allowance of RMB2,164,000 (2018: RMB2,198,000) have been made in respect of amount due from an associate as at 30 June 2019.

(ii) The amounts are unsecured, interest-free and have no fixed term of repayments, which are included in "trade and other receivables" (note 9).

18 CONTINGENT LIABILITIES

As at 30 June 2019, the Group has issued guarantees in the aggregate amount of RMB20,000,000 in respect of loans made by banks to Zibo Huiyin Textile Co.,Ltd. As at 30 June 2019, the directors do not consider it probable that claims will be made against the Group under any of the guarantees. The maximum liability of the Group at 30 June 2019 under the guarantees issued is the outstanding amount of the loans of Zibo Huiyin Textile Co., Ltd. of RMB20,000,000 (31 December 2018: RMB20,000,000).

19 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2. Certain comparative figures have been re-classified to conform to the current period's presentation.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020

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.