星宏传媒
STARRISE MEDIA

(incorporated in the Cayman Islands with limited liability)
Stock code: 1616

ANNUAL REPORT 2019

Contents

Corporate Information

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. LAM Kai Yeung
Ms. LIU Chen Hong
Mr. KWOK Pak Shing (appointed on 27 March 2020)
Mr. WANG Liangliang (resigned on 27 March 2020)

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)*
Ms. LIU Chen Hong
Mr. KWOK Pak Shing (appointed on 27 March 2020)
Mr. WANG Liangliang (resigned on 27 March 2020)

Remuneration Committee

Mr. KWOK Pak Shing *(Chairman)*
(appointed on 27 March 2020)
Mr. LIU Dong
Ms. LIU Chen Hong
Mr. WANG Liangliang (resigned on 27 March 2020)

Nomination Committee

Ms. LIU Chen Hong *(Chairman)*
Mr. LIU Dong
Mr. KWOK Pak Shing (appointed on 27 March 2020)
Mr. WANG Liangliang (resigned on 27 March 2020)

Registered Office

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104, Cayman Islands

Head Office, Headquarters and Principal Place of Business in the PRC

Building A10,
50 Anjialou
Chaoyang District, Beijing
The PRC

Principal Place of Business in Hong Kong

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

Legal Adviser to the Company (Hong Kong Law)

Howse Williams
27/F Alexandra House
18 Chater Road Central,
Hong Kong

Corporate Information

Auditor

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

Hong Kong Branch Share Registrar and Transfer Office

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

Cayman Islands Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall, Cricket Square,
Grand Cayman, KY1-1102, Cayman Islands

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited
Level 6, HSBC Main Building,
1 Queen's Road Central, Hong Kong

Stock Code

1616

Company's Website Address

http://www.starrise.cn

Chairman’s Statement

Dear Shareholders,

It is my pleasure to present on behalf of the Board of Directors (the “**Board**” or “**Board of Directors**”) of Starrise Media Holdings Limited (“**Starrise Media**” or the “**Company**”) the audited consolidated results of the Company together with its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019 (the “**Year**” or “**Period Under Review**”).

The Group has been engaged in the film and television media industry for over four years since its acquisition of Beijing Huasheng Taitong Media Investment Co., Ltd. (“**Huasheng Media**”), a subsidiary of the Group, in 2015. In the past four years, the Group strived to balance the development of textile business and television business, and simultaneously sought opportunities to find a path suitable for the future development of the Group. In 2019, the Company engaged PricewaterhouseCoopers Management Consulting (Shanghai) Limited (“**PwC**”), a third-party consulting agency with professional experience. Through research and analysis of the Group’s operating conditions and the macro outlook, PwC concluded that the Group should shift the focus of its business strategy to media business and dispose of textile business in due course. In light of the foregoing, the Group has successfully divested its textile business and achieved its overall business transformation. As a result, the Group mainly focused in the media business which engaged in the production and distribution of films and television dramas.

In 2019, the government of the People’s Republic of China (the “**PRC**” or “**China**”) has successively introduced a series of policies to strengthen the regulation on the film and television media industry, which had relatively material impact on the whole industry. Since the film and television drama industry remained under the pressure from the effects of the implementation of tax and other policies, the startup number of film and television projects had decreased significantly and many film and television dramas had been pulled from cinemas or delayed. According to the statistics of the National Radio and Television Administration, a total of 836 television dramas were approved for shooting in China in 2019, of which 68 were costume dramas, and account for less than 10% of the total number. This represented a significant decrease in the number of costume dramas being approved for shooting in China as compared to last year. In addition, according to the statistics of entgroup.cn, the total number of homemade television series episodes released at various video websites in 2019 was 377, representing a decrease of approximately 17% as compared to that of 2018 due to the regulatory policies on the television drama market. In terms of film, the total box office in China reached approximately RMB64.266 billion in 2019, representing a year-on-year increase of 5.4%; the number of people watching movies reached approximately 1,727 million, representing a year-on-year increase of 0.64%. It is apparent that the main growth force of the box office in China is the increase in ticket prices. Furthermore, since the beginning of 2020, the unexpected outbreak (the “**COVID-19 Outbreak**”) associated with a novel coronavirus (the “**COVID-19**”) has brought great impact on the film industry. The release of all movies that were scheduled during the Spring Festival holidays was halted, all theatres throughout the country suspended operations and many film crews were forced to suspend work or delay production, which caused a certain impact on the film and television producers, various theatres and small and medium-sized film studios. In addition, various cultural activities for the celebration of the Spring Festival were cancelled due to the COVID-19 Outbreak. In order to enrich the spiritual and cultural life of people in Wuhan and other areas of Hubei Province, the Company actively responded to the call of the Publicity Department of CPC Central Committee and the National Radio and Television Administration, and donated the copyright of the television series “The City, This Family”（那座城，這家人）to the broadcasting and TV stations in Hubei Province and Wuhan City with the view to support with people in Wuhan and other areas of Hubei Province through these difficult times.

On one hand, despite the increasingly strict regulations on the film and television media industry has caused impact on the industry, the implementation of these regulatory policies was to ensure the healthy development of the industry. On the other hand, due to the impact of COVID-19, the performance of the film and television media industry for the first half of 2020 will decline, but we are of the view that the impact would be temporary. In the long run, film and television media industry as an important pillar of the cultural industries and one of the state-supported industries still shows promising prospects. In 2019, in terms of the number of movie screens, China surpassed the US and ranked in the first place around the world. In addition, the PRC government has introduced policies to support and benefit theatres, which lays a solid foundation for the development of the film and television media industry in the future. Meanwhile, video websites take an increasingly important role and the number of paid members of iQIYI.COM broke 100 million in June in 2019. The high-quality content on video platforms drove the growth of payment, which demonstrated that "quality counts". Besides, the demand of audiences for high-quality dramas does not decrease, and the overall prospect of the film and television media industry remain positive.

In 2019, the Group disposed its textile business, which recorded the loss before taxation of approximately RMB15 million and is in line with the expectation and strategy of the Board in relation to the disposal. After the completion of transformation, the Group will concentrate its resources on and efforts on the development of its film and television business. In face of the unfavourable start of the industry in 2020, the Group will take full advantage of its subsidiary, Huasheng Media, in creating quality orthodox dramas with positive themes, which meets the market and regulatory requirements and promotes positivity to the society. In addition, the Group will leverage on the advantages of its two business platforms, namely that of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）("**Starrise Pictures**") and Beijing Starwise Culture Media Co., Ltd.（北京睿博星辰文化傳媒有限公司）("**Beijing Starwise**"), in the areas of internet dramas and movies, IP resources reserves and the long cooperation relationship with video platforms to develop internet drama and movie business into the strategy of the Company and actively develop such business. Furthermore, the Group will leverage on the advantages of the film and television media school under Chongqing Normal University ("**Film and Television Media School**") jointly established by the Group with Chongqing Normal University Foreign Trade and Business College ("**Chongqing Normal University**") in the cultivation of professional talents and the provision of stable income, to gradually enhance the reputation and competiveness of the Group. Lastly, the Group will also pursue opportunities that yield higher profitability through co-investment in major films with high budgets, and increase its proportion in such investments to improve the Group's reputation and revenue. The Group will rise to the challenge to achieve the better development.

Finally, I would like to take this opportunity to express my gratitude to the directors, shareholders, loyal customers and employees of the Company for their support and contribution.

By order of the Board

Starrise Media Holdings Limited
LIU Dong
Chairman

Beijing, the PRC
27 March 2020

Financial Summary

in RMB'000	2019	2018	2017	2016	2015
		For the year ended 31 December			
		(Restated)	(Restated)	(Restated)	
		(Note 1)	*(Note 1)*	*(Note 1 & 2)*	*(Note 3)*
RESULTS FROM CONTINUING OPERATION					
Revenue	**284,183**	352,326	77,129	120,311	654,037
Profit/(loss) before taxation	**48,823**	(143,230)	(117,214)	33,993	10,039
Income tax	**17,913**	8,833	3,136	1,110	2,702
Profit/(loss) for the year	**30,910**	(152,063)	(120,350)	32,883	7,337

in RMB'000	2019	2018	2017	2016	2015
		As at 31 December			
ASSETS AND LIABILITIES					
Total assets	**2,003,989**	2,109,078	1,857,424	1,747,482	1,476,040
Total liabilities	**797,945**	1,156,563	839,467	647,588	590,500
Net assets	**1,206,044**	952,515	1,017,957	1,099,894	885,540

Note:

1. On 20 December 2019, the Company disposed of its entire equity interests in Power Fit Limited and its subsidiaries (collectively referred to as the "Disposal Group"). The consolidated results of the Disposal Group for the period from 1 January 2019 to 20 December 2019 have been presented as discontinued operation in the consolidated financial statements in accordance with IFRS 5, please refer to the Note 9 to the financial statements for more details. The Company's financial summary of 2016 to 2018 have been restated to exclude the results and financial condition of the discontinued operation in the relevant period.

2. On 5 November 2017, the Company disposed of its entire equity interests in Swift Power Limited and its subsidiaries. The Company's financial summary of 2016 have been restated to exclude the results and financial condition of the discontinued operation in the relevant period.

3. On 24 December 2015, the Company completed the acquisition of Solid Will Ltd. and its subsidiaries and commenced the film and television production and distribution business. There is no restatement of the revenue and profit of 2015 in the current year as only six days of 2015 results from the film and television business are included in the Company's consolidated statements.

Management Discussion and Analysis

Industry and Business Overview

According to the National Bureau of Statistics of the PRC, China's gross domestic product ("**GDP**") reached approximately RMB99,086.5 billion in 2019, representing a growth of approximately 6.1% as compared to last year and being 0.5 percentage points lower than that of the corresponding period last year. However, China's GDP growth rates for each of the four quarters of the Year being approximately 6.4%, 6.2%, 6.0% and 6.0% respectively, which is lower than the corresponding period of last year, indicating that the growth rate of China's overall economy is slowing down. In the meanwhile, Chinese economic structure was being optimized. In 2019, the value added contributed by the tertiary industry (which consists of the service sector) amounted to approximately RMB53,423.3 billion, which represents an increase of approximately 6.9% as compared to that of the previous year and accounts for approximately 53.9% of China's GDP for the Year, which was approximately 1.7 percentage points higher than that of the corresponding period last year and approximately 14.9 percentage points higher than the secondary industry in China. The final consumption expenditure in China contributed up to approximately 57.8% of China's GDP in 2019, and the growth rate in the tertiary industry in China for the Year is approximately 0.8 percentage point higher than the average GDP growth rate in China for the Year, indicating that the tertiary industry (which includes the culture industry and consumer service industry) was one of major factors that contributed to and drive the GDP growth in China.

Being one of the important pillars of China's culture industry, the film and television media industry in China continued to face the opportunities and challenges. With the year of 2019 being the 70th anniversary of the founding of the People's Republic of China, the National Radio and Television Administration organised and implemented various measures celebrating the 70th anniversary, including organising the "One-hundred-day" exhibition (the "**One-hundred-day Exhibition**") of outstanding television dramas. On the other hand, the National Radio and Television Administration also tightened its supervision over contents of film and television shows as well as internet dramas and movies, resulting in a sharp decrease in the commencement and application for record filing of film and television projects in China and many films and television dramas were being pulled from cinemas or delayed, not allowing internet dramas and movies to be broadcasted on online video platforms prior to acceptance of the relevant applications for record filing of program planning and broadcasting and restricting the broadcast of some of the costume dramas and idol dramas with strong entertaining features.

In respect of internet dramas, according to the announcement "Information on Internet Drama Shooting and Filing in 2019" issued by the National Radio and Television Administration, filing applications of 803 internet dramas were accepted from February to October 2019 since the implementation of the new dual filing restrictions. Although the overall amount of accepted applications of internet dramas was higher than that of television dramas for the Year, the number of internet dramas produced in China during the Year dropped as compared with the previous years. In respect of films, the total box office of Chinese films in 2019 reached a record-high level of approximately RMB64.27 billion with a year-on-year increase of approximately 5.4%; however, the total number of attendance was approximately 1.73 billion with a year-on-year increase of approximately 0.64% only. The reason for a lower growth rate in attendance than that in the box office is attributable to the fact that the increase in the box office of Chinese movies was mainly contributed by the increase in ticket prices, as well as the high box office of several movies screened during the Chinese New Year holidays, summer holidays and National Day holidays.

Management Discussion and Analysis

Despite of the tight restrictions and policies in China, television dramas and films with mainstream themes continued to perform during 2019. Huasheng Media, a subsidiary of the Group, continued to maintain its competitive advantages by investing in and producing high quality television dramas with mainstream and positive themes. During the Period under Review, "That City, This Family"(那座城,這家人), a television series invested or produced by Huasheng Media, 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. Among the films and television series invested or produced by Huasheng Media, during the Year, the sitcom "The New Big Head Son and The Little Head Father (Episodes 101-200)"(新大頭兒子小頭爸爸101-200集)was submitted for broadcasting; the large-scale television series "Legend of Businessman in Hongjiang"(一代洪商)obtained the distribution license and is currently at the distribution stage; the historical story drama "Blood Pledge for Thousands of Years"(血盟千年)finished shooting in January 2020, but the post-production of "Blood Pledge for Thousands of Years"(血盟千年)and animated film "Tempering of King Gelsall"(格薩爾王之磨煉)were both delayed due to the COVID-19 Outbreak; and the sitcom "The New Big Head Son and The Little Head Father (Episodes 201-300)"(新大頭兒子小頭爸爸101-200集), television drama "Wu Dang"(天下武當)and realistic drama "Yangtze River Bridge"(長江大橋)reached the stage of script preparation.

In addition, the Group is able to leverage on the diversified IP resources and the experiences and competitive advantage of Starrise Pictures and Beijing Starwise, both of which are the subsidiaries of the Group, to develop a variety of the film and television drama produced by the Group and to expand the audience base of the Group's films and television drama.

Among the films and television series invested or produced by Starrise Pictures, the theatrical films "The Last Wish"(小小的願望)and "Space Dogs: Adventure to the Moon"(太空狗之月球大冒險), and the internet films "Mystic Kitchen 1 & 2"(如意廚房1 & 2), "Triple Threat"(三重威脅), and "Awakening of Subdued Dragon"(降龍覺醒)were released in 2019; the internet film "Alien Monster: Survival in the Wild"(異星怪獸之荒野求生)was released in March 2020; the internet film "Breaking Gods"(破神錄)has been scheduled for screening in April 2020; the youth nostalgic film "Once Upon A Time In The Northeast"(東北往事)was submitted for screening; the internet films "The Box"(魔盒, formerly known as "Bosom Friend"(高山流水)) and "Scream"(驚聲尖笑)(formerly known as "Horror Blockbuster"(恐不大片)) and the youth nostalgic film "Here Comes Dashan"(大山來了)are all currently at the release stage; the internet film "Monster Hunters"(鎮魂歌)has not yet to be submitted for approval due to the COVID-19 Outbreak; the internet drama "Legend of Taotie"(饕餮記), the internet movies "Drift on! Zhi"(漂移吧!小志)and "Sword Maker"(煉劍), the theatrical film "Twin Blades"(尖鋒姐妹, formerly known as "曆小龍與程序媛") and the television drama "Kapok Blooms Everywhere"(木棉花開紅爛漫)finished shooting, but their post-production was being delayed due to the COVID-19 Outbreak; the film "Tianta Crisis"(天塔危機)is current at the stage of preparation for filming; the internet films "New Tong Pak Foo Dim Chau Heung"(唐伯虎點秋香後傳), "Manhunt"(極寒追惡), "Elderly Hero"(遲暮英雄)and "The First Undercover in the Southern Song Dynasty – The Case of Demon Cat"(南宋第一臥底之妖貓案)were postponed for shooting due to the COVID-19 Outbreak; the internet films "Mystery Case in Ying Dynasty"(大應奇案)and "Yang Jian: God of War"(少年楊戩)finished the stage of scripts writing; and the internet movies "Outlaws of the Marsh: Wu Song"(武松決戰十字坡)and "Emergency Rescuing"(心跳營救)are currently at the stage of script development and preparation.

Among the films and television series invested or produced by Beijing Starwise, the science fiction film "Wandering Earth"(流浪地球), the internet swordsman action film "The Grandmaster of Kungfu"(霍元甲之精武天下), the internet films "Snow Monster"(大雪怪) and "Deadly Sniper"(致命狙殺, formerly known as "Spy"(叛諜)), and the internet dramas "Soulmate"(七月與安生) and "Lipstick Princess"(唯美貌不可辜負) were released in 2019. In particular, "Wandering Earth"(流浪地球) has made remarkable achievements in both reputation and box office in China, with a total box office of approximately RMB4.654 billion and ranked the third highest grossing movie in respect of box office record in Chinese film history; whilst "Deadly Sniper"(致命狙殺), an unique internet film exploring the theme of the war and resistance, has exceed the public's expectation of achieving box office results over RMB5 million in 3 days and over RMB10 million in 10 days, which is on par with movies of mainstream themes such as fantasy, monster hunting etc. Other movies invested by Beijing Starwise including, the animated film "GO! REX"(你好,霸王龍) was approved for release, but with screening postponed due to the COVID-19 Outbreak; the television drama "Healer of Children"(了不起的兒科醫生), and the internet films "Rat Disaster"(大鼠災) and "The Shark"(陸行鯊) finished shooting, but their post-production were delayed due to the COVID-19 Outbreak. In particular, the "Healer of Children"(了不起的兒科醫生) was selected by the National Radio and Television Administration as one of those to be broadcasted during the One-hundred-day Exhibition period; the internet films "Blood Valley Of Wolves"(殺出血狼谷) and "Deadly Sniper 2"(致命狙殺2) has been delayed for shooting due to the COVID-19 Outbreak; the internet dramas "Platina Data"(白金數據), "Bulletproof Teacher"(穿越火線:防彈教師), "Love Comes Like A Dream"(戀戀如夢令, formerly known as "Back to the dynasty"(午門囧事)), "Fiber"(纖維) and "Shiny Days"(雨過天晴雲開處), all of which are valuable IP projects of Beijing Starwise and are all currently at the stage of script development and early investment.

On 8 July 2019, Starrise Pictures entered into a cooperation agreement with Chongqing Normal University, pursuant to which Starrise Pictures and Chongqing Normal University would jointly establish the Film and Television Media School to cultivate vocational talents for the film and television industry by leveraging on the parties' resources and brand influence. By the end of 2019, the number of students in the Film and Television Media School reached 1,333 and the Group received tuition during the Year was approximately RMB4.07 million. The Group believes that 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, further enhancing the competitiveness of the Company. Please refer to the announcement of the Company dated 8 July 2019 for further details.

During the Period Under Review, the Group is principally engaged in (i) the sales of textile products and the provision of textile products processing services (the "**Textile Business**"); and (ii) the licensing of drama series and films and the provision of drama series and films production, distribution and related services (the "**Media Business**"). Having considered the factors including overall textile industry in China has been experiencing a consistent, notable decline since 2016, the declining financial performance and limited growth potential of the Textile Business, and uncertainty of the cotton and textile market as a result of the Sino-US trade war, the Board considered that there was a clear strategic need for the Company to dispose of its Textile Business (the "**Disposal**") and such Disposal represents a good opportunity for the Group to achieve a strategic transformation and allows the Group to reallocate its resources to its Media Business (which has higher return) and other investment opportunities as and when they arise.

On 13 August 2019, the Company and Excel Orient Limited (a company wholly-owned by Mr. Liu Dong, the chairman of the Board and executive Director) entered into a sale and purchase agreement in relation to the Disposal. The Disposal was approved by the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting held on 26 November 2019, and the completion of the Disposal took place on 20 December 2019. Please refer to the Company's announcements dated 13 August 2019 and 20 December 2019 and the Company's circular dated 8 November 2019 for further details. During the Year, the Group's Textile Business recorded the loss before taxation of approximately RMB15 million which is in line with the expectation and strategy of the Board in relation to the Disposal.

During the Period Under Review, the Group's revenue from the continuing operations was approximately RMB284.2 million, which represented a decrease of approximately RMB68.1 million as compared to that of the previous year. Gross profit from the Group's continuing operations for the Year was approximately RMB130.3 million, which remained relatively stable as compared that of approximately RMB130.4 million recognised in the previous year. The Group's revenue from the continuing operations decreased as compared to that of the previous year, but the gross profit margin of the continuing operations increased as compared to that of the previous year.

Profit attributable to equity shareholders of the Company was approximately RMB30.2 million for the Year, which represented an increase in profits of approximately RMB174.9 million as compared to last year's loss attributable to equity shareholders. Such increase in profits are mainly attributable to the sharp increase in other net profit and the decrease in distribution cost of the Group.

Financial Review

Turnover, gross profit and gross profit margin from continuing operations

The table below is an analysis of the Group's turnover, gross profit and gross profit margin from continuing operations for the years ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December					
	2019			2018		
	Revenue RMB'000	**Gross profit RMB'000**	**Gross profit margin**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin
Film and Television business	**284,183**	**130,347**	**45.9%**	352,326	130,430	37.0%

The gross profit margin of the Group from continuing operation increased by approximately 8.9 percentage points, from approximately 37.0% for the previous year to approximately 45.9% for the Year. The increase in the Group's gross profit margin was mainly attributable to the increase in proportion of the Group's film distribution revenue which had higher gross profit margin.

Other net profit/loss

Components of other net losses of the Group mainly comprised of change in fair value of derivatives embedded in convertible bonds, change in carrying amount of convertible bonds as non-substantial modification of the terms and gain on disposal of an associate. The total amount of other net profits for the Period Under Review was approximately RMB9.8 million, representing an increase in other net profits of approximately RMB188.1 million as compared to the other net losses of approximately of RMB178.3 million of the previous year. This was mainly due to the losses of approximately RMB29.7 million arising from the change in fair value of derivatives embedded in convertible bonds decreased by approximately RMB146.8 million as compared to the same period of last year, the net investment income of approximately RMB12.0 million from the disposal of an associate and the change in carrying amount of convertible bonds as non-substantial modification of the terms of approximately RMB13.5 million during the year ended 31 December 2019.

Distribution costs

For the year ended 31 December 2019, total distribution costs of the Group decreased by approximately RMB7.6 million to approximately RMB10.2 million as compared to that of the previous year. Such decrease was mainly due to the decrease in the marketing expenses and promotion expenses of films and television dramas of the Group during the Year when compared to that of the previous year.

Administrative expenses

For the year ended 31 December 2019, the administrative expenses of the Group was approximately RMB32.8 million, representing an increase of approximately 14.7% when compared to the administrative expenses of approximately RMB28.6 million in the previous year. The increase was mainly due to the expenditures related to the expense for the Disposal of the Textile Business, the increase of staff cost for the Group's Media Business and the impairment of the Group's account receivables.

Net finance costs

During the year ended 31 December 2019, the net finance cost of the Group were approximately RMB48.3 million, representing a decrease of approximately RMB0.7 million as compared to the net finance cost of approximately RMB49.0 million in 2018. Such decrease was mainly due to the decrease in the interest payments of the convertible bonds issued by the Group subsequent to the conversion of some of the outstanding convertible bonds. For the year ended 31 December 2019, the finance cost of the Group was approximately RMB52.3 million, representing a decrease of approximately RMB15.1 million as compared to approximately RMB67.4 million in 2018.

The finance income for the Year was approximately RMB4.1 million, representing a decrease of approximately RMB14.3 million as compared to approximately RMB18.4 million in 2018. Such decrease was mainly due to the decrease in interest income from the Group's bank deposits and net exchange earnings in 2019.

Taxation

Taxation of the Group was increased by approximately 103.4% from approximately RMB8.8 million in 2018 to approximately RMB17.9 million during the Period under Review. This was mainly due to the increase of taxable income.

Profit attributable to the equity shareholders of the Company

For the year ended 31 December 2019, the profit attributable to the equity shareholders of the Company was approximately RMB30.2 million, representing an increase in profits of approximately RMB174.9 million as compared to the loss attributable to the equity shareholders of approximately RMB144.7 million in 2018. It was mainly due to the sharp increase in other net profit and the decrease in distribution cost of the Group during the Year.

Goodwill

As at 31 December 2019, the Group's goodwill was approximately RMB435.08 million (2018: approximately RMB441.48 million). The decrease in goodwill was due to the Disposal. During the Period Under Review, there was no impairment of goodwill occurred. Please refer to note 13 of the consolidated financial statement for further details.

Liquidity and financial resources

As at 31 December 2019, cash and cash equivalents of the Group were approximately RMB193.4 million, representing a decrease of approximately 32.1% from approximately RMB284.7 million as at 31 December 2018. This was mainly due to the decrease in bank deposits of the Company as a result of the increase in the investments of film and television programs during the Year.

For the year ended 31 December 2019, the Group's net cash used in operating activities was approximately RMB124.7 million (2018: net cash generated from operating activities of approximately RMB43.2 million), net cash used in investing activities was approximately RMB7.5 million (2018: net cash used in investing activities of approximately RMB28.0 million) and net cash generated from financing activities was approximately RMB22.4 million (2018: net cash used in financing activities was approximately RMB94.7 million). During the Year, cash and cash equivalents of the Group decreased by approximately RMB94.7 million (2018: increased by RMB110.0 million). The Board believes that the Group will maintain a sound and stable financial position, and will maintain sufficient liquidity and financial resources for the Group's business needs.

For the year ended 31 December 2019, the average trade receivables (including bills receivable) turnover period for films and television dramas of the Group increased to approximately 315 days from approximately 150 days (being restated average trade receivables turnover period for films and television dramas) for the year ended 31 December 2018. Such increase was mainly due to the increase in the average balance of accounts receivables.

For the year ended 31 December 2019, drama series and films turnover period of the Group increased to 704 days from 363 days in the previous year. This was mainly because of the increase in the amount of drama series and films.

As at 31 December 2019, the Group's bank borrowings and obligations under finance lease of approximately RMB37.3 million (2018: approximately RMB204.7 million) bore fixed interest rate at 4.8%-5.2% (2018: fixed interest rate at 4.4%-5.7%) per annum. As at 31 December 2019, the Group did not have bank borrowings. (2018: Nil) bore floating interest rate. The Group's debt associated with convertible bonds was approximately RMB161.5 million as at 31 December 2019 (2018: approximately RMB253.9 million), with annual effective interest rate of 22.0% (2018: 22.0%). As at 31 December 2019, the Group's bonds was approximately of RMB218.1 million (2018: approximately of RMB214.3 million) with annual effective interest rate of 6.0% (2018: annual effective interest rate of 6.0%).

Trade and bill receivables

Trade and bill receivables were approximately RMB269.8 million as at 31 December 2019 (approximately RMB251.2 million as at 31 December 2018).

Earnings per share

Calculating based on the weighted average of 1,391,131,584 shares in issue, basic earnings per share of the Company were approximately RMB0.0217 for the year ended 31 December 2019 (2018: basic loss per share was approximately RMB0.1172).

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period under Review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Capital structure

The Group actively and regularly reviews and manages its capital structure to maintain a balance between achieving shareholders returns and prudent level of borrowings and to ensure a sound capital position, and shall from time to time make adjustments to the Group's capital structure in light of changes in economic conditions.

As at 31 December 2019, the debts of the Group were mainly bank borrowings, convertible bonds, bonds and lease liabilities with a total amount of approximately RMB537.3 million (2018: approximately RMB845.5 million). As at 31 December 2019, cash and cash equivalents was approximately RMB193.4 million (2018: approximately RMB284.7 million). As at 31 December 2019, the gearing ratio was approximately 28.5% (2018: approximately 58.8%), which was calculated by dividing total debt (i.e. bank borrowings, convertible bonds, bonds and lease liabilities, after deducting cash and cash equivalents) by total equity.

As at 31 December 2019, the debts of the Group that will become due within a year were approximately RMB301.8 million (2018: approximately RMB627.2 million).

As at 31 December 2019, the Group's cash and cash equivalents was mainly held in Renminbi, US dollars and HK dollars, of which, approximately RMB27.2 million (2018: approximately RMB96.0 million) or approximately 14.1% (2018: 33.7%) of the cash and cash equivalents was held in Renminbi.

Furthermore, the Group did not have finance lease liabilities as at 31 December 2019 (2018: approximately RMB24.2 million bearing floating interest rates at 5.7%). The carrying amounts of bank loans were denominated in RMB. For the year ended 31 December 2019, no financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments.

Capital commitments

Save as disclosed in the note 29 to the consolidated financial statements, the Group did not have any other significant capital commitments as at 31 December 2019 (2018: Nil).

Employee and remuneration policy

As at 31 December 2019, the Group had a total of 96 employees (2018: 1,704). The decrease in the number of staff as compared to that of the previous year was mainly due to the completion of Disposal of the Textile Business in 2019.

For the year ended 31 December 2019, labour costs of the Group from continuing operations (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB22.3 million (2018: approximately RMB20.0 million). The increase of labour costs was mainly because of the increase in staff remuneration.

The Group continues to provide training to staff members to improve their skills. Meanwhile, the Group enhanced the work efficiency and average income of the staff through post-consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was subject to their work performances and experiences, as well as the relevant industry practices. The management of the Group will also periodically review the Group's remuneration policy and the details thereof.

Exposure to foreign exchange risk

The Group adopted a prudent policy in managing its exchange rate risks. The imports and exports of the Group were settled in US 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.

The Group did not use any foreign currency derivatives to hedge against the exposure in foreign exchange during the Year.

Contingent liabilities

The Group did not have any contingent liability as at 31 December 2019 (2018: Nil).

Charges on assets

The Group did not have machinery and equipment pledged to banks as securities for the bank loans as at 31 December 2019 (2018: approximately RMB6.2 million).

Significant investments held

The Group did not hold any significant investment in equity interest in any company during the year ended 31 December 2019.

Future plans for material investments and investments in capital assets

The Group did not have any plans for material investments or investments in capital assets.

Acquisitions and disposals of subsidiaries and affiliated companies

For the year ended 31 December 2019, the Company disposed of Power Fit Limited and its subsidiaries, being the whole Textile Business of the Group. Please refer to the announcements of the Company dated 13 August 2019, 26 November 2019 and 20 December 2019, and the circular of the Company dated 8 November 2019 for further details.

Events after the Reporting Period

As at the date of this report, the Group's non-adjusting events after the reporting period are as follow:

1. On 27 February 2020, the Company, Dragon Capital Entertainment Fund One LP ("**Dragon Capital**"), and Skyland Circle Technology Limited ("**Skyland Circle**") conditionally agreed to extend the maturity date of the convertible bonds held by Dragon Capital Entertainment Fund One LP in an aggregate principal amount of HK$120 million ("**Dragon Capital Bonds**") and held by Skyland Circle Technology Limited in an aggregate principal amount of HK$60 million ("**Skyland Circle Bonds**") from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approval of the Shareholders at the extraordinary general meeting of the Company to be held on 9 April 2020. Please refer to the announcements of the Company dated 27 February 2020 and 10 March 2020 and the circular of the Company dated 24 March 2020 for further details.

   Please refer to the section headed "Dilution impact on the Shares in the event that all outstanding convertible securities are converted" of this report for the dilutive impact on the number of issued shares of the Company and the respective shareholdings of the substantial shareholders of the Company.

2. Due to the occurrence of the COVID-19 Outbreak since early 2020, additional uncertainties has been brought about to the Group's operating environment and may impact the Group's operations and financial position.

   The Group has been closely monitoring the impact on the Group's businesses and has put in place relevant contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, enhancing the monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions. The staff of the Group, whom returned to work on post-production of drama series since mid-to-late March 2020, has been dealing with and actively respond to the consequences and impact due to the COVID-19 Outbreak. The Group will continue to review the effectiveness of these contingency measures as the situation evolves.

   As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause delays in production and delivery of self-produced drama series by the Group, but the directors of the Company ("**Director(s)**") consider that such impact could be reduced by expediting the production process upon the cessation of the COVID-19 Outbreak. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on the Group's trade receivables. These potential impacts have not been reflected in the Financial Information as of 31 December 2019. The actual impacts of the Group may differ from these estimated potential impacts as situation continues to evolve and when further information becomes available.

Outlook

2020 is the final year of the "13th Five-Year Plan". However, with the uncertainties caused by the unexpected COVID-19 Outbreak, various sectors of the consumer and service industries such as transportation, catering, tourism, and movies in China was seriously affected. The Company's film and television drama projects have also been affected by the COVID-19 Outbreak which include, the delay of distribution of two dramas, the impact on the post-production of ten dramas due to the inability of employees to return to their works, and the temporary postponement of the commencement date of six television dramas.

Despite the impact caused by the COVID-19 Outbreak during the first half of the Year, the Company is of the view that the impact of the COVID-19 would be temporary and hence is optimistic in regards to China's film and television media industry in a long term due to the following:

1. Based on the past experiences regarding the impact of the SARS on China's economy in 2003, the economic growth in China rapidly resumed after the end of the SARS outbreak, even though such growth was adversely affected during the first quarter of 2003. The Company is of the view that the cultural industry, especially the film and television media industry, will be part of the driving force driving the economic growth in China when the COVID-19 Outbreak is over.

2. Despite the adverse impact the COVID-19 Outbreak had on the film and television media industry due to the delay or postponement in production schedules, the demand for online entertainment increased with the quarantine measures imposed by the relevant PRC authorities encouraging PRC citizens to stay home. Moreover, once the quarantine restrictions are lifted, the Company expects an increase demand for films to be released in the re-opened cinemas which would bring in revenue for the film and television media industry in China.

3. In spite of the tightened control of the film and television media industry in China for the Year, the Chinese government adopted favourable policies in support the film and television media industry. For example, the CEPA Agreement on Trade in Services signed on 21 November 2019 includes policies such as no limitations on the number of TV dramas and television animations produced in Hong Kong to be introduced to the public in China, no restrictions on the identities of the main producers, the proportion of actors and the Chinese elements to be incorporated in films jointly-produced by Hong Kong and Mainland parties, and the removal of management fees for initiating and reporting of co-production projects by Hong Kong and Mainland parties.

Having considered above, although the financial performance of the Group's Media Business in 2020 may be adversely affected due to the COVID-19 Outbreak, the Group is optimistic as to the long-term development of the film and television media industry in China. The Group will continue to focus its resources in promoting and expanding of its Media Business by focusing on the development of high quality and innovative contents in films and television drama engaged by the Group as its core strategy, leveraging on the Group's IP resources and long-term cooperative relationships between the Group and various online video platforms to diversify its audience base, and cultivating professional talents with its own Film and Television Media School to provide stable income and steadily enhance the Group's visibility and competitiveness. The Group will continue to pay close attention to the film and television media industry and make good use of its existing resources with the view to diversify its revenue stream and customer base in respect of the Media Business and to promptly adjust its investment strategies regarding its film and television drama productions to counteract against unexpected circumstances, so as to bring more benefits to its shareholders and better facilitate and sustain the Group's development.

Currently, the Group's preparatory plans and filming works are undergoing smoothly, and the broadcasted films and television dramas for 2019 and the broadcasting and production schedule of its films and television series for 2020 are as follows:

No.	Name	Genre	(Planned) Shooting commencement date	Remarks
1	Wandering Earth (流浪地球)	Science fiction film	In May 2017	Broadcasted in February 2019
2	The Grandmaster of Kongfu (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	Mystic Kitchen 2 (如意廚房2)	Internet movie	In June 2018	Broadcasted in June 2019
6	Soulmate (七月與安生)	Internet dramas	In May 2018	Broadcasted in July 2019
7	Beauty is the Most Important (唯美貌不可辜負)	Internet dramas	In August 2018	Broadcasted in July 2019
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	Awakening of Subdued Dragon (降龍覺醒)	Internet movie	–	Broadcasted in October 2019
11	Deadly Sniper (致命狙殺, formerly known as "Spy" (叛諜))	Internet movie	In May 2019	Broadcasted in October 2019

No.	Name	Genre	(Planned) Shooting commencement date	Remarks
12	Space Dogs: Adventure to the Moon (太空狗之月球大冒險)	Theatrical film	–	Broadcasted in December 2019
13	Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	In August 2018	Broadcasted in March 2020
14	Breaking Gods (破神錄)	Internet movie	In June 2019	Will be broadcasted in April 2020
15	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for Screening
16	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	Submitted for Screening
17	GO! REX (你好，霸王龍)	Animation film	In May 2017	Broadcast delayed
18	Scream (驚聲尖笑, formerly known as "Horror Blockbuster" (恐不大片))	Internet movie	In November 2017	At the release stage
19	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
20	The Box (魔盒, formerly known as "Bosom Friend (高山流水))	Internet movie	In July 2018	At the release stage
21	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	At the release stage

No.	Name	Genre	(Planned) Shooting commencement date	Remarks
22	Monster Hunters（鎮魂歌）	Internet movie	In December 2018	Submission for approval delayed
23	Kapok Blooms Everywhere（木棉花開紅爛漫）	Realistic dramas	In September 2018	Post-production delayed
24	The Tale of the Mythical Ferocious Animal（饕餮記）	Internet dramas	In October 2018	Post-production delayed
25	Healer of Children（了不起的兒科醫生）	Workplace drama	In January 2019	Post-production delayed
26	The Shark（陸行鯊）	Internet movie	In April 2019	Post-production delayed
27	Rat Disasters（大鼠災）	Internet movie	In May 2019	Post-production delayed
28	Twin Blades（尖鋒姐妹, formerly known as（暦小龍與程序媛）)	Theatrical film	In May 2019	Post-production delayed
29	Drift on! Zhi（漂移吧！小志）	Internet movie	In August 2019	Post-production delayed
30	Sword Maker（煉劍）	Internet movie	In August 2019	Post-production delayed
31	Blood Pledge for Thousands（血盟千年）	Historical story drama	In October 2019	Post-production delayed
32	Tempering of King Gelsall（格薩爾王之磨煉）	Animation film	–	Post-production delayed
33	New Tong Pak Foo Dim Chau Heung（唐伯虎點秋香後傳）	Internet movie	Originally scheduled in March 2020*	Filming delayed
34	Blood Valley of Wolves（殺出血狼谷）	Internet movie	Originally scheduled in March 2020*	Filming delayed

No.	Name	Genre	(Planned) Shooting commencement date	Remarks
35	Deadly Sniper 2（致命狙殺2）	Internet movie	Originally scheduled in April 2020*	Filming delayed
36	Manhunt（極寒追惡）	Internet movie	Originally scheduled in February 2020*	Filming delayed
37	Elderly Hero（遲暮英雄）	Theatrical film	Originally scheduled in February 2020*	Filming delayed
38	The First Undercover in the Southern Song Dynasty – The Case of Demon Cat（南宋第一臥底之妖貓案）	Internet movie	Originally scheduled in May 2020*	Filming delayed
39	Tianta Crisis（天塔危機）	Theatrical film	2020	Preparing filming
40	Mystery Case in Ying Dynasty（大應奇案）	Internet movie	2020	Script finished
41	Yan Jian: God of War（少年楊戩）	Internet movie	2020	Script finished
42	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	2020	Preparing filming
43	Platinum Data（白金數據）	Internet dramas	2020	Preparing filming
44	Bulletproof Teacher（穿越火線：防彈教師）	Internet dramas	2020	Preparing filming

No.	Name	Genre	(Planned) Shooting commencement date	Remarks
45	Love Comes Like a Dream (戀戀如夢令, formerly known as "Back to the Dynasty (午門囧事))	Internet dramas	2020	Preparing filming
46	Yangtze River Bridge (長江大橋)	Realistic dramas	2020	Preparing filming
47	Outlaws of the Marsh: Wu Song (武松決戰十字坡)	Internet movie	2020	Preparing filming
48	Emergency Rescuing (心跳營救)	Internet movie	2020	Preparing filming
49	Fiber (纖維)	Internet dramas	2020	Preparing filming
50	Shiny Days (雨過天晴雲開處)	Internet dramas	2020	Preparing filming
51	Wu Dang (天下武當)	Television drama	2020	Preparing filming

* Shooting delayed because of COVID-19 Outbreak.

Directors and Senior Management Profile

The Board of Directors is responsible and has general powers for the management and conduct of the business. The Board currently consists of eight Directors, including five executive Directors, and three independent non-executive Directors. The following table sets forth information regarding members of the Board for the year ended 31 December 2019 and up to the date of this annual report:

Name	First Appointment Date
Executive Directors	
LIU Dong *(Chairman)*	24 February 2010
LIU Zongjun *(Chief Executive Officer)*	26 June 2012
CHEN Chen	24 September 2015
HE Han	8 November 2016
TAN Bin	8 November 2016
Independent non-executive Directors	
LAM Kai Yeung	26 June 2012
LIU Chen Hong	18 April 2018
KWOK Pak Shing	27 March 2020
WANG Liangliang (resigned on 27 March 2020)	

Executive Directors

Mr. LIU Dong（劉東）, aged 51, is the Chairman of the Board and an executive Director appointed on 24 February 2010, and one of the Company's substantial shareholders. Mr. LIU has been with the Group since the acquisition of the equity interest of Zibo Yinshilai Textile Co., Ltd.（淄博銀仕來紡織有限公司）("**Yinshilai Textile**") by Zibo Yinshan Chemical Fiber Co., Ltd.（淄博銀杉化纖有限公司）("**Yinshan Chemical Fiber**") in June 2005. Mr. LIU is currently the legal representative and a director of Yinshilai Textile and was firstly appointed to such posts in September 2005. Mr. LIU was appointed as a Director on 24 February 2010. He is primarily responsible for overall business development, strategic planning and business development of the Group. Mr. LIU has accumulated more than 20 years of experience in the textile industry in the PRC, which can be traced back to 1996 when he was appointed as the general manager of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）. Mr. LIU had served as a deputy general manager of Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）, and subsequently as a director and general manager (between December 1998 and December 2001) and the chairman of the board of director (between December 2001 and November 2004) of Shandong Wanjie High-Tech Co. Ltd.（山東萬傑高科技股份有限公司）("**Wanjie High-Tech**"). Mr. LIU studied in College of Textile Engineering of Shandong（山東紡織工學院）majoring in management and subsequently obtained a master of business administration degree from the Chinese Academy of Social Science in November 1998.

Mr. LIU was recognized as "Model Worker of the Textile Industry of the PRC"(全國紡織工業勞動模範)by the Ministry of Personnel of the PRC(中華人民共和國人事部)and China National Textile and Apparel Counci(l中國紡織工業協會)in 2006, "Outstanding Entrepreneur of the Zibo Municipality for the year 2006"(2006年度淄博市優秀企業家), "Outstanding Entrepreneur of the Zibo Municipality for the year 2008"(2008年度淄博市優秀企業家)and "Outstanding Entrepreneur of the Zibo Municipality for the year 2009"(2009年度淄博市優秀企業家)by the Zibo Municipal Committee of the Chinese Communist Party(中共淄博市委)and the People's Government of Zibo Municipality(淄博市人民政府)in 2007 and 2010, respectively, "Star Entrepreneur of the Zibo Municipality for the year 2010"(2010淄博市明星企業家)by the Zibo Municipal Committee of the Chinese Communist Party(中共淄博市委)and the People's Government of Zibo Municipality(淄博市人民政府)in 2011, "Outstanding Entrepreneur of the Shandong Province"(山東省優秀企業家)by Shandong Enterprise Confederation(山東省企業聯合會), Shandong Entrepreneur Association(山東省企業家協會), Shandong Industrial and Economics Confederation(山東省工業經濟聯合會)and Shandong Quality Association(山東省質量協會)in 2011, "Award for Outstanding Entrepreneurs of the Textile Industry of the Shandong Province"(山東省紡織企業家創業獎)by the Shandong Textile Industry Office(山東省紡織工業辦公室)and the Shandong Textile Enterprise Management Association(山東紡織企業管理協會)in 2007, one of the "Twelve Batch of Outstanding Young Entrepreneurs of the Zibo Municipality"(第十二屆淄博市傑出青年企業家)by the Zibo Municipal Committee of the Communist Youth League(共青團淄博市委), Zibo Municipal Economy and Trade Committee(淄博市經濟貿易委員會), the Zibo Municipal Administration for Industry and Commerce(淄博市工商行政管理局), the Zibo Municipal Department of Environmental Protection(淄博市環境保護局), the Zibo Municipal Association of Entrepreneur(淄博市企業家協會)and the Zibo Municipal Association of Young Entrepreneur(淄博市青年企業家協會)in 2007, "Outstanding Persons of the Textile Brand Culture Development of the PRC for the year 2010"(2010中國紡織品牌文化建設傑出人物)by China National Textile and Apparel Counci(中國紡織工業協會)and the Chinese Association for Textile Enterprises Culture Construction(中國紡織企業文化建設協會)in 2010, and "Boshan Star Entrepreneur for the year 2008"(2008年度博山區明星企業家), "Boshan Star Entrepreneur for the year 2010"(2010年度博山區明星企業家)and "Boshan Star Entrepreneur for the year 2011"(2011年度博山區明星企業家)by the Boshan District Committee of the Chinese Communist Party(中共博山區委)and the People's Government of Boshan District(博山區人民政府)in 2009 and 2011, respectively. Mr. LIU is a representative of the Fourteenth People's Congress of Zibo City(淄博市第十四屆人民代表大會).

Mr. LIU Zongjun(劉宗君), aged 49, is an executive Director appointed on 26 June 2012, and chief executive officer of the Company appointed on 1 April 2015. He joined the Group as assistant to the chairman of the board of directors, deputy general manager and manager of the human resources department of Yinshilai Textile since April 2010.

Mr. LIU is experienced in administrative management and has accumulated 18 years of experience in the textile industry. Between July 1993 and June 1994, Mr. LIU worked in the Shanghai office of Weifang Economic and Trade Centre(濰坊經濟貿易中心)governed by the Shandong Weifang Municipality Economic Committee(山東濰坊市經濟委員會). Between September 1994 and October 2004, Mr. LIU worked with Wanjie Group Co., Ltd. and held a series of positions including the role of executive in foreign economy and trade department of the Shanghai office, assistant to the general manager of Zibo Wanjie Fiber Co., Ltd.(淄博萬傑纖維有限公司)and assistant to the general manager and human resources manager of Wanjie High-Tech. Between October 2004 and April 2010, Mr. LIU served as general manager of Zibo Tianhao Weaving and Dyeing Co., Ltd(淄博天浩織染有限公司).

Mr. LIU graduated from Shanghai Textile College（上海紡織高等專科學校）in July 1993, majoring in textile material chemical processing. He obtained a Bachelor's degree in Chinese literature from Shandong University of Technology（山東理工大學）in January 2007. He also obtained an Executive Master of Business Administration (EMBA) from Donghua University（東華大學）in December 2014.

Ms. CHEN Chen（陳辰）, aged 40, is an executive Director appointed on 24 September 2015. Ms. CHEN has more than 10 years of experience in the field of finance and investment. From April 2006 to October 2011, Ms. CHEN served as a vice president of Haitong Securities Co., Ltd (Investment Banking Division, Shenzhen Branch). From November 2011 to May 2014, Ms. CHEN served as the vice president in charge of investment of the Shenzhen branch company of Haitong Kaiyuan Investment Company Limited（海通開元投資有限公司）. From June 2014 to November 2014, Ms. CHEN served as the assistant to the president and the finance controller of the Energy Management Contracting department of NVC Lighting (China) Co., Ltd. Ms. CHEN held position as a senior vice president of Beijing Ying Sheng Culture Investment Limited（北京瀛晟文化投資有限公司）from February 2015 to September 2015. Ms. CHEN studied German literature in the Beijing Foreign Studies University and obtained a master degree in business administration from the University of Mainz in Germany.

Mr. HE Han（何漢）, aged 48, is an executive Director appointed on 8 November 2016 and is an experienced filmmaker and a member of board of directors of the Beijing Film Academy. He has been the president of Beijing Starrise Pictures Co., Ltd.（北京星宏影視文化有限公司）(formerly known as Beijing Yingsheng Cultural Investments Co., Ltd.（北京瀛晟文化投資有限公司）) since October 2015. Beijing Starrise Pictures Co., Ltd. is a wholly-owned subsidiary acquired by the Company in July 2016. Prior to joining the Group, Mr. HE served as the vice president of CITIC Culture Media Group（中信文化傳媒集團）and the chief director of the planning division of Century Heroes Film Investment Co., Ltd.（世紀英雄電影投資有限公司）from 2001 to 2005. Mr. HE also acted as the general manager of Beijing Airmedia Corporation Limited（北京航美影視文化有限公司）, the president of Beijing Xinghe Lianmeng Entertainment Co., Ltd.（北京星河聯盟影視發行有限公司）and the publisher of the "Cinema World（電影世界）" magazine between 2005 and 2015. Mr. HE graduated from the Beijing Film Academy with a Bachelor's degree in public service administration (film and television).

Mr. TAN Bin（譚彬）, aged 38, is an executive Director appointed on 8 November 2016 and has worked in the investment banking and capital markets sectors for many years, and is experienced in corporate financing and merger and acquisitions matters. He has been involved in numerous corporate finance projects. Mr. TAN joined the Group in August 2016 and is currently serving as a senior finance officer of the Group. Prior to joining the Group, he served as a director of Huatai Financial Holdings (Hong Kong) Limited（華泰金融控股（香港）有限公司）from 2015 to 2016. During the period from 2008 to 2014, he held several positions in BOC International Holdings Limited（中銀國際亞洲有限公司）including analyst, manager and associate director. Mr. TAN graduated from the Beijing University of Technology with a Bachelor's degree in applied physics. He has also obtained a Master's degree in telecommunication engineering and a Master's degree in digital communications from Monash University in Australia.

Independent non-executive Directors

Mr. LAM Kai Yeung（林繼陽）, aged 50, is a fellow of the Association of Chartered Certified Accountants（英國特許公認會計師公會）and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. LAM obtained a bachelor's degree in accounting from Xiamen University（廈門大學）in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

Mr. LAM has been an independent non-executive Director since June 2012; an independent non-executive director of Finsoft Financial Investment Holdings Limited（匯財金融投資控股有限公司）(a company listed on GEM of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), stock code: 8018) since June 2015; an independent non-executive director of Holly Futures（弘業期貨股份有限公司）(a company listed on the Main Board of the Stock Exchange, stock code: 3678) since June 2015; an independent non-executive director of Shi Shi Services Limited（時時服務有限公司）(formally known as Heng Sheng Holdings Limited and Kong Shum Union Property Management (Holding) Limited) (a company listed on the GEM of the Stock Exchange, stock code: 8181) since October 2015; an independent non-executive director of Kin Shing Holdings Limited（建成控股有限公司）(a company listed on the GEM of the Stock Exchange, stock code: 1630) since May 2017； and an executive Director and the chief executive officer of Hang Pin Living Technology Company Limited（杭品生活科技股份有限公司）(formerly known as Hua Long Jin Kong Company Limited, Highlight China Lot International Limited and Ford Glory Group Holdings Limited) (a company listed on the Main Board of the Stock Exchange, stock code: 1682) since June 2017 and September 2017, respectively. He also served as a director of Sunway International Holdings Limited（新威國際控股有限公司）(a company listed on the Main Board of, stock code: 58) from May 2015 to June 2019.

Mr. LAM is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. WANG Liangliang（王亮亮）, aged 37, has been an independent non-executive Director with effect from 6 March 2017. He holds a Master of Laws from the Graduate School of the Academy of Social Sciences（中國社會科學院研究生院）in Beijing. He obtained his bachelor degree in Human Resource Management from Soochow University（蘇州大學）in 2004. Mr. WANG has ten years of legal professional experience. He was qualified as a legal practitioner in the People’s of Republic of China in 2006. Mr. WANG joined Jingtian & Gongcheng (Beijing)（北京競天公誠律師事務所）in March 2007 and became a partner of the firm in April 2014. He specialises in securities, funds, private equity, mergers and acquisitions, restructuring, anti-trust and foreign investment. In relation to his capital markets practice, Mr. WANG represented a number of companies and underwriters in overseas and domestic listing projects. Mr. WANG resigned as an independent non-executive Director, a member of the audit committee and the nomination committee, and the chairman of the remuneration committee of the Company with effect from 27 March 2020.

Ms. LIU Chen Hong（劉晨紅）, aged 53, has been an independent non-executive Director since 18 April 2018. She obtained a Master of Business Administration (MBA) degree from Pace University in New York in June 2000. Ms. Liu has over 20 years’ of experience in the field of finance. She served as the chief representative at the Dalian Representative Office of Regent Express Inc.（美國雷鈞國際有限公司）between October 1990 and February 1994. Ms. LIU was the chairman of Xin Li Holding Group Corporation（美國鑫利控股集團有限公司）from June 1994 to December 2002. She subsequently took up the position of vice chairman at Eagle Sky Enterprise Limited（香港量子高科集團）between February 2003 and December 2001, and chairman at Quantum Hi-tech Group（香港天鷹企業有限公司）between February 2012 and June 2014. Ms. LIU has been serving as the chairman at T&C Corporate Consultants Limited（香港天呈企業顧問有限公司）since July 2014.

Mr. KWOK Pak Shing（郭柏成）, aged 35, has been an independent non-executive Director with effect from 27 March 2020. He obtained a bachelor degree of arts in business studies from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. KWOK has over 13 years of experience in accounting, auditing, financial management and corporate governance matters. Since July 2018, he serves as the chief financial officer and a joint company secretary of Zensun Enterprises Limited, the shares of which are listed on the Main Board of the Stock Exchange with stock code:185. Mr. KWOK also worked as a company secretary and/or a financial controller for companies listed on the Stock Exchange from June 2013 to July 2018 and as an audit manager for an international accounting firm from July 2006 to June 2013.

Senior Management

The Company's executive Directors and senior management are responsible for the day-to-day management of the Group's business. The following table sets out certain information concerning the Group's senior management as at the date of this annual report:

Name	Age	Positions within the Company
TIAN Chengjie	51	Secretary to the Board
SONG Shuli	44	Chief Financial Officer
SUN Hongchun	56	Vice President of Production and Technology
GONG Jianpei	58	Chief Designer
SUN Qiaoyun	50	Finance Controller

Mr. TIAN Chengjie（田成杰）, aged 51, is the secretary to the Board. Mr. TIAN has been a deputy general manager of Yinshilai Textile in March 2005. From May 2006 to August 2017, he had been a deputy general manager and a director of Huiyin Textile. Between June 2012 and September 2015, Mr. TIAN had been an executive Director and the secretary to the Board. He is primarily responsible for administration, planning and human resources of the Group. Mr. TIAN has accumulated more than 20 years of experience in the textile industry in the PRC. Mr. TIAN had worked with Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）since December 1993 and held a series of positions including the role of workshop manager, the head of the spinning department, the head of the quality control department, the head of the business administration bureau, and an assistant to the general manager, and subsequently with Zibo Wanjie Group Co., Ltd.（淄博萬傑集團有限公司）serving as the head of the business administration bureau. Between December 1996 and November 2004, Mr. TIAN held a series of positions including the role of director and supervisor of Wanjie High-Tech. Mr TIAN graduated from the College of Textile Engineering of Shandong（山東紡織工學院）in July 1990 majoring in chemical fiber studies and obtained a master of business administration degree from the Guanghua School of Management of the Peking University（北京大學光華管理學院）in May 2004. Mr. TIAN was awarded the second prize of the "Modern and Innovative and Excellent Application of Enterprises Management of the Shandong Province Award"（山東省企業管理現代化創新及優秀應用二等獎）by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee（山東省企業管理現代化創新成果評審委員會）in December 2010.

Mr. SONG Shuli（宋樹利）, aged 44, has been the Group's chief financial officer since July 2011 and is responsible for the Group's financial and accounting functions, and overseeing the financial reporting and accounting functions. Mr. SONG obtained a bachelor degree in laws from the Shandong Normal University（山東師範大學）in December 2009. Mr. SONG was qualified as a certified tax adviser, a qualified property valuer and a qualified accountant in China in September 2005, September 2005 and October 2005, respectively. Mr. SONG worked in a number of professional accounting firms in China prior to joining our Group.

Ms. SUN Hongchun (孫紅春), aged 56, is the Company's vice president of production and technology. Ms. SUN served as a general manager of Yinshilai Textile since March 2005, primarily responsible for the implementation of enterprise routine management and business plan. Ms. SUN was appointed as a director of Yinshilai Textile in September 2005. Ms. SUN has accumulated 23 years of experience in the textile industry which can be traced back to 1990, including serving as a factory supervisor, head of production technology department of Zibo Wanjie Group Co., Ltd. (淄博萬傑集團有限公司), deputy factory supervisor, deputy general manager of Zibo Wanjie Fiber Co., Ltd. (淄博萬傑纖維有限公司) and general manager of Wanjie Knitting Company (萬傑織造公司). Ms. SUN was recognized as the "Model Worker of the Textile Industry of the PRC" (全國紡織工業勞動模範) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and China Textile and Apparel Council (中國紡織工業協會) in 2010, the "Outstanding Manager of the Shandong Province for the year 2010" (2010年度山東省優秀經營管理者) by the Shandong Economic and Information Technology Committee (山東省經濟和信息化委員會), the second prize of the "Modern Innovation and Excellent Application of Enterprises Management of the Shandong Province Award" (山東省企業管理現代化創新及優秀應用成果二等獎) by the Modern and Innovative Contribution of Enterprises Management of the Shandong Province Award Committee (山東省企業管理現代化創新成果評審委員會) in December 2010, and "the Honour of Excellent Innovative Leader of the Boshan District" (博山區優秀創新帶頭人榮譽) by the Peoples's Government of Boshan District (博山區人民政府). Ms. SUN has also participated in a chemical fiber technology development project which was recognized as a "Spark Program Achievement at the National Level" (國家級星火計劃科技成果) by the Science and Technology Commission of Shandong Province (山東省科學技術委員會) in December 1993.

Ms. SUN graduated from the College of Textile Engineering of Shandong (山東紡織工學院) with a bachelor degree majoring in textile engineering in June 1990.

Mr. GONG Jianpei (龔建培), aged 58, joined the Group in August 2011 when he was appointed as the Group's chief designer on a part-time basis. His duties include conducting market research and analysis as to textile products, assisting the Group in new products design and development, providing training to the staff in the Group's research and development and product design department, and assisting the Group in the planning of design competition and headhunting. Mr. GONG is experienced in textile fabric design. He was awarded the first-class theses award by the National Textile Design Competition And Theory Seminar (2001全國紡織品設計大賽暨理論研討會) in 2001, a silver prize in the "Fourth National Interior Design Competition" (全國第四屆室內設計大賽) by China Interior Decoration Association (中國室內裝飾協會) in 2002, a silver prize for his thesis in the "Chinese International Household Textile Design Competition" (中國國際家用紡織品設計大賽) by China Home Textile Association (中國家用紡織品行業協會), The Sub-Council of Textile Industry, CCPIT (中國國際貿易促進委員會紡織行業分會), Messe Frankfurt (HK) Ltd (法蘭克福展覽(香港)有限公司), and The People's Government of Hianing, Zhejiang Province (浙江省海寧市人民政府) in 2003, an award of excellence for his thesis in the Chinese Fashion Colour Association (中國流行色協會) in December 2003, the "First Prize Teaching Achievement Award" (教學成就一等獎) by the Nanjing Art Institute (南京藝術學院) in 2004, and the "Second Prize Achievement Award for Undergraduates Teaching in Jiangsu Province for 2004" (2004年江蘇省高等教育教學成果獎二等獎) by the Education Department of Jiangsu Province (江蘇省教育廳) in 2005, respectively.

Mr. GONG is currently holding a number of posts in professional institutes in relation to design and textile. He is also a qualified designer of the Designer Chapter of the Chinese Household Textile Association (中國家紡協會設計師分會), a specialist of the Textile & Garment Chamber of Commerce, All-China Association of Industry & Commerce (中華全國工商業聯合會紡織服裝業商會), a councilor of the International Natural Dyeing Association (國際自然染色協會), and a councilor of the Chinese Fashion Colour Association (中國流行色協會).

Directors and Senior Management Profile

Ms. SUN Qiaoyun（孫巧雲）, aged 50, is the Group's finance controller. Ms. SUN joined the Group as the chief of the accounting and finance department of Yinshilai Textile in November 2004 and was appointed as a director of Yinshilai Textile in March 2006. Ms. SUN has accumulated 23 years of experience in finance and management which can be traced back to 1991 when she served as the manager of the finance department of Zibo Wanjie Fiber Co., Ltd.（淄博萬傑纖維有限公司）.

Ms. SUN undertook a part-time course at the Party School of Shandong Provincial Party Committee of China Communist Party（中共山東省委黨校）and obtained a bachelor degree in economic management in December 2004.

As at the date of this annual report, save as disclosed above, each of our Directors and our senior management members has confirmed that he or she has not held any directorship in other listed public companies or major appointments in the past three years.

Company Secretary

Ms. CHAN Yin Wah（陳燕華）, aged 44, is an associate director of SWCS Corporate Services Group (Hong Kong) Limited. She has over 15 years of professional experience in handling corporate secretarial, compliance and share registry matters for listed companies in Hong Kong. She worked for various international professional firms and listed companies in Hong Kong. Ms. CHAN holds a Bachelor's degree in economics and a master's degree in professional accounting. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is also a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Corporate Governance Report

Corporate Governance

Adapting and adhering to the recognized 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.

For the year ended 31 December 2019, the Company had adopted and complied with 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**").

Chairman and Chief Executive Officer

For the year ended 31 December 2019, the Company had adopted and complied with the Code Provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. LIU Dong had been the chairman of the Company and Mr. LIU Zongjun had been the chief executive officer of the Company.

Board Diversity Policy

Code Provision A.5.6 stipulates that the nomination committee of the Board (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, the Board has approved and adopted a board diversity policy (the "**Policy**") and the appropriate revisions to the terms of reference of the Nomination Committee 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 to be members of the Board. 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 individual merits and the expected contributions 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 55 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 of Directors with backgrounds of various industries including finance (Ms. CHEN Chen and Mr. TAN Bin), law (Mr. WANG Liangliang) and accounting (Mr. LAM Kai Yeung). The Board's composition (including gender, age, length of service) will be reviewed and 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 the 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.

Dividend Policy

The Company's dividend policy is that reasonable amount of the Group's profits available for distribution will be recommended for distribution in each financial year (commencing from the financial year ended 31 December 2012), in the form of interim dividend and final dividend. Directors consider that, in general, the amount of any future dividends to be declared by the Company will depend on the Group's results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by Directors. Directors consider that the Company's dividend policy mentioned above will not materially affect the Group's working capital position in the coming years.

Nomination Policy

The nomination policy of the Company (the "**Nomination Policy**") was approved by the Board on 27 December 2018. The Nomination Policy was effective from 1 January 2019.

The purpose of the Nomination Policy is to nominate suitable candidates to the Board for consideration and recommendation to Shareholders to be elected as Directors of the Company at the general meeting, or for the Board to appoint as Directors of the Company to fill casual vacancies; the number of candidates nominated may exceed (as deemed appropriate) the number of Directors appointed or re-appointed at a general meeting or exceed the number of casual vacancies to be filled.

The selection criteria for the Nomination Policy are: (1) The Nominating Committee will refer to the following factors when evaluating candidates, including reputation, the achievements and experience in the film and television, financial, legal, accounting or investment industries, the time available and the interests of the relevant parties, and the diversity of the Board (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure). All factors mentioned above are for reference only and not intended to cover all factors or otherwise be decisive. The Nomination Committee may decide to nominate any person as it deems appropriate; (2) The independent non-executive Directors who are about to retire are eligible to be nominated by the Board and be re-elected as the Directors at the general meeting. For the avoidance of doubt, the independent non-executive Directors who have served as Directors for 9 consecutive years or more should be re-elected by Shareholders in the form of an independent resolution. The Nomination Committee and the Board should attach the resolution in the circular sent to Shareholders, and the circular should contain the reasons why the Nomination Committee and the Board believe that the person is still independent and should be re-elected; and (3) All Directors appointed to fill the casual vacancy shall accept the Shareholders' election at the first general meeting after the appointment. Each Director (including those with a specified term) shall be subject to retirement by rotation, at least once every three years.

Model Code for Securities Transaction by the Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of Directors. The Company confirms that, having made specific enquiry of all Directors, all the Directors have compiled with the required standards of dealing as set out in the Model Code during the Year.

The Board of Directors

Composition

As at the date of the annual report, the Board comprises eight Directors, of which Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han and Mr. TAN Bin are executive Directors; and Mr. LAM Kai Yeung, Mr. WANG Liangliang (resigned on 27 March 2020), Ms. LIU Chen Hong and Mr. KWOK Pak Shing (appointed on 27 March 2020) are independent non-executive Directors. For the year ended 31 December 2019 and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors:

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

Independent non-executive Directors:

LAM Kai Yeung
LIU Chen Hong
KWOK Pak Shing (appointed on 27 March 2020)
WANG Liangliang (resigned on 27 March 2020)

The biographical details of each Director are set out in the section "Directors and Senior Management Profile" on pages 22 to 28.

Board meetings

The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such regular Board meetings do not involve the way of written resolutions approved by the Board. During the year ended 31 December 2019, four Board meetings, two Audit Committee meetings, one Nomination Committee meetings, one Remuneration Committee meetings, two extraordinary general meetings ("**EGM**") and annual general meeting ("**AGM**") were held and the attendance records of individual Directors are set out below:

	Directors' attendance/meetings held (for the year ended 31 December 2019)					
	Board of Directors	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**AGM**	**EGMs**
Executive Directors						
LIU Dong (Chairman)	4/4	N/A	1/1	1/1	1/1	2/2
LIU Zongjun	4/4	N/A	N/A	N/A	1/1	2/2
CHEN Chen	4/4	N/A	N/A	N/A	1/1	2/2
HE Han	4/4	N/A	N/A	N/A	1/1	2/2
TAN Bin	4/4	N/A	N/A	N/A	1/1	2/2
Independent non-executive Directors						
LAM Kai Yeung	4/4	2/2	N/A	N/A	1/1	2/2
LIU Chen Hong	4/4	2/2	1/1	1/1	1/1	2/2
WANG Liangliang (resigned on 27 March 2020)	4/4	2/2	1/1	1/1	1/1	2/2
KWOK Pak Shing (appointed on 27 March 2020)	N/A	N/A	N/A	N/A	N/A	N/A

During the year ended 31 December 2019 and up to the date of this annual report, there are three independent non-executive Directors in the Board and they represent over one third of the Board, and one of them, Mr. LAM Kai Yeung has the appropriate professional qualifications.

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations, are followed. Both draft and final versions of the minutes are sent to all Directors for their comment and records. Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Responsibilities of the Board and management

The Board is primarily responsible for overseeing and managing the Company's affairs, including the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objectives of the Group. The Board is also responsible for determining the Company's corporate governance policies which include: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (iv) to review the Company's disclosure in the Corporate Governance Report.

While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association ("**Articles of Association**") as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association). With the composition of members of the nomination committee, remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by the respective Board committees.

The Board has also delegated the responsibility of implementing its strategies and the day-to-day operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved for the Board's decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with Shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements set out on pages 73 to 166 were prepared on the basis set out in note 1 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditors of the Company on the Company's financial statements is set out in the Independent Auditors' Report on pages 67 to 72.

There is no non-compliance with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. Save as disclosed in the section "Directors and Senior Management Profile" above, there is no financial, business, family or other material relationship among members of the Board.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Continuous professional development

During the year ended 31 December 2019, all Directors, namely, Mr. LIU Dong, Mr. LIU Zongjun, Ms. CHEN Chen, Mr. HE Han, Mr. TAN Bin, Mr. LAM Kai Yeung, Mr. WANG Liangliang, and Ms. LIU Chen Hong have been given relevant guidance materials and attended a training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Continuing briefings and professional development to all Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange and/or fund the training in accordance with paragraph A.6.5 of the Code Provisions.

Independent non-executive Directors

All independent non-executive Directors have entered into a letter of appointment with the Company for a specific term of three years, subject to retirement by rotation and re-election.

In accordance with the articles of association of the Company, at each AGM, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. Such retiring Directors may, being eligible, offer themselves for re-election at the AGM. All Directors appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Nomination Committee

The Company established the Nomination Committee on 26 June 2012 with written terms of reference in compliance with paragraph A.5.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; access the independence of independent non-executive Directors; and according to the Nomination Policy, make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. For the year ended 31 December 2019, the Nomination Committee comprises three members and two of them are independent non-executive Directors, namely Ms. LIU Chen Hong (being the Chairman) and Mr. WANG Liangliang (whom resigned as an independent non-executive Director with effect from 27 March 2020), and one executive Director, namely Mr. LIU Dong.

During the year ended 31 December 2019, one Nomination Committee meeting was held. The Nomination Committee meeting was held on 29 March 2019 to, inter alia, review the structure, size and composition of the Board and the independence of independent non-executive Directors, review and confirm the effectiveness of the Company's board diversity policy and Nomination Policy as well as discussing the matters regarding retirement and re-election of Directors.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates in accordance with the Nomination Policy, and also the Company's needs and other relevant statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Board for approval.

Remuneration Committee

The Company established the Remuneration Committee on 26 June 2012 with written terms of reference in compliance with the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with paragraph B.1.2 of the Code Provisions. Its terms of reference are available from the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and to ensure that none of the Directors would determine his/her own remuneration. The emoluments of executive Directors are determined based on the skills, knowledge, individual performance as well as contributions, the scope of responsibility and accountability of such Directors, taking into consideration of the Company's performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The emoluments of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. For the year ended 31 December 2019, the Remuneration Committee consists of three members and two of them are independent non-executive Directors, namely Mr. WANG Liangliang (being the Chairman prior to his resignation as an independent non-executive Director with effect from 27 March 2020) and Ms. LIU Chen Hong, and one of them is an executive Director, namely Mr. LIU Dong.

Pursuant to paragraph B.1.5 of the Code Provisions, the annual remuneration of the numbers of the senior management by band for the Period is set out below:

Remuneration band (HK$)	**Number of individuals**
Nil to 100,000	0
100,001 to 1,500,000	5

Details of remuneration of Directors are set out in note 7 to the financial statements. No Director has waived or agreed to waive any emoluments during the year ended 31 December 2019 (2018: nil).

During the year ended 31 December 2019, one meeting was held by the Remuneration Committee. The Remuneration Committee meeting was held on 29 March 2019 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

The Remuneration Committee will review the proposals made by the management on the remuneration of executive Directors and senior management and make recommendation to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Audit Committee

The Company established the Audit Committee on 26 June 2012 with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C.3.3 and C.3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange. The Audit Committee reports to the Board and has held regular meetings since its establishment to review and make recommendations to improve the Group's financial reporting process and internal controls.

The primary duties of the Audit Committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting and overseas internal control and risk management procedures of the Company. For the year ended 31 December 2019, the Audit Committee consists of three independent non-executive Directors, namely Mr. LAM Kai Yeung (being the Chairman), Mr. WANG Liangliang (whom resigned as an independent non-executive Director with effect from 27 March 2020) and Ms. LIU Chen Hong.

During the Year, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls, risk management and financial reporting matters. The Audit Committee also met with the external auditors and reviewed the draft annual and interim reports of the Company. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

During the year ended 31 December 2019, two meetings were held by the Audit Committee. The Audit Committee meetings were held on 29 March 2019 and 29 August 2019, respectively, and all the members of Audit Committee during the relevant period had attended the meetings.

During the year ended 31 December 2019, the Board has not taken a different view from the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

Corporate Governance Functions

In 2019, the Board reviewed the Company's policies and practices on corporate governance and made recommendations. The Board reviewed and monitored the training and continuous professional development of Directors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, and reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Auditor's Remuneration

During the Year, the Company engaged KPMG as the external auditors. The fees charged by KPMG for the year ended 31 December 2019 amounted to approximately RMB3.3 million, of which the fees charged for audit services of RMB2.6 million and the fees charged for non-audit services of RMB0.7 million relating to the Disposal.

The reporting responsibilities of KPMG are set out in the Independent Auditors' Report on pages 67 to 72.

Company Secretary

Ms. CHAN Yin Wah of SWCS Corporate Services Group (Hong Kong) Limited, an external service provider, has been engaged by the Company as the company secretary since September 2011, her biographical detail is set out in the section headed "Directors and Senior Management Profile" in this annual report. Ms. Chan has complied with the requirements under Rule 3.29 of the Listing Rules during the Year. The primary contact person of the Company is Ms. CHEN Chen, the executive Director of the Company in relation to any corporate secretarial matters.

Risk Management and Internal Controls

The Board is responsible for maintaining an effective internal control system to safeguard the Group's assets and Shareholders' interests, and regularly conducts review and on-going monitoring on the risk management and internal control system to ensure the effectiveness of the implementation of the internal control system. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has maintained an internal audit function and has established its internal control system focused on risk management, including company management policies and systems in written form, clearly defined organizational structure and responsibilities authorization system, stable and reliable financial management data and reports, and stringent risk management and appraisal system on the supervision over internal control.

The Group continuously improves and regulates its internal control management policies and systems by strictly complying with national laws and regulations and the regulatory requirements under the Stock Exchange. Through objective identification, analysis and evaluation of the enterprise's risk events as well as in-depth analysis of the main aspects of internal control, the Group has established its internal control management system covering major businesses and risk matters regarding to its operation and management with limited management resources to focus on core issues. The Group has adopted three-level risk management and internal control authorization structural system: the Board, senior management and Group headquarters management center as well as all of the subsidiaries. The Board is the supreme decision-making body for the Company's risk management and internal control; the senior management and Group headquarters management center achieves effective identification and control of the risks related to all material matters; and all of the subsidiaries implement direct risk management and internal control function for their respective operations.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

(1) is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules;

(2) conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

(3) has included in the code of conduct of the Company a strict prohibition on the unauthorised use of confidential or inside information;

(4) ensures the appropriate handling and dissemination of inside information through the Company's own internal reporting processes and the consideration of their outcome by senior management.

The Group has commenced risk assessment by conducting risk ranking, and in the previous year, the significant risks were under control. In addition, the Group has formulated risk management plan to ensure the identification, assessment, management, control and reporting of all significant risks of the Group are carried out according to a unified guideline, and are reported to the senior management, Audit Committee and the Board when necessary. Such guideline stipulates the Group risk management policies and procedures which are carried out with the common risk management methods.

During the Year, the Board has reviewed once during the Board meeting held on 29 March 2019 the effectiveness and efficiency of the implementation of its risk management and internal control systems, which covered all material financial, operational and compliance control and risk management. The Company considered them effective and adequate.

In addition, the Board reviewed and considered the adequacy of resources, staff qualifications and experience, training programs and relevant budget of the Company's accounting, risk management, internal audit and financial reporting functions.

The Board considers that the Group was able to maintain established and effective risk management and internal control systems during the year ended 31 December 2019.

Shareholders' Rights

The Shareholders may make requisition for the convening of an extraordinary general meeting ("**EGM**") of the Company in accordance with the procedures set out in the Articles of Association as follows:

(1) Any two or more Shareholders, or any one or more Shareholders which is a recognized clearing house (or its nominee) holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, shall have the right, by written notice, to require an EGM to be called by the Directors of the Company for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong
Address: 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Attention: Ms. CHEN Chen

Head office of the Company in the PRC
Address: Building A10, 50 Anjialou, Chaoyang District, Beijing, the PRC
Attention: Ms. CHEN Chen

(3) The requisition will be verified with the Company's branch share registrars in Hong Kong on the shareholding and upon their confirmation that such requisition is proper and in order, the Board will convene an EGM within 21 days from the date of deposit of the requisition, such EGM to be held within a further 21 days.

(4) If within 21 days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner as that in which meetings may be convened by the Board, such EGM to be held within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For matters in relation to the Board, the Shareholders can contact the Company at the following:

Address: Building A10, 50 Anjialou, Chaoyang District, Beijing, the PRC
Email: vivien.chen@starrise.cn
Tel: (86) 10 8479 3988
Attention: Ms. CHEN Chen

There is no provision in the Companies Law of the Cayman Islands or in the Articles of Association giving Shareholders a right to propose resolutions at a general meeting, Shareholders who wishes to propose a resolution must make requisition for the convening of a general meeting in accordance with the procedures set out above.

Investor Relations and Communication

The Board recognizes the importance of good communications with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's activities for the year ended 31 December 2019 has been provided in this annual report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (http://www.starrise.cn) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year ended 31 December 2019, there has been no significant change in the Company's constitutional document.

Report of the Directors

The Directors have pleasure in presenting their directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**Financial Statements**").

Principal Activities

The principal activities of the Company is investment holding and those of the principal subsidiaries of the Company are set out in note 14 to the Financial Statements.

Use of Proceeds

The entire net proceeds from the initial public offering ("**IPO**") 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 has 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 of the Company dated 11 April 2016 and the announcements of the Company dated 4 February 2016, 27 April 2016 and 7 June 2016.

In October 2016, the Company has 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); (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 (the "**2017 CB**") under specific mandate to Dragon Capital. The net proceeds of which were intended to be used for the production of certain television drama series of the Group. As of 31 December 2019, the Company has used the proceeds of HKD261.35 million for the above disclosed purpose (As of 31 December 2018: approximately HKD244.35 million, i.e. the proceeds used in 2019 was approximately HKD17 million); while the remaining 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, 6 May 2019, 30 October 2019, 13 November 2019, 27 February 2020, and 10 March 2020, respectively, the circular dated 17 January 2019, 20 March 2019, and 24 March 2020 and the 2019 annual report.

Report of the Directors

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, as follows:

Title	**Theme**	**Status**	**Amount to be allocated** (approximate HK$' million)	**Percentage of the net proceeds from the initial issuance of the Bonds** (approximate %)	**Actual amount used/spent as at 31 December 2019** (approximate HK$' 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	Submitted for screening	4.50	1.52%	4.50
Here Comes Dashan (大山來了)	Youth nostalgic film	At the release stage	0.70	0.24%	0.70
Scream (驚聲尖笑, formerly known as "Horror Blockbuster" (恐不大片))	Internet movie	At the release stage	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	Broadcasted	0.60	0.20%	0.60
Oh, My Honey! (甜心軟糖)	Internet movie	Broadcasted	0.95	0.32%	0.95

Title	Theme	Status	Amount to be allocated (approximate HK$' million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 31 December 2019 (approximate HK$' million)
Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	Broadcasted	3.00	1.02%	3.00
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	Post-production delayed	24.00	8.13%	24.00
Monster Hunters (鎮魂歌)	Internet movie	Submission for approval delayed	9.50	3.22%	9.50
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	At the release stage	120.00	40.63%	108.00
Bulletproof Teacher (穿越火線)	Internet drama	Preparing script	22.99	7.79%	1.00
Total			295.35	100%	261.35

The proceeds not yet utilized as at 31 December 2019 of approximately HKD34 million is expected to be used by the end of 2020.

In February 2018, the Company has issued an aggregate of 209,000,000 new shares ("**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 used 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 has used the proceeds of HKD124.0 million for the above disclosed purposes. As of 30 June 2019, all the net proceeds had been utilized 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.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 73 to 166.

The year of 2020 is essential for the development of the Company. The Group's media business, in its critical development and consolidation, will need further investment. Therefore, the Board does not recommend the payment of a final dividend for the year ended 31 December 2019. At this point, the Board is committed to the further development of the Company in the coming years, in order to get a better return for the Shareholders.

5-year Financial Summary

A summary of the results and assets and liabilities of the Group for the last 5 financial years ended 31 December 2015 to 31 December 2019 is set out on page 6. This summary does not form part of the Financial Statements.

Share Capital

Details of movements in share capital of the Company during the Year are set out in note 27 to the Financial Statements.

Share Option Scheme

The Company's existing 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 approve from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at their 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; and (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. 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 ("**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 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 5.65% of the shares in issue of the Company as at the date of this annual 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.

Since the adoption of the Share Option Scheme until now, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme.

Apart from the aforesaid share option schemes, at no time during the year ended 31 December 2019 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.

Directors' and Chief Executive's Rights to Acquire Shares or Debentures

At no time during the year ended 31 December 2019 was the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other legal entities.

Distributable Reserves

The Company was incorporated in the Cayman Islands on 24 February 2010. As at 31 December 2019, the Company had distributable reserves of approximately RMB814.05 million available for distribution to the Shareholders.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for approximately 34% of the total sales for the year ended 31 December 2019 and sales to the largest customer included therein accounted for approximately 14% thereof. Purchases from the Group's five largest suppliers accounted for approximately 40% of the total purchases for the year ended 31 December 2019 and purchases from the largest supplier included therein accounted for approximately 19% thereof.

To the best knowledge and belief of the Directors, neither the Directors or their associates, nor any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Subsidiaries and Associated Companies

The details of the major subsidiaries and associated companies of the Group are set out in notes 14 and 15 to the Financial Statements.

Property, Plant and Equipment and Leasehold Land

During the year ended 31 December 2019, the Group's total capital expenditure amounted to approximately RMB32.1 million (2018: approximately RMB92.8 million) which was mainly used for acquisition of property, machinery and equipment. The details of the changes in the properties, plant and equipment and leasehold land of the Group during the year are set out in note 11 to the Financial Statements.

Borrowings

Particulars of borrowings of the Group as at the end of the reporting period are set out in notes 23 and 24 to the Financial Statements. As at 31 December 2019, the Group did not have any machinery and equipment pledged to bank as securities for the bank borrowings (2018: approximately RMB6.2 million) and no machinery and equipment were held under finance lease (2018: approximately RMB4.4 million).

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors

The Directors during the Year ended up to the date of this annual report are:

LIU Dong *(Chairman)*
LIU Zongjun *(Chief Executive Officer)*
CHEN Chen
HE Han
TAN Bin
LAM Kai Yeung
LIU Chen Hong
KWOK Pak Shing
(appointed as an independent non-executive director with effect from 27 March 2020)
WANG Liangliang
(resigned as an independent non-executive Director with effect from 27 March 2020. Details regarding Mr. Wang's resignation are set out int the Company's announcement dated 6 March 2020 and 27 March 2020)

Directors and Directors' Service Contracts

Executive Directors

Each of Mr. LIU Dong and Mr. LIU Zongjun has renewed the service contract with the Company for a term of three years commencing on 12 April 2018. Ms. CHEN Chen has renewed the service contract with the Company for a term of three years commencing on 24 September 2018. Each of Mr. HE Han and Mr. TAN Bin has renewed the service contract with the Company for a term of three years commencing on 8 November 2019.

Independent non-executive Directors

The independent non-executive Director Mr. WANG Liangliang has entered into a letter of appointment with the Company for a term of three years commencing on 6 March 2017. Mr. WANG resigned as the independent non-executive Director with effect from 27 March 2020. The independent non-executive Director Ms. LIU Chen Hong has entered into a letter of appointment with the Company for a term of three years commencing on 18 April 2018. The independent non-executive Director Mr. LAM Kai Yeung has renewed the letter of appointment with the Company for a term of three years commencing on 26 June 2018. The independent non-executive Director Mr. KWOK Pak Shing has entered into a letter of appointment with the Company for a term of three years commencing on 27 March 2020.

None of the Directors has entered into any service contract which is not determinable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

In accordance with the Articles of Association, one third of the existing Directors shall retire from office, at the forthcoming AGM.

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 22 to 28 of this annual report.

Non-competition Undertaking by Controlling Shareholders

The Company has entered into the deed of non-competition in favour of the Company with Mr. LIU Dong and Excel Orient Limited (the "**Controlling Shareholders**"). Each of the Controlling Shareholders has made an annual declaration in respect of their compliance with the terms of non-competition undertaking.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the non-competition undertaking and the non-competition undertaking has been enforced by the Company in accordance with its terms, and that there was no New Opportunity (as defined in the Prospectus headed "Relationship with Controlling Shareholders – Non-compete undertakings") referred by the Controlling Shareholders as provided under the non-competition undertaking.

Interests and Short Positions of Directors and Chief Executives of the Company in the Shares, Underlying Shares or Debentures of the Company or Its Associated Corporations

As at 31 December 2019, the Directors and chief executives 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:

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	13,998,000 shares (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 which is a company incorporated in the British Virgin Islands ("**BVI**") and the entire issued capital of which is beneficially owned by Mr.LIU Dong, one of the executive Directors of the Company.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives 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 31 December 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives 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 shares and underlying shares** *(Note 1)*	**Number and class of securities held** *(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	162,162,162 (L)	–	11.44%
Dragon GP Partner Co *(Note 4)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
Mr. ZHAI Jun *(Note 4)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
China Huarong International Holdings Limited *(Note 5)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
Huarong Real Estate Co. Ltd. *(Note 6)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
China Huarong Asset Management Co., Ltd. *(Note 7)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
Ministry of Finance of the PRC *(Note 8)*	The Company	Interests of a controlled corporation	162,162,162 (L)	–	11.44%
Aim Right Ventures Limited ("**Aim Right**") *(Note 9)*	The Company	Beneficial owner	–	202,472,656 (L)	14.29%

Name of Shareholders	Name of Group member/ associated corporation	Capacity/nature of interest	Interest in shares and underlying shares *(Note 1)*	Number and class of securities held *(Note 1)*	Approximate percentage of shareholding
Mr. LIU Zhihua *(Note 9)*	The Company	Interests of a controlled corporation	–	202,472,656 (L)	14.29%
Ms. ZOU Guoling *(Note 10)*	The Company	Interests of spouse	–	202,472,656 (L)	14.29%
Emerge 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 ("**BeiTai**") *(Note 4)*	The Company	Beneficial owner	–	162,162,162 (L)	11.44%
BeiTai Investment Limited *(Note 4 and 13)*	The Company	Interests of a controlled corporation	–	162,162,162 (L)	11.44%
Mr. WANG Jian *(Note 4 and 14)*	The Company	Interests of a controlled corporation	–	162,162,162 (L)	11.44%
Skyland Circle Technology Limited *(Note 4)*	The Company	Beneficial owner	81,081,081 (L)	–	5.72%
Mr. SHEN Guoliang *(Note 15)*	The Company	Interests of a controlled corporation	81,081,081 (L)	–	5.72%
Cinedigm Corp. *(Note 16)*	The Company	Beneficial owner	410,901,000 (L)	–	29.00%

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 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. On 5 February 2018, the conversion price is adjusted to HK$0.74 per conversion share. On 25 February 2019, Dragon Capital transferred the convertible bonds in the principal amount of HK$120,000,000 (the "**BeiTai Bonds**"), which were convertible into 162,162,162 ordinary shares at the conversion price of HK$0.74 per share, to BeiTai. On the same date, BeiTai exercised the conversion rights to convert the bonds at the conversion price of HK$0.74 per share. On 13 November 2019, Dragon Capital transferred the convertible bonds in the principal amount of HK$60,000,000 (the "**Skyland Circle Bonds**"), which were convertible into 81,081,081 ordinary shares at the conversion price of HK$0.74 per share, to Skyland Circle. Assuming the conversion rights attached to the remaining convertible bonds in the amount of HK$120,000,000 held by Dragon Capital are exercised in full at the conversion price of HK$0.74 per Share, 162,162,162 new Shares will fall to be issued to Drago Capital. Dragon Capital is an exempted limited partnership registered in the Cayman Islands controlled by Dragon GP Partner Co. By virtue of the SFO, Dragon GP Partner Co. is deemed to be interested in all the Shares held by Dragon Capital Entertainment Fund One LP. Dragon GP Partner Co. is wholly owned by Mr. ZHAI Jun. By virtue of the SFO, Mr. ZHAI Jun is deemed to be interested in all the Shares held by Dragon GP Partner Co.

5. Dragon Capital 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 Capital 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, 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. Aim Right charged all of its shares to Dragon Capital.

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

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

15. Skyland Circle is a company incorporated and existing under the laws of Hong Kong with limited liability and is an investment holding company, which is controlled by Mr. SHEN Guoliang. By virtue of the SFO, Mr. SHEN Guoliang is deemed to be interested in all the Shares held by Skyland Circle.

16. Based on the relevant disclosure of interest filings and the information provided by the relevant parties, Cinedigm Corp. entered into an agreement to conditionally agree to purchase the Shares. As at 31 December 2019, the sale and purchase of the Shares has yet to be completed. As a result, Cinedigm Corp. did not hold shares of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives 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.

Dilution Impact on the Shares in the Event that All Outstanding Convertible Securities are Converted

On 28 February 2017, the Company issued 2017 CB under special mandate to Dragon Capital. 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 Adjustment, please refer to the announcements of the Company dated 17 January 2018 and 5 February 2018.

On 25 February 2019, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount to HK$120,000,000 to BeiTai. The BeiTai Bonds could convertible into 162,162,162 Shares at the conversion price of HK$0.74 per conversion share. 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 Dragon Capital 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 from 28 February 2019 to 28 February 2020. On 8 April 2019, Shareholders approved the extension of the maturity date of the remaining convertible bonds to 28 February 2020.

On 13 November 2019, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount to HK$60,000,000 to Skyland Circle. The Skyland Circle Bonds could convertible into 81,081,081 Shares at the conversion price of HK$0.74 per conversion share. 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, 6 May 2019, 30 October 2019, 13 November 2019, 27 February 2020, and 10 March 2020, respectively, the circular of the Company dated 17 January 2019, 20 March 2019, and 24 March 2020, and the 2019 annual report.

If all outstanding convertible bonds as at 31 December 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 at the date of 31 December 2019		**Immediately after the full conversion of the Dragon Capital Bonds at the conversion price of HKD0.74**		**Immediately after the full conversion of the Skyland Circle Bonds at the conversion price of HKD0.74**		**Immediately after the full conversion of the all convertible bonds at the conversion price of HKD0.74**	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders								
Excel Orient Limited *(Note 1)*	273,609,836	19.31	273,609,836	17.33	273,609,836	18.27	273,609,836	16.48
Emerge Ventures Limited *(Note 2)*	209,000,000	14.75	209,000,000	13.24	209,000,000	13.95	209,000,000	12.59
Aim Right Ventures Limited *(Note 3)*	202,472,656	14.29	202,472,656	12.82	202,472,656	13.52	202,472,656	12.20
BeiTai Investment LP	162,162,162	11.44	162,162,162	10.27	162,162,162	10.83	162,162,162	9.77
He Han	13,998,000	0.99	13,998,000	0.89	13,998,000	0.93	13,998,000	0.84
Public Shareholders	555,669,164	39.22	555,669,164	35.19	555,669,164	37.09	555,669,164	33.47
Dragon Capital Entertainment Fund One LP	–	–	162,162,162	10.27	–	–	162,162,162	9.77
Skyland Circle Technology Limited	–	–	–	–	81,081,081	5.41	81,081,081	4.88
Total	1,416,911,818	100	1,579,073,980	100	1,497,992,899	100	1,660,155,061	100

In the event that all outstanding convertible bonds were converted as at 31 December 2019, the dilution impact on the basic earnings per share is as follows:

	Continuing operations
	RMB'000
Profit attributable to ordinary equity shareholders	30,183
After tax effect of loss recognised on the derivative component of convertible bonds	24,808
After tax effect of gains recognised on the change in carrying amount of convertible bonds as non-substantial modification of the terms	(11,255)
After tax effect of effective interest on the liability component of convertible bonds	27,762
After tax effect of foreign exchange loss arising on translation of convertible bonds	3,336
Profit attributable to ordinary equity shareholders (diluted)	74,834
Weighted average number of ordinary shares	1,391,144
Effect of conversion of convertible bonds	269,456
Weighted average number of ordinary shares (diluted)	1,660,600
Basic earnings per share (RMB cents)	2.17
Diluted earnings per share (RMB cents)	2.17

On 13 November 2019, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount to HK$60,000,000 to Skyland Circle. The Skyland Circle Bonds could be convertible into 81,081,081 Shares at the conversion price of HK$0.74 per conversion share.

On 27 February 2020, the Company, Dragon Capital and Skyland Circle conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HK$180,000,000 (i.e. the Remaining Bonds) from 28 February 2020 to 28 February 2021. Please refer to the announcements dated 27 February 2020 and 10 March 2020, respectively, and the circular of the Company dated 24 March 2020 for further details. If all outstanding convertible bonds as at the date of this report (being all of the Remaining Bonds) are 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 at the date of this report		**Immediately after full conversion of the Dragon Capital Bonds at the conversion of HKD0.74**		**Immediately after the full conversion of the Skyland Circle Bonds at the conversion of HKD0.74**		**Immediately after the full conversion of the all convertible bonds at the conversion of HKD0.74**	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Non-public Shareholders								
Excel Orient Limited *(Note 1)*	307,809,902	21.72	307,809,902	19.49	307,809,902	20.55	307,809,902	18.54
Emerge Ventures Limited *(Note 2)*	204,000,000	14.40	204,000,000	12.92	204,000,000	13.62	204,000,000	12.29
Aim Right Ventures Limited *(Note 3)*	202,472,656	14.29	202,472,656	12.82	202,472,656	13.52	202,472,656	12.20
BeiTai Investment LP	162,162,162	11.44	162,162,162	10.27	162,162,162	10.83	162,162,162	9.77
He Han	13,998,000	0.99	13,998,000	0.89	13,998,000	0.93	13,998,000	0.84
Public Shareholders	526,469,098	37.16	526,469,098	33.34	526,469,098	35.14	526,469,098	31.71
Dragon Capital Entertainment Fund One LP	–	–	162,162,162	10.27	–	–	162,162,162	9.77
Skyland Circle Technology Limited	–	–	–	–	81,081,081	5.41	81,081,081	4.88
Total	1,416,911,818	100	1,579,073,980	100	1,497,992,899	100	1,660,155,061	100

To the best of the Directors' knowledge, having made all reasonable enquiries, 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.

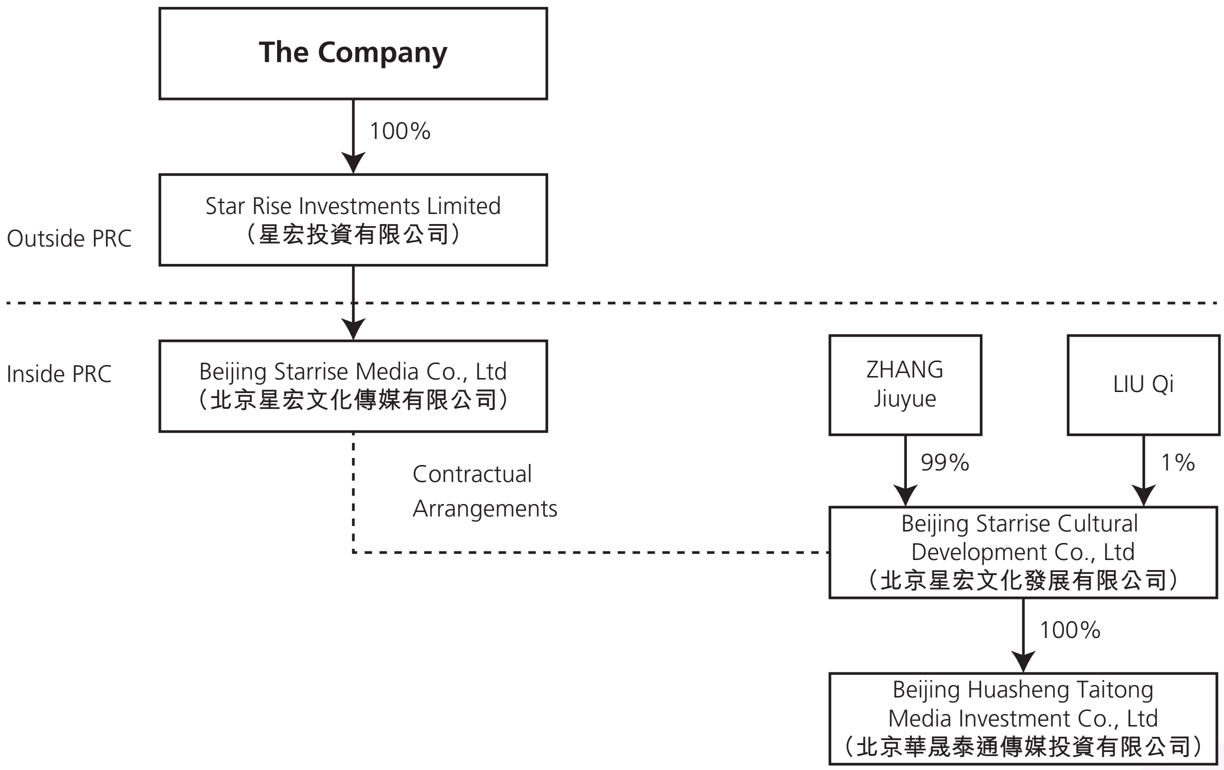
Contractual Arrangements

The Huasheng Media Contractual Arrangements (as defined hereinafter) and the Starrise Pictures Contractual Arrangement (as defined hereinafter) (together with Huasheng Media Contractual Arrangements, the "**Contractual Arrangements**") had been effective during the year ended 31 December 2019. The brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

The Contractual Arrangements of Huasheng Media

1. Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Huasheng Media to the Company under the Huasheng Contractual Arrangements:



2. Structured Contracts of Beijing Starrise Cultural Development Co., Ltd

A series of contractual arrangements ("**Huasheng Media Contractual Arrangements**") was entered into on 6 July 2015 between Beijing Starrise Media Co., Ltd (formerly known as "Beijing Huasheng Century Media Technology Company Limited"), Beijing Starrise Cultural Development Co., Ltd ("**Beijing Starrise**") and its shareholders, namely, the exclusive technology support and service agreement ("**Exclusive Technology Support and Services Agreement 2015**"), the exclusive option agreement ("**Exclusive Option Agreement 2015**"), the equity pledge agreement ("**Equity Pledge Agreement 2015**") and the power of attorney ("**Power of Attorney 2015**"). The current "Registered Shareholders" of Beijing Starrise are Ms. Zhang Jiuyue and Ms. Liu Qi.

(1) Exclusive Technology Support and Services Agreement 2015

Beijing Starrise Media Co., Ltd, Beijing Starrise and the Registered Shareholders entered into the Exclusive Technology Support and Services Agreement, pursuant to which Beijing Starrise agrees to engage Beijing Starrise Media Co., Ltd as its exclusive technology and service provider. The Exclusive Technology Support and Services Agreement is for an initial term of 10 years commencing from the date of the agreement (i.e. 6 July 2015), which can be extended for another 10 years at the option of Beijing Starrise Media Co., Ltd on a recurring basis, until it is terminated by Beijing Starrise Media Co., Ltd by giving a prior written notice of termination. Beijing Starrise and the Registered Shareholders are not contractually entitled to terminate the Exclusive Technology Support and Services Agreement.

(2) Exclusive Option Agreement 2015

Beijing Starrise Media Co., Ltd, the Registered Shareholders and Beijing Starrise entered into the Exclusive Option Agreement, pursuant to which the Registered Shareholders irrevocably grant to Beijing Starrise Media Co., Ltd or the person as designated by Beijing Starrise Media Co., Ltd exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Beijing Starrise, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations.

(3) Equity Pledge Agreement 2015

Beijing Starrise Media Co., Ltd, the Registered Shareholders and Beijing Starrise entered into the Equity Pledge Agreement, pursuant to which the Registered Shareholders shall pledge all of their respective equity interests in Beijing Starrise to Beijing Starrise Media Co., Ltd to secure the performance of all their obligations and the obligations of the Registered Shareholders and Beijing Starrise under the Contractual Arrangements. Under the Equity Pledge Agreement, if any of the Registered Shareholders and/or Beijing Starrise breaches any obligation under the Contractual Arrangements, Beijing Starrise Media Co., Ltd, as the pledgee, is entitled to request the Registered Shareholders to transfer the pledged equity interests, entirely or partially to Beijing Starrise Media Co., Ltd and/or any entity or person as designated by Beijing Starrise Media Co., Ltd.

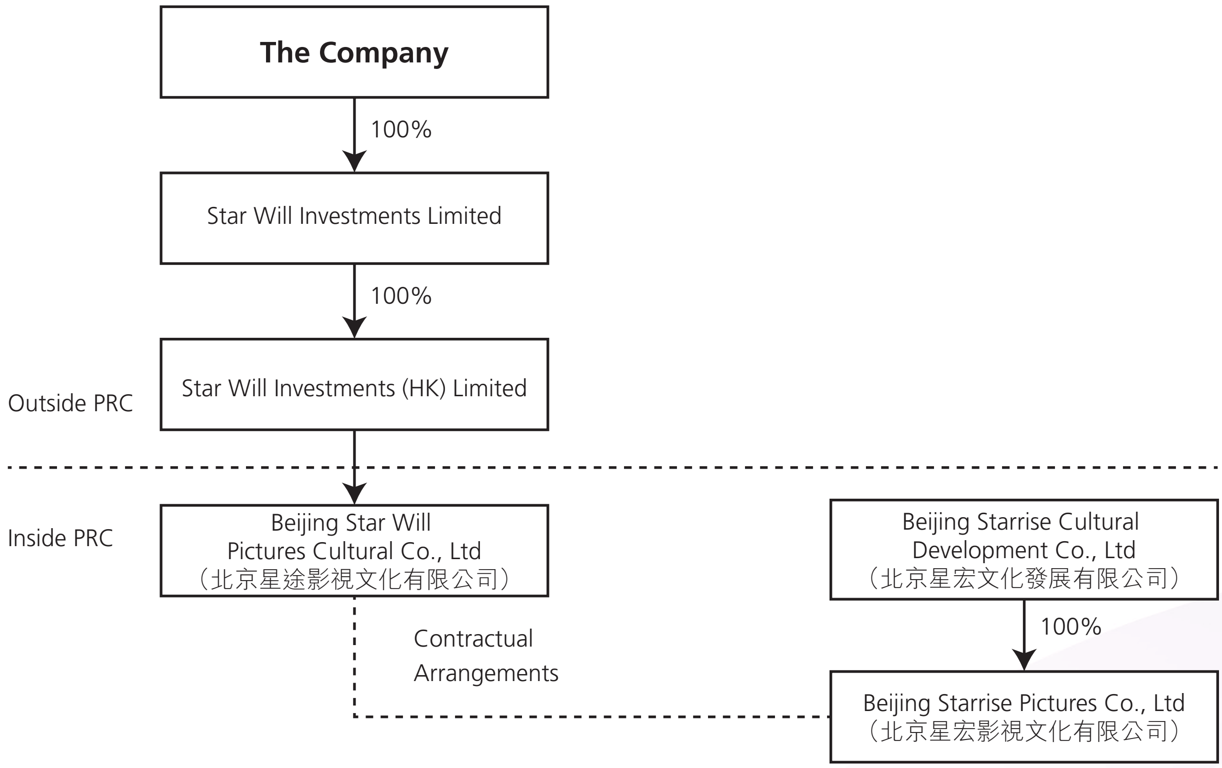
(4) Power of Attorney 2015

Each of the Registered Shareholders has issued a power of attorney in favor of Beijing Starrise Media Co., Ltd, pursuant to which they irrevocably authorize Beijing Starrise Media Co., Ltd to exercise all of their rights and powers as shareholders of Beijing Starrise, including (i) rights to attend shareholders' meeting and sign relevant shareholders' resolutions; (ii) rights to exercise shareholders' rights including without limitation voting rights, nomination rights and appointment rights in a shareholders' meeting; (iii) rights to file documents with relevant governmental authorities or regulatory bodies; (iv) rights to receive dividends relating to, dispose of, transfer, pledge or deal with all or part of the equity interests of Beijing Starrise or to be entitled to any distribution upon liquidation of Beijing Starrise; and (v) any other rights as shareholders of Beijing Starrise.

The Contractual Arrangements of Starrise Pictures

1. Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Starrise Pictures (together with Huasheng Media, the "**PRC Operational Entities**") to the Company under the Starrise Pictures Contractual Arrangements:



2. Structured Contracts of Starrise Pictures

A series of contractual arrangements ("**Starrise Pictures Contractual Arrangements**") was entered into on 22 December 2016 between Beijing Star Will Pictures Cultural Co., Ltd. ("**Beijing Star Will**"), Starrise Pictures, Beijing Starrise and Mr. GUO Dongjun, namely, the exclusive technology support and service agreement ("**Exclusive Technology Support and Services Agreement 2016**"), the exclusive option agreement ("**Exclusive Option Agreement 2016**"), the equity pledge agreement ("**Equity Pledge Agreement 2016**") and the power of attorney ("**Power of Attorney 2016**"). After Mr. GUO Dongjun sold all of his 35% shares of Star Will Investment Limited to the Company, the four parties mentioned above signed the supplementary agreements of Starrise Pictures Contractual Arrangements, including the supplementary agreements of exclusive option agreement ("**Supplementary Agreement of Exclusive Option Agreement 2018**"), the supplementary agreements of exclusive technology support and service agreement ("**Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018**"), the supplementary agreements of equity pledge agreement ("**Supplementary Agreement of Equity Pledge Agreement 2018**") and the power of attorney ("**Power of Attorney 2018**") The current registered shareholders of Starrise Pictures is Beijing Starrise.

(1) Exclusive Technology Support and Services Agreement 2016 and Supplementary Agreement of Exclusive Technology Support and Services Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Technology Support and Services Agreement and its Supplementary Agreement on 22 December 2016 and 22 December 2018 respectively, pursuant to which Starrise Pictures agrees to engage Beijing Star Will as its exclusive technology and service provider. The Exclusive Technology Support and Services Agreement is for an initial term of 10 years commencing from the date of the agreement, which can be extended for another 10 years at the option of Beijing Star Will on a recurring basis, until it is terminated by Beijing Star Will by giving a prior written notice of termination. Starrise Pictures and the Beijing Starrise are not contractually entitled to terminate the Exclusive Technology Support and Services Agreement.

(2) Exclusive Option Agreement 2016 and Supplementary Agreement of Exclusive Option Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Option Agreement and its Supplementary Agreement on 22 December 2016 and 22 December 2018 respectively, pursuant to which the Beijing Starrise irrevocably grant to Beijing Star Will or the person as designated by Beijing Star Will exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Starrise Pictures, entirely or partially, at the minimum purchase price permitted by PRC laws and regulations.

(3) Equity Pledge Agreement 2016 and Supplementary Agreement of Equity Pledge Agreement 2018

Beijing Star Will, Starrise Pictures, Beijing Starrise and Mr. Guo Dongjun entered into the Exclusive Equity Pledge Agreement and its Supplementary Agreement on 22 December 2016 and 22 December 2018 respectively, pursuant to which the Beijing Starrise shall pledge all of their respective equity interests in Starrise Pictures to Beijing Star Will to secure the performance of all their obligations and the obligations of the Beijing Starrise and Starrise Pictures under the Contractual Arrangements. Under the Equity Pledge Agreement, if any of the Beijing Starrise and/or Starrise Pictures breaches any obligation under the Contractual Arrangements, Beijing Star Will, as the pledgee, is entitled to request the Beijing Starrise to transfer the pledged equity interests, entirely or partially to Beijing Star Will and/or any entity or person as designated by Beijing Star Will.

(4) Power of Attorney 2016 and Power of Attorney 2018

Beijing Starrise has issued a power of attorney in favor of Beijing Star Will on 22 December 2016 and 22 December 2018 respectively, pursuant to which they irrevocably authorize Beijing Star Will to exercise all of their rights and powers as shareholders of Beijing Starrise, including (i) rights to attend shareholders' meeting and sign relevant shareholders' resolutions; (ii) rights to exercise shareholders' rights including without limitation voting rights, nomination rights and appointment rights in a shareholders' meeting; (iii) rights to file documents with relevant governmental authorities or regulatory bodies; (iv) rights to receive dividends relating to, dispose of, transfer, pledge or deal with all or part of the equity interests of Starrise Pictures or to be entitled to any distribution upon liquidation of Starrise Pictures; and (v) any other rights as shareholders of Starrise Pictures.

Such agreement will be valid and effective from the date of the agreement until the termination of "Exclusive Technology Support and Services Agreement 2016".

Apart from the above, there are no new contractual arrangements entered into, renewed or reproduced between the Group, Huasheng Media and Starrise Pictures during the year ended 31 December 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2018.

During the year ended 31 December 2019, none of the structured contracts mentioned above has been unwound as none of the restrictions that led to the adopted of structured contracts under the Contractual Arrangements has been removed.

Particulars of the PRC Operational Entities as at 31 December 2019:

Name of the PRC Operational Entities	Date of Establishment	Type of legal entity/place of establishment and operation	Registered owners	Business activities
Huasheng Media	July 2004	Limited liability company/the PRC	99.00% by Ms. ZHANG 1.00% by Ms. LIU	Investment, production and distribution of television series and related businesses.
Starrise Pictures	December 2014	Limited liability company/the PRC	100.00% by Beijing Star Rise Culture Development Limited	Production and distribution of films, television series and related businesses.

The PRC Operational Entities are significant to the Group as they hold certain licenses and permits that are essential to the operation of the business of the Group, such as the Radio and Television Program Production and Business Operation License（廣播電視節目製作經營許可證）, the Teleplays Distribution License（電視劇發行許可證）. In addition, most of the intellectual property rights, including film and television broadcast rights, audio and video products distribution rights of film and television series, information network publication rights of film and television series, are held by the PRC Operational Entities.

The revenue and the total asset of the PRC Operational Entities subject to the Contractual Arrangements amounted to approximately RMB284.2 million for the year ended 31 December 2019 and approximately RMB1190.13 million as at the year ended 31 December 2019.

The PRC Operational Entities have undertaken to the Company that, for so long as the shares of the Company are listing on the Stock Exchange, the PRC Operational Entities will provide the Group's management and the auditors of the Company with full access to its relevant records for the purpose of procedures to be carried out by the auditors of the Company on the transactions as contemplated under the Contractual Arrangements.

Risks Relating to the Contractual Arrangements

The PRC Government may consider the Contractual Arrangements to be not in compliant with applicable PRC laws and regulations

The Group's PRC legal advisor had advised that there is a possibility that the PRC government may have different opinions on the interpretation of the applicable PRC regulations and would not agree that the Contractual Arrangements comply with PRC licensing, registration or other legal or regulatory requirements, existing policies or requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of the Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. The Company could not assure that the Contractual Arrangements would not be found to be in violation of any current or future PRC laws and regulations.

If the Company is found to be in violation of any existing or future PRC laws or regulations, including the MOFCOM Security Review Rules and any future regulations regarding the use of the VIE structure promulgated by any PRC government authority, the relevant regulatory authorities would have broad discretion in dealing with such breach or violation. Such action could have a material adverse impact on the Group's business, financial condition and results of operations. In the event that the Board is aware of any of such material adverse impact, the Company will publish announcement(s) as soon as possible.

The Contractual Arrangements may not be as effective as direct ownership

Due to the PRC's legal restrictions on foreign investment in the television series production industry, the Company control the PRC Operational Entities through the Contractual Arrangements rather than by equity ownership. Huasheng Media and Starrise Pictures are each one of the Group's principal operating entities in the PRC and the holders of the key licenses required to operate television series production business in the PRC.

However, the Contractual Arrangements may not be as effective in exercising control over the PRC Operational Entities as equity ownership. For example, the PRC Operational Entities and their shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If the Group had direct ownership of the PRC Operational Entities, the Group would be able to exercise their rights as shareholders to effect changes in their boards of directors, which in turn could affect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, the Group would need to rely on their contractual rights thereunder to affect such changes or designate new shareholders for the PRC Operational Entities.

Reasons for and Benefits of the Contractual Arrangements

The Company, through the Contractual Arrangements, conducts the television series production business in the PRC in order to comply with the applicable PRC laws and regulations and asserts management control over the operations of, and enjoys all of the economic benefits of the PRC Operational Entities.

According to the Provision for the Administration of the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》), PRC incorporated companies with foreign investment, namely, the sino-foreign equity joint venture enterprises, the sino-foreign cooperative joint venture enterprises and the wholly owned foreign-invested enterprises, are not allowed to apply for the Radio and Television Programs Production and Operation License, which is required for the operations of PRC Operational Entities' principal business.

As a result of the foregoing, the Group has entered into the Contractual Arrangements with the PRC Operational Entities to conduct the television series production business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all of the economic benefits of the PRC Operational Entities. The Contractual Arrangements are designed specifically to confer upon the Group's right to enjoy all the economic benefit of the PRC Operational Entities, to exercise management control over the operations of the PRC Operational Entities, and to prevent leakages of assets and values of the PRC Operational Entities to the registered shareholders of the PRC Operational Entities.

The Company's PRC legal advisor has opined that the Contractual Arrangements are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations, and do not violate the articles of association of Beijing Starrise Media Co., Ltd./Beijing Star Will and the PRC Operational Entities.

The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Contractual Arrangements provide a mechanism that enables the Company to exercise effective control over the PRC Operational Entities.

The Board believes that the Contractual Arrangements have been narrowly tailored to achieve the Company's business purpose and to minimize the potential conflict with relevant PRC laws and regulations. The PRC Operational Entities' principal businesses are considered to be production of television series in the PRC, a sector where foreign investment is significantly restricted pursuant to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) and Provision for the Administration of the Production and Distribution of Radio and Television Programmes (《廣播電視節目製作經營管理規定》). In addition, Radio and Television Programmes Production and Operation License is required for the operation of the PRC Operational Entities' principal businesses can only be obtained by domestic companies incorporated in the PRC without foreign investments. Since the Company was incorporated in the Cayman Islands, any investment made by the Company directly or through any of its subsidiaries, including Beijing Starrise Media Co., Ltd./Beijing Star Will, is regarded as foreign investment under PRC laws. Therefore, the Company and its subsidiaries are not eligible to apply for the licenses and approvals required for the operation of the television series production business, nor could they acquire equity interests of any company which has already held these licenses under the PRC laws. In order to comply with the applicable PRC laws, the licenses and permits that are essential to the operation of the principal business are held by the PRC Operational Entities'. The Group entered into the Contractual Arrangements with the PRC Operational Entities' to conduct their principal businesses in the PRC and to assert management control over the operations of, and enjoy all of the economic benefits of the PRC Operational Entities'.

Settlement of Potential Dispute Arising from the Contractual Arrangements

The structured contracts under the Contractual Arrangements are governed by the PRC laws. When a dispute arises under any of the structured contracts under the Contractual Arrangements, the relevant parties thereto shall settle the dispute through negotiation in an amicable manner. In case the dispute is not resolved, the structured contracts under the Contractual Arrangements provide that such dispute to be submitted to the China International Economic and Trade Arbitration Commission for arbitration. The decision of such arbitration is final and binding on the parties concerned. The structured contracts under the Contractual Arrangements contain dispute resolution clauses that provide for arbitration and that arbitrators may award remedies over the equity interests or assets of the PRC Operational Entities, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of the PRC Operational Entities.

Protection of the Interests of Our Group in the Event of Death, Bankruptcy or Divorce of the PRC Operational Entities

As advised by the Company's PRC Legal Advisor, the provisions set out in the Contractual Arrangements are also binding on any successors of the PRC Operational Entities Shareholders as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, statutory successors may include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents. Any breach by the successors would therefore be deemed to be a breach of the Contractual Arrangements. In case of a breach, Beijing Starrise Media Co., Ltd. or Beijing Star Will can exercise its rights against the successors. Pursuant to the Contractual Arrangements, any successor of the PRC Operational Entities Shareholders shall assume any and all rights and obligations of the PRC Operational Entities Shareholders under the Contractual Arrangements as if the successor was a signing party to such Contractual Arrangements.

As advised by the Company's PRC Legal Advisor: (i) the Contractual Arrangements provide protection to our Group even in the event of death, divorce or bankruptcy of any of the PRC Operational Entities Shareholders; (ii) the death, divorce or bankruptcy of such Registered Shareholder would not affect the validity of the Contractual Arrangements, and the successors of such Registered Shareholder would be bound by the Contractual Arrangements; and (iii) there will not be any practical difficulties in enforcing the Contractual Arrangements.

Arrangements to Address Potential Conflicts of Interests

Each of the Registered Shareholders has given their irrevocable undertakings in the powers of attorney in favour of Beijing Starrise Media Co., Ltd. or Beijing Star Will, and has given certain restrictive covenants under the Contractual Arrangements which address potential conflicts of interests that may arise in connection with the Contractual Arrangements.

Internal Control Measures

In order to have effective control over and to safeguard the assets of the PRC Operational Entities, the Contractual Arrangements provide that, without the prior written consent of Beijing Starrise Media Co., Ltd. or Beijing Star Will, the Registered Shareholders shall not at any time sell, transfer, mortgage or dispose of in any manner any assets, legitimate interests in the business or revenue of the PRC Operational Entities, or allow any encumbrance thereon of any security interest. The PRC Operational Entities and the Registered Shareholders shall always operate all of the PRC Operational Entities' businesses in the ordinary and usual course of business and shall maintain the asset value of the PRC Operational Entities and refrain from any action/omission that may adversely affect the PRC Operational Entities' operating status and asset value.

In addition to the abovementioned internal control measures as provided in the Contractual Arrangements, following Completion, the Company intends to implement, through Beijing Starrise Media Co., Ltd. or Beijing Star Will, additional internal control measures on the PRC Operational Entities with reference to the internal control measures adopted by the Group from time to time, which may include (without limitation):

(i) requiring the PRC Operational Entities to make available monthly management accounts and submit key operating data and bank statements after each month-end and provide explanations on any material fluctuations to Beijing Starrise Media Co., Ltd. or Beijing Star Will;

(ii) requiring the PRC Operational Entities to assist and facilitate Beijing Starrise Media Co., Ltd. or Beijing Star Will to conduct quarterly onsite internal audit on the PRC Operational Entities; and

(iii) if required, engaging legal advisers and/or other professionals to deal with specific issues arising from the Contractual Arrangements and ensure that the operation of the PRC Operational Entities will from time to time comply with applicable laws and regulations.

Connected Transactions

On 13 August 2019 (after trading hours), the Company entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with Excel Orient Limited (the "**Purchaser**"), pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued and paid up share capital of Power Fit Limited and its subsidiaries (the "**Target Group**") at a consideration of approximately RMB335.32 million. The Purchaser is a substantial shareholder of the Company and is wholly-owner by Mr. LIU Dong, who is the chairman of the Company and a executive Director. The Purchaser is interested in 273,609,836 Shares as the date of 13 August 2019 (representing approximately 19.31% of the issued share capital of the Company). Accordingly, the Purchaser is a connected person of the Company. The Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and independent shareholder's approval requirements under Chapter 14A of the Listing Rules. On the extraordinary general meeting of the Company held on 26 November 2019, the Shareholders approved, confirmed and ratified the Sale and Purchase Agreement and all transactions contemplated thereunder. All the conditions precedent under the Sale and Purchase Agreement have been fulfilled and the completion took place on 20 December 2019. The connected transaction is disclosed in note 9 to the consolidated financial statements. Please refer to the Company's announcements dated 13 August 2019 and 20 December 2019 and the Company's circular dated 8 November 2019 for further details.

Related Party Transactions

Details of the related party transactions of the Company during the year ended 31 December 2019 are set out in note 30 to the Financial Statements. Save as disclosed above, there was no related party transaction that constituted a connected transaction of the Company during the year ended 31 December 2019.

Competition and Conflict of Interests

During the year ended 31 December 2019, save as disclosed in the Prospectus of the Company dated 29 June 2012, none of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Permitted Indemnity Provision

Under the Articles of Association, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the Year and as at the date of this annual report.

Directors' Material Interests in Transactions, Arrangement or Contracts

Except for the above disclosed connected transaction, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Equity-Linked Agreements

Other than the share option scheme of the Company as well as the issue of convertible bonds of the Company disclosed in the paragraph of "Use of Proceeds" in the Report of the Director on page 38, no equity-linked agreements were entered into by the Company during the Year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the best knowledge and belief of the Directors, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

Corporate Governance Report

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 29 to 39 in this annual report.

Report of the Directors

Business Review

Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 7 to 21 of this annual report. The discussion constitutes a part of this report of this Directors' Report.

Principal Risks and Uncertainties

The Board closely monitors factors which may affect the revenue of the textile business (prior to the Disposal) and the media business, particularly the macroeconomic situation and the trend of industry and the external economic environment that would be regarded as principal risks.

Important Events after the Reporting Period

The important events after the reporting period of the Group are detailed in the events after the reporting period under the Management Discussion and Analysis on page 15 of this annual report. The report constitutes a part of this Report of the Directors.

Future Development

The future developments of the Group are detailed in the Management Discussion and Analysis on pages 16 to 21 of this annual report. The report constitutes a part of this Report of the Directors.

Key Performance Indicators

The key performance indicators are detailed in the financial review under Management Discussion and Analysis on page 10 to 15 of this annual report. The financial review constitutes a part of this Directors' Report.

Environmental Policies and Performance

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. To the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. It has encouraged all employees to participate in environmental and social activities which benefit the community as a whole.

Thanks to its active engagement in the enhancement of management measures and technology improvement, the Group incurred less unit electricity consumption and expenses in production as compared to that of last year. The Group also advocated conservation of resources in office and encouraged employees to develop good habits, conserve resources and energy to build a green and comfortable office environment.

Compliance with Laws and Regulations

During the year ended 31 December 2019, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it. In addition to complying with basic laws and regulations such as the Company Law and the Listing Rules, the Group has also complied with the regulations of the film and television industry, including the Regulations on the Administration of Radio and Television, the Regulations on the Operation and Management of Radio and Television Production, and the Measures on Accounting for Film Enterprises.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 25 May 2020.

Relationships with Employees

Employees are regarded as the most important and valuable assets of the Group. The Group provides bonuses and incentives based on their performances to encourage and motivate its staff to strive for better performance and will promote career development and progression to staff members by appropriate training and providing opportunities within the Group according to their respective skill requirements.

Relationships with Customers and Suppliers

The Group's principal customers are from textile and television business. The Group has the mission to provide excellent customer service in textile and television business whilst maintaining long term profitability, business and asset growth. Various means have been established by the Group to strengthen the communications between the customers and the Group in provision of excellent customer service towards market penetration and expansion.

Sound relationships with key suppliers and service providers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits.

Annual general meeting

The AGM will be held on Friday, 29 May 2020. Shareholders should refer to details regarding the AGM in the circular of the Company to be dispatched in April 2019 and the notice of the AGM and form of proxy accompanying thereto.

Auditor

The financial statements for the year ended 31 December 2019 have been audited by KPMG, which retires and, being eligible, offers itself for re-appointment at the forthcoming AGM. A resolution to re-appoint KPMG and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM. There was no change in the auditor of the Company in the past three financial years.

By order of the Board
Starrise Media Holdings Limited
LIU Dong
Chairman

Beijing, the PRC
27 March 2020

Independent Auditor's Report

Independent auditor's report to the shareholders of
Starrise Media Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Starrise Media Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 166, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Timing of revenue recognition: licensing income from drama series and films

Refer to note 3 to the consolidated financial statements and the accounting policies on page 101.

The Key Audit Matter

Revenue from licensing of the Group’s drama series and films is recognised when the Group transfers control over the drama series and films to customers in accordance with the terms of the relevant licensing contracts.

The Group’s drama series and films licensing contracts with customers, which principally comprise various owners of television channels and networks, have a variety of terms relating to acceptance of the drama series and films and the right of return of the master tapes for the drama series and films. Such terms may affect the timing of the recognition of licensing income from customers. The Group evaluates the terms of individual contracts in order to determine the appropriate timing for revenue recognition.

We identified the timing of revenue recognition from the licensing of drama series and films as a key audit matter because each contract with customers may have different terms and conditions and there is a risk that revenue may be recognised in the incorrect accounting period and also because revenue is one of the key performance indicators of the Group which gives rise to an inherent risk that revenue could be subject to manipulation to meet expectations or targets.

How the matter was addressed in our audit

Our audit procedures to assess the timing of revenue recognised from the licensing of drama series and films included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management’s key internal controls in relation to revenue recognition;
- inspecting key licensing contracts to identify key terms and conditions, including the customer’s acceptance of the drama series and films and the right of return, and assessing the Group’s accounting policies for the recognition of revenue with reference to the requirements of the prevailing accounting standards;
- inspecting underlying documentation for manual journal entries raised during the reporting period relating to revenue which were considered to be material or met other specific risk-based criteria;
- comparing, on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation, including the relevant sales agreement or licensing contract, the customer’s acknowledgement of acceptance of the master tapes and broadcast schedules, to determine whether the related revenue had been recognised in the appropriate accounting period; and
- inspecting sales adjustments made after the reporting date and evaluating whether the related adjustments to revenue had been recorded in the appropriate accounting period.

Assessing potential impairment of goodwill

Refer to note 13 to the consolidated financial statements and the accounting policies on page 86.

The Key Audit Matter

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units, which are the smallest identifiable groups of assets that generate cash inflows independently, which are expected to benefit from the synergies of the combination.

The Group had a goodwill balance of RMB435 million as at 31 December 2019, which comprised the goodwill arising from the acquisitions of Solid Will Ltd., Star Will Investments Ltd., Beijing Starwise Culture Media Co., Ltd. and their subsidiaries, which are principally engaged in the production, distribution and promotion of drama series and films in Mainland China.

Increasing competition and the changing legal and political environment of the media industry in Mainland China may negatively impact the forecast cash flows to be generated from the Group's media business and may result in the carrying amount of goodwill exceeding its recoverable amount.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill included the following:

- evaluating, with the assistance of our internal valuation specialists, the valuation methodology adopted by management, the identification of CGUs and the allocation of assets to each identified CGU, with reference to the requirements of the prevailing accounting standards;
- evaluating, with the assistance of our internal valuation specialists, the discount rates adopted by management in the preparation of the discounted cash flow forecasts by benchmarking against those of comparable companies in the same industry;
- comparing the significant inputs used in the preparation of the discounted cash flow forecasts, including future revenue, growth rates and future profit margins, with the historical performance of the CGUs, management's forecasts, data for comparable companies in the same business and available external market data;

Assessing potential impairment of goodwil (continued)

Refer to note 13 to the consolidated financial statements and the accounting policies on page 86.

The Key Audit Matter

Management assesses the recoverable amount of goodwill on a regular basis to determine if any impairment is required. The recoverable amounts of the CGUs to which goodwill has been allocated are determined based on value-in-use calculations using the present value of the future cash flows expected to be obtained from the CGUs. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and extrapolates cash flows beyond the five-year period using a steady growth rate applicable to the relevant businesses.

The assessment of the recoverable amount of goodwill involves significant management estimation and judgment, in particular in determining the key assumptions adopted in the cash flow forecasts, which include future revenue, growth rates, future profit margins and the discount rates applied.

We identified assessing potential impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because of the inherent uncertainty involved in forecasting and discounting future cash flows which involves the exercise of significant management judgment and could be subject to management bias.

How the matter was addressed in our audit

- assessing the reliability and reasonableness of management's forecast by comparing the previous year's forecast with the current year's actual performance, discussing with management significant variances and considering these variances in our assessment of the current year's cash flow forecasts; and

- performing a sensitivity analysis of the both discount rates and future revenue and considering the resulting impact on the carrying amount of goodwill and whether there were any indicators of management bias.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 *(Note)* RMB'000 (Restated)
Continuing operations			
Revenue	*3*	**284,183**	352,326
Cost of sales and services		**(153,836)**	(221,896)
Gross profit		**130,347**	130,430
Other net income/(loss)	*4*	**9,752**	(178,309)
Distribution costs		**(10,234)**	(17,808)
Administrative expenses		**(32,782)**	(28,592)
Profit/(loss) from operations		**97,083**	(94,279)
Net finance costs	*5(a)*	**(48,260)**	(48,951)
Profit/(loss) before taxation from continuing operations	*5*	**48,823**	(143,230)
Income tax	*6*	**(17,913)**	(8,833)
Profit/(loss) for the year from continuing operations		**30,910**	(152,063)
Discontinued operation			
(Loss)/profit for the year from discontinued operation	*9*	**(859)**	7,700
Profit/(loss) and total comprehensive income for the year		**30,051**	(144,363)
Attributable to:			
Equity shareholders of the Company		**30,183**	(144,725)
Non-controlling interests		**(132)**	362
Profit/(Loss) and total comprehensive income for the year		**30,051**	(144,363)
Basic and diluted earnings/(loss) per share (RMB cents)	*10*		
– Continuing and discontinued operations		**2.17**	(11.72)
– Continuing operations		**2.23**	(11.72)
– Discontinued operation		**(0.06)**	–

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c). Comparative information has been re-presented due to a discontinued operation. See notes 3(b) and 9.

The notes on pages 78 to 166 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27.

Consolidated Statement of Financial Position

at 31 December 2019

(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Non-current assets			
Property, plant and equipment	*11*	**23,723**	431,054
Interests in leasehold land held for own use under operating leases	*11*	**–**	61,648
		23,723	492,702
Intangible assets	*12*	**21**	1,069
Goodwill	*13*	**435,081**	441,475
Interest in an associate	*15*	**–**	–
Investments in equity securities		**1,900**	–
Other receivables	*19*	**145,209**	10,799
Deferred tax assets	*26(b)*	**1,928**	1,786
		607,862	947,831
Current assets			
Inventories	*16*	**–**	140,120
Drama series and films	*17*	**358,666**	224,958
Trade and other receivables	*19*	**844,023**	500,480
Pledged bank deposits	*20*	**–**	11,000
Cash and cash equivalents	*21*	**193,438**	284,689
		1,396,127	1,161,247
Current liabilities			
Trade and other payables	*22*	**212,544**	268,954
Contract liabilities	*18(b)*	**3,078**	11,233
Bank loans	*23*	**14,850**	180,500
Other borrowings	*24*	**281,962**	434,480
Lease liabilities	*25*	**5,025**	12,201
Current taxation	*26(a)*	**39,489**	27,776
		556,948	935,144

Consolidated Statement of Financial Position

at 31 December 2019

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Net current assets		**839,179**	226,103
Total assets less current liabilities		**1,447,041**	1,173,934
Non-current liabilities			
Other borrowings	*24*	**218,051**	206,345
Lease liabilities	*25*	**17,425**	11,973
Deferred tax liabilities	*26(b)*	**5,521**	3,101
		240,997	221,419
Net assets		**1,206,044**	952,515
Capital and reserves			
Share capital	*27*	**90,578**	79,730
Reserves	*27*	**1,092,466**	873,192
Total equity attributable to equity shareholders of the Company		**1,183,044**	952,922
Non-controlling interests		**23,000**	(407)
Total equity		**1,206,044**	952,515

Approved and authorised for issue by the board of directors on 27 March 2020.

Chen Chen
Director

Tan Bin
Director

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

The notes on pages 78 to 166 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in Renminbi Yuan)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Retained earnings *(Note)* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity 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
Changes in equity for 2018:									
Loss and total comprehensive income for the year		–	–	–	–	(144,725)	(144,725)	362	(144,363)
Shares issuance	*27(c)*	13,171	111,145	–	–	–	124,316	–	124,316
Acquisition of non-controlling interests without a change in control	*14*	–	–	–	(36,065)	–	(36,065)	(9,330)	(45,395)
Appropriations to statutory surplus reserve	*27*	–	–	9,697	–	(9,697)	–	–	–
Balance at 31 December 2018		**79,730**	**634,429**	**75,792**	**82,385**	**80,586**	**952,922**	**(407)**	**952,515**
Changes in equity for 2019:									
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**30,183**	**30,183**	**(132)**	**30,051**
Capital contributions	*14*	**–**	**–**	**–**	**16,116**	**–**	**16,116**	**23,132**	**39,248**
Shares issuance	*27(c)*	**10,848**	**172,975**	**–**	**–**	**–**	**183,823**	**–**	**183,823**
Appropriations to statutory surplus reserve	*27*	**–**	**–**	**12,197**	**–**	**(12,197)**	**–**	**–**	**–**
Liquidation of a subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**407**	**407**
Balance at 31 December 2019		**90,578**	**807,404**	**87,989**	**98,501**	**98,572**	**1,183,044**	**23,000**	**1,206,044**

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

The notes on pages 78 to 166 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

	Note	2019 RMB'000	2018 (Note) RMB'000
Operating activities			
Cash (used in)/generated from operations	*21(b)*	**(124,339)**	44,496
Income tax paid	*26(a)*	**(335)**	(1,298)
Net cash (used in)/generated from operating activities		**(124,674)**	43,198
Investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	(30,000)
Payments for purchase of non-controlling interests in subsidiaries	*14*	**–**	(45,395)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	*9*	**(63,871)**	116,160
Disposal of an associate		**–**	6,000
Payment for investing in equity securities		**(1,900)**	–
Payments for the purchase of property, plant and equipment and leasehold land		**(25,737)**	(96,385)
Proceeds from sale of property, plant and equipment		**126**	10,401
Payments for advance to third parties		**–**	(32,997)
Decrease in pledged bank deposits		**–**	22,667
Proceeds from repayments of advance to third parties		**95,632**	17,793
Net proceeds from purchases and sales of non-equity investments		**–**	201
Interest received		**3,282**	3,627
Net cash generated from/(used in) investing activities		**7,532**	(27,928)
Financing activities			
Capital element of finance lease rental paid	*21(c)*	**(16,985)**	24,174
Proceeds from bank loans	*21(c)*	**159,850**	180,500
Repayment of bank loans	*21(c)*	**(180,500)**	(201,250)
Proceeds from shares issuance	*27(a)*	**–**	124,316
Payments for redemption of convertible bonds	*21(c)*	**–**	(178,424)
Capital contributions from non-controlling equity owners of subsidiaries	*14*	**39,248**	–
Proceeds from issuance of bonds		**–**	191,315
Repayment of advance from third parties	*21(c)*	**–**	(32,626)
Proceeds for advance from third parties	*21(c)*	**54,326**	24,000
Interest element of finance lease rental paid	*21(c)*	**(2,406)**	(1,757)
Other borrowing costs paid	*21(c)*	**(31,108)**	(35,502)
Net cash generated from financing activities		**22,425**	94,746
Net (decrease)/increase in cash and cash equivalents		**(94,717)**	110,016
Cash and cash equivalents at 1 January	*21*	**284,689**	155,598
Effect of foreign exchange rate change		**3,466**	19,075
Cash and cash equivalents at 31 December	*21*	**193,438**	284,689

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

The notes on pages 78 to 166 form part of these financial statements.

1 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in equity securities (see note 1(g)).

– derivative financial instruments (see note 1(h)).

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 Significant accounting policies (Continued)

(c) 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. 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.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 29(b). For an explanation of how the Group applies lessee accounting, see note 1(k)(i).

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. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.02%.

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:

(i) 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;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact **(Continued)**

The following table reconciles the operating lease commitments as disclosed in note 29(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	21,128
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)
	21,000
Less: total future interest expenses	(7,247)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	13,753
Add: finance lease liabilities recognised as at 31 December 2018	24,174
Total lease liabilities recognised at 1 January 2019	37,927

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 assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact **(Continued)**

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	Capitalisation of operating lease contracts	Carrying amount at 1 January 2019
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	492,702	13,753	506,455
Total non-current assets	947,831	13,753	961,584
Lease liabilities (current)	12,201	1,143	13,344
Current liabilities	935,144	1,143	936,287
Net current assets	226,103	(1,143)	224,960
Total assets less current liabilities	1,173,934	12,610	1,186,544
Lease liabilities (non-current)	11,973	12,610	24,583
Total non-current liabilities	221,419	12,610	234,029
Net assets	952,515	–	952,515

c. Impact on the financial result, segment results and cash flows 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 positive 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 year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 21(c)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 21(d)).

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. ***Impact on the financial result, segment results and cash flows of the Group*** **(Continued)**

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	**Add back: IFRS 16 depreciation and interest expense (B) RMB'000**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 *(note 1)* (C) RMB'000**	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000**	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**97,083**	**4,397**	**(6,152)**	**95,328**	(94,279)
Finance costs	**(48,260)**	**1,368**	**–**	**(46,892)**	(48,951)
Profit/(loss) before taxation	**48,823**	**5,765**	**(6,152)**	**48,436**	(143,230)
Profit/(loss) for the year	**30,051**	**5,765**	**(6,152)**	**29,664**	(144,363)

1 Significant accounting policies (Continued)

(c) Changes in accounting policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result, segment results and cash flows of the Group **(Continued)**

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	**Estimated amounts related to operating leases as if under IAS 17 *(notes 1 & 2)* (B) RMB'000**	**Hypothetical amounts for 2019 as if under IAS 17 (C)=(A)+(B) RMB'000**	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash (used in)/generated from operations	**(124,339)**	**(6,152)**	**(130,491)**	44,496
Net cash (used in)/generated from operating activities	**(124,674)**	**(6,152)**	**(130,826)**	43,198
Capital element of lease rentals paid	**(16,985)**	**4,784**	**(12,201)**	24,174
Interest element of lease rentals paid	**(2,406)**	**1,368**	**(1,038)**	(1,757)
Net cash generated from financing activities	**22,425**	**6,152**	**28,577**	94,746

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17. Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(p), (q) or (r) depending on the nature of the liability.

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

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

In the Company's statement of financial position, investment in subsidiaries is stated at cost less impairment losses (see note 1(l)).

1 Significant accounting policies (Continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies (Continued)

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss.

For an explanation of how the Group determines fair value of financial instruments, see note 28(f). These investments are subsequently accounted for as follows, depending on their classification:

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(z)).

1 Significant accounting policies (Continued)

(i) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

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

– leasehold land is depreciated over the unexpired term of lease	50 years
– Buildings situated on leasehold land are depreciated over their estimated useful life	20 years
– The Group's interests in buildings situated on leasehold land are depreciated over shorter of the unexpired term of lease and the buildings' estimated useful lives	3 – 20 years
– Machinery and equipment	5 – 10 years
– Office equipment	3 – 5 years
– Motor vehicles	3 – 5 years

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

Construction in progress represents property, plant and equipment under construction and machinery and equipment under installation and testing. Construction in progress is stated in the consolidated statement of financial position at cost less impairment losses (see note 1(l)). The cost includes cost of construction, cost of purchased plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs (see note 1(z)).

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use.

1 Significant accounting policies (Continued)

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– trademarks and patent	5 – 10 years
– computer software	5 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

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

(i) As a lessee

(A) Policy applicable from 1 January 2019

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. 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.

1 Significant accounting policies (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1 January 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(i)).

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

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

(B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 1(i). Impairment losses were accounted for in accordance with the accounting policy as set out in note 1(l). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

1 Significant accounting policies (Continued)

(k) Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1 January 2019 (Continued)

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made.

Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

– contract assets as defined in IFRS 15 (see note 1(n));

Financial assets measured at fair value, including equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

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

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

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

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

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

1 Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs **(Continued)**

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

***Significant increases in credit risk* (Continued)**

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 1(x)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Write-off policy

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

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

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(x)(viii)).

1 Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– goodwill;

– interest in an associate;

– drama series and films; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– ***Calculation of recoverable amount***

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

– ***Recognition of impairment losses***

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

1 Significant accounting policies (Continued)

(l) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– ***Reversals of impairment losses***

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(m)(i)), drama series and films (see note 1(o)), or property, plant and equipment (see note 1(i)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

1 Significant accounting policies (Continued)

(m) Inventories and other contract costs (Continued)

(ii) Other contract costs (Continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, drama series and films or property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(x).

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(x)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(p)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(x)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(p)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(x)).

1 Significant accounting policies (Continued)

(o) Drama series and films

Drama series and films represent completed drama series and films, and drama series and films in production.

Completed drama series and films are stated at cost less any identified impairment losses (note 1(l)). Cost of completed drama series and films comprise fees paid and payable under agreements and direct costs incurred during the production of drama series and films. The costs of completed drama series and films are recognised as an expense based on the proportion of actual income earned from a drama series and films during the year to the total estimated income from the distribution of drama series and films.

Drama series and films in production represents drama series and films under production and is stated at cost less any impairment losses (note 1(l)). The costs include all direct costs associated with the production of drama series and films. Costs are transferred to completed drama series and films upon completion.

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(n)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(l)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(l)(i).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(l)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(z)).

1 Significant accounting policies (Continued)

(t) Convertible bonds

At initial recognition the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 1(h)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible bonds are allocated to the host liability and derivative liability components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative liability component is recognised immediately in profit or loss.

The derivative liability component is subsequently remeasured in accordance with note 1(h). The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative liability and host liability components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(u) Employee benefits

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

(v) Income tax

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

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

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

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

1 Significant accounting policies (Continued)

(v) Income tax (Continued)

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

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

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

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

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

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

  - the same taxable entity; or

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

(w) Provisions and contingent liabilities

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

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

1 Significant accounting policies (Continued)

(x) Revenue and other income

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

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

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

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

(i) Sale of textile products

Revenue arising from the sale of textile products is recognised when the customer takes possession of and accepts the products.

(ii) Licensing of drama series and films

Revenue arising from the licensing of drama series and films is recognised when the customer takes possession of and accepts the drama series and films in accordance with the terms of the contracts and the amount can be measured reliably.

(iii) Transfer of license of drama series and films

Revenue arising from the transfer of license of drama series and films is recognised upon the delivery of the materials for video features including the master tapes or participation share of the license to the customers, in accordance with the terms of the underlying contracts and the amount can be measured reliably.

1 Significant accounting policies (Continued)

(x) Revenue and other income (Continued)

(iv) Provision of drama series and films production, distribution and related services

Revenue arising from provision of services, and a corresponding contract asset (see note 1(n)), are recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. The contract asset (either partially or in full) is reclassified to receivables when the entitlement to payment for that amount has become unconditional (see note 1(p)).

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see note 1(l)(ii)).

1 Significant accounting policies (Continued)

(y) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

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

(z) Borrowing costs

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

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

(aa) Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

1 Significant accounting policies (Continued)

(bb) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

1 Significant accounting policies (Continued)

(cc) Segment reporting

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

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

2 Accounting judgement and estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements in relation to the subsidiaries arising from contractual agreements.

The Group's subsidiaries have entered into certain contractual arrangements ("the Contractual Arrangements") with Beijing Starrise Culture Development Co., Ltd. ("Beijing Starrise") and Beijing Starrise Pictures Co., Ltd. ("Starrise Pictures") respectively, and their equity holders, which enable the Group to:

– exercise effective financial and operational control over Beijing Starrise and Starrise Pictures;

– exercise equity holders' voting rights of Beijing Starrise and Starrise Pictures;and

– receive substantially all of the economic interest returns generated by Beijing Starrise and Starrise Pictures.

The Group does not have any equity interest in Beijing Starrise and Starrise Pictures. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Beijing Starrise and Starrise Pictures and has the ability to affect those returns through its power over Beijing Starrise and Starrise Pictures and is considered to control Beijing Starrise and Starrise Pictures respectively. Consequently, the Company regards Beijing Starrise and Starrise Pictures, and their subsidiaries as indirect subsidiaries. The Group has consolidated the financial position and results after the completion of acquisition of Beijing Starrise and Starrise Pictures, and their subsidiaries in the consolidated financial statements of the Group for the year ended 31 December 2019.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Starrise and Beijing Starrise Pictures and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Starrise and Starrise Pictures. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty

Notes 13 and 28 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key source of estimation uncertainty are as follows:

(i) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable and goodwill is tested for impairment at least annually. When such a decline has occurred, the carrying amount is reduced to the recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant judgement relating to items such as the level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume and amount of operating costs.

(ii) Depreciation and amortisation

Property, plant and equipment and leasehold land are depreciated/amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the property, plant and equipment and leasehold land regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(iii) Expected credit losses for trade receivables

The impairment provisions for trade receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 28(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the profit or loss.

2 Accounting judgement and estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

(v) Drama series and films

The Group is required to estimate the projected revenue of the drama series and films in order to ascertain the amount of drama series and films recognised as an expense for each reporting period. The appropriateness of the estimate requires the use of judgement and assumptions with reference to the prevailing and future market conditions to estimate total projected revenue. Changes in these estimates and assumptions could have a material effect on the expense.

At the end of the reporting period, the management of the Group assesses the impairment on drama series and films with reference to its recoverable amount. The recoverable amount of the drama series and films is determined based on the present value of the expected future revenue generated from the drama series and films less future cost of sales and service. If the recoverable amount is lower than the carrying amount, the carrying amount of the drama series and films will be written down to its recoverable amount.

(vi) Taxation

The Group files income taxes, including the dividend withholding tax in the PRC, with a number of tax authorities. Estimation is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business, where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the period in which the final tax outcomes become available.

(vii) Determining the lease term

As explained in policy note 1(k), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the group, the group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 Revenue and segment report

(a) Revenue

For the year ended 31 December 2019, the principal activities of the Group are (i) manufacturing and sales of textile products and provision of related processing service (see note 9, "discontinued operation"), as well as (ii) production, distribution and licensing of drama series and films. Further details regarding the Group's principal activities are disclosed in note 3(b).

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

	Continuing operations		Discontinued operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		
Revenue from contracts with customers within the scope of IFRS 15						
Disaggregated by major products or service lines						
– Sales of textile products	**–**	–	**458,210**	581,717	**458,210**	581,717
– Licensing of drama series and films, transfer of license of drama series and films	**216,096**	247,924	**–**	–	**216,096**	247,924
– Provision of textile products processing services	**–**	–	**16,503**	27,326	**16,503**	27,326
– Provision of drama series and films production, distribution and related services	**68,087**	104,402	**–**	–	**68,087**	104,402
	284,183	352,326	**474,713**	609,043	**758,896**	961,369

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

The Group's customer base is diversified and includes only one customer (2018: one) with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2019. In 2019 revenues from sales of television drama series to the customer amounted to approximately RMB108,902,000. In 2018 revenues from sales of textile products to the customer amounted to approximately RMB152,004,000. Details of concentrations of credit risk are set out in note 28(a)).

3 Revenue and segment report (Continued)

(b) 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 presented two reportable segments, included media and textile (see note 9, "discontinued operation"). No operating segments have been aggregated to form the following reportable segments.

Continuing operations

Media: produces, distributes, licenses and/or transfer of drama series and films and provides related services. Currently the Group's activities in this segment are carried out in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals, bills payable and other payables attributable to the segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment results is "adjusted profit/(loss) before taxes". To arrive at adjusted profit/(loss) before taxes, the Group's profit/(loss) are adjusted for items not specifically attributed to individual segments, such as net finance cost relating to the convertible bonds and fair value change of derivatives embedded in convertible bonds, and impairments resulting from isolated, non-recurring events, such as impairment of goodwill.

In addition to receiving segment information concerning adjusted profit/(loss) before taxes, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations.

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2019 and 2018 is set out below.

	Continuing operations		Discontinued operation			
	Media		Textile		Total	
	2019	2018	**2019**	2018	**2019**	2018
		(Note)		*(Note)*		*(Note)*
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)		
Disaggregated by timing of revenue recognition						
Point in time	**238,203**	278,119	**458,210**	581,717	**696,413**	859,836
Over time	**45,980**	74,207	**16,503**	27,326	**62,483**	101,533
Revenue from external customers	**284,183**	352,326	**474,713**	609,043	**758,896**	961,369
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**284,183**	352,326	**474,713**	609,043	**758,896**	961,369
Reportable segment result (adjusted profit/(loss) before taxes)	**111,044**	83,084	**(15,044)**	11,323	**96,000**	94,407
Interest income on bank deposits	**2,634**	6,167	**648**	199	**3,282**	6,366
Interest on bank loans and other financial liabilities	**4,918**	4,486	**8,165**	8,371	**13,083**	12,857
Depreciation and amortisation for the year	**4,465**	1,230	**48,407**	43,610	**52,872**	44,840
Reportable segment assets	**2,003,989**	1,349,540	**–**	714,921	**2,003,989**	2,064,461
Additions to non-current segment assets during the year	**13,538**	69	**–**	92,690	**13,538**	92,759
Reportable segment liabilities	**797,945**	222,925	**–**	279,268	**797,945**	502,193

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

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Continuing operations		Discontinued operation		Total	
	2019	2018 *(Note)*	**2019**	2018 *(Note)*	**2019**	2018 *(Note)*
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)	**RMB'000**	RMB'000
Revenue						
Reportable segment revenue	**284,183**	352,326	**474,713**	609,043	**758,896**	961,369
Elimination of inter-segment revenue	**–**	–	**–**	–	**–**	–
Consolidated revenue *(note 3(a))*	**284,183**	352,326	**474,713**	609,043	**758,896**	961,369
Profit/(loss)						
Reportable segment profit/(loss)	**111,044**	83,084	**(15,044)**	11,323	**96,000**	94,407
Elimination of inter-segment profits	**–**	–	**–**	–	**–**	–
Reportable segment profit/(loss) derived from the Group's external customers	**111,044**	83,084	**(15,044)**	11,323	**96,000**	94,407
Interest on convertible bonds	**(33,248)**	(54,789)	**–**	–	**(33,248)**	(54,789)
Interest on bonds	**(12,429)**	(7,971)	**–**	–	**(12,429)**	(7,971)
Change in fair value of derivatives embedded in convertible bonds	**(16,231)**	(176,535)	**–**	–	**(16,231)**	(176,535)
Unallocated head office and corporate gain/(expenses) (net)	**(313)**	12,981	**–**	–	**(313)**	12,981
Consolidated profit/(loss) before taxation	**48,823**	(143,230)	**(15,044)**	11,323	**33,779**	(131,907)

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

3 Revenue and segment report (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2019 RMB'000	2018 RMB'000
Assets		
Reportable segment assets	**2,003,989**	2,064,461
Elimination of inter-segment receivables	**–**	(100)
	2,003,989	2,064,361
Unallocated head office and corporate assets	**–**	44,717
Consolidated total assets	**2,003,989**	2,109,078
Liabilities		
Reportable segment liabilities	**797,945**	502,193
Elimination of inter-segment payables	**–**	(100)
	797,945	502,093
Unallocated head office and corporate liabilities	**–**	654,470
Consolidated total liabilities	**797,945**	1,156,563

(iii) Geographic information

The Group principally operates in the PRC and its major operating assets are located in the PRC. The following table sets out information about the geographical locations of the Group's revenue from external customers. The geographical locations of customers are based on the locations at which the services were provided or the goods were delivered.

	Continuing operations		Discontinued operation		Total	
	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000
The PRC	**284,183**	335,226	**433,334**	566,383	**717,517**	901,609
Overseas	**–**	17,100	**41,379**	42,660	**41,379**	59,760
	284,183	352,326	**474,713**	609,043	**758,896**	961,369

4 Other net income/(loss)

	2019 RMB'000	2018 RMB'000 (Restated)
Change in fair value of derivatives embedded in convertible bonds *(note 28)*	**(29,710)**	(176,535)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	**13,479**	–
Gain on disposal of an associate *(note 15)*	**12,000**	–
Net gain from investments in drama series and films*	**10,270**	807
Others	**3,713**	(2,581)
	9,752	(178,309)

* *The amount represents net gain from investments in drama series and films with fixed-income rate.*

5 Profit/(loss) before taxation

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

(a) Net finance costs

	2019 RMB'000	2018 *(Note)* RMB'000 (Restated)
Interest on convertible bonds	**33,248**	54,789
Interest on bonds	**12,429**	7,971
Interest on bank loans and other financial liabilities	**4,918**	4,486
Interest on lease liabilities	**1,368**	–
Interest income	**(2,634)**	(6,167)
Net foreign exchange gain	**(1,447)**	(12,253)
Other finance charges	**378**	125
	48,260	48,951

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

5 Profit/(loss) before taxation (Continued)

(b) Staff costs

	2019 RMB'000	2018 RMB'000 (Restated)
Salaries, wages and other benefits	**19,942**	17,916
Contributions to defined contribution retirement plan	**2,337**	2,066
	22,279	19,982

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in defined contribution retirement schemes (the "Schemes") organised by the relevant local authorities whereby the Group is required to make contributions to the Schemes at certain percentages of the eligible employees' salaries for the years ended 31 December 2019 and 2018. The relevant local government authorities are responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the annual contributions described above.

(c) Other items

	2019 RMB'000	2018 RMB'000 (Restated)
Amortisation		
– intangible assets	**7**	7
Depreciation		
– owned property, plant and equipment	**61**	1,223
– right-of-use assets*	**4,397**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	**21**	6,582
Impairments losses		
– drama series and films	**1,829**	363
– trade and other receivables	**4,401**	2,575
Reversal of impairment losses on trade and other receivables	**–**	(652)
Gain on disposal of an associate	**12,000**	–
Auditors' remuneration		
– audit services	**2,600**	2,400
– other services	**700**	220
Cost of drama series and films	**150,379**	210,324

* *The Group has initially applied IFRS 16 using the modified retrospective approach 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. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).*

6 Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000 (Restated)
Current tax		
Provision for the year	**16,213**	6,932
Deferred tax		
Origination and reversal of temporary differences *(note 26(b))*	**1,700**	1,901
	17,913	8,833

(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 years ended 31 December 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) For the year ended 31 December 2019, 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 Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Horgos of Xinjiang province and are principally engaged in the production and distribution of drama series and films, are entitled to a tax holiday of 5-year full exemption on Enterprise Income Tax commencing from the first revenue-generating year. The first exemption year are 2016, 2016 and 2019, respectively.

6 Income tax (Continued)

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

	2019 RMB'000	2018 RMB'000 (Restated)
Profit/(loss) before taxation	**48,823**	(143,230)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the profits in the jurisdictions concerned	**28,319**	20,464
Tax effect of non-deductible expenses	**3,514**	1,367
Tax effect of unused tax losses not recognised	**(223)**	832
Statutory tax concession	**(16,384)**	(15,377)
PRC dividend withholding tax	**2,687**	1,765
Others	**–**	(218)
Income tax expense	**17,913**	8,833

7 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2019 Total RMB'000
Executive directors					
Liu Dong	–	565	–	3	568
Liu Zongjun	–	300	–	7	307
Chen Chen	–	735	–	38	773
He Han	–	1,041	–	24	1,065
Tan Bin	–	1,331	–	16	1,347
Independent Non-executive directors					
Lam Kaiyeung	96	–	–	–	96
Wang Liangliang	74	–	–	–	74
Liu Chenhong	74	–	–	–	74
	244	3,972	–	88	4,304

7 Directors' emoluments (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Executive directors					
Liu Dong	–	546	–	3	549
Liu Zongjun	–	287	–	6	293
Chen Chen	–	728	–	33	761
He Han	–	973	–	23	996
Tan Bin	–	1,286	–	15	1,301
Independent Non-executive directors					
Lam Kaiyeung	68	–	–	–	68
Gao Gordon Xia[1]	43	–	–	–	43
Wang Liangliang	51	–	–	–	51
Liu Chenhong[2]	36	–	–	–	36
	198	3,820	–	80	4,098

1 *Resigned on 18 April 2018*
2 *Appointed on 18 April 2018*

(i) During the years ended 31 December 2019 and 2018, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) No directors of the Company waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

(iii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the years ended 31 December 2019 and 2018.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments three (2018: four) are directors whose remuneration are disclosed in note 7.

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**1,514**	480
Retirement scheme contributions	**22**	18
	1,536	498

In 2019, the emoluments of the two (2018: one) individuals with the highest emoluments are within the following band:

	2019 **Number of** **Individuals**	2018 Number of individuals
HKD Nil to HKD1,000,000	**2**	1

9 Discontinued operation

On 20 December 2019 (date of disposal), the Company disposed of its entire equity interests in Power Fit Limited, which was a wholly owned subsidiary of the Company, together with its subsidiaries (collectively referred to as the "Disposal Group"). The cash consideration for the disposal is RMB189,891,200 which will be settled within two years since the date of disposal.

The Disposal Group is principally engaged in manufacture and sale of dobby grey fabrics. The consolidated results of the Disposal Group for the period from 1 January 2019 to 20 December 2019 have been presented as discontinued operation in the consolidated financial statements in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and the comparative figures of the consolidated statement of profit or loss and other comprehensive income and corresponding notes have been restated to show the discontinued operation separately from continuing operations.

9 Discontinued operation (Continued)

(a) Results of discontinued operation:

	Note	2019 RMB'000	2018 RMB'000
Revenue	*3*	**474,713**	609,043
Cost of sales and services		**(435,000)**	(529,235)
Gross profit		**39,713**	79,808
Other net income		**3,207**	5,715
Distribution costs		**(6,637)**	(7,970)
Administrative expenses		**(39,848)**	(49,710)
(Loss)/profit from operation		**(3,565)**	27,843
Net finance costs		**(11,479)**	(16,520)
(Loss)/profit before taxation		**(15,044)**	11,323
Income tax		**8,416**	(3,623)
(Loss)/profit for the period/year		**(6,628)**	7,700
Gain on sale of discontinued operation		**10,098**	–
Income tax on gain on sale of discontinued operation		**(4,329)**	–
(Loss)/profit from discontinued operation for the period		**(859)**	7,700

(b) Cash flows generated from discontinued operation:

	2019 RMB'000	2018 RMB'000
Net cash generated from operating activities	**92,579**	45,663
Net cash used in investing activities	**(16,342)**	(85,485)
Net cash (used in)/generated from financing activities	**(26,062)**	10,198
Net cash inflow/(outflow)	**50,175**	(29,624)

9 Discontinued operation (Continued)

(c) Net assets disposed of as at the disposal date:

	As at the date of disposal
	RMB'000
Property, plant and equipment	(401,453)
Interests in leasehold land held for own use under operating leases	(60,282)
Intangible assets	(931)
Goodwill	(6,394)
Inventories	(118,546)
Trade and other receivables	(63,319)
Deferred tax assets	(1,010)
Pledged bank deposits	(8,813)
Cash and cash equivalents	(63,871)
Trade and other payables	337,543
Bank loans	145,000
Contract liabilities	45,714
Current taxation	4,165
Lease liabilities	11,973
Deferred tax liabilities	431
Net asset and liabilities	(179,793)
Cash consideration	189,891
Gain on disposal of subsidiaries	10,098
Cash flows	
Cash and cash equivalents disposed of	(63,871)
Net cash outflow	(63,871)

10 Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share for the year ended 31 December 2019 is based on the following profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares, calculated as follows:

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

	2019 **RMB'000**	2018 RMB'000
– From continuing operations	**31,042**	(152,425)
– From a discontinued operation *(note 9)*	**(859)**	7,700
	30,183	(144,725)

(b) Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January	**1,254,749,656**	1,045,749,656
Effect of shares issuance *(note 27(c))*	**136,393,928**	188,958,904
Weighted average number of ordinary shares at 31 December	**1,391,143,584**	1,234,708,560

For the years ended 31 December 2019 and 2018, no adjustment is made in relation to the Company's outstanding convertible bonds as their assumed conversion would increase the basic earnings per share and decrease the basic loss per share.

11 Property, plant and equipment and leasehold land

(a) Reconciliation of carrying amount

	Buildings RMB'000	Machinery and equipment RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2018	193,665	622,319	13,261	7,100	4,328	840,673	70,099	910,772
Additions	1,189	27,725	826	1,094	61,925	92,759	–	92,759
Transfer from construction in progress	3,979	56,046	–	–	(60,107)	(82)	82	–
Disposals	–	(70,880)	(738)	(836)	–	(72,454)	–	(72,454)
At 31 December 2018	198,833	635,210	13,349	7,358	6,146	860,896	70,181	931,077
Impact on initial application of HKFRS 16 *(Note)*	13,753	–	–	–	–	13,753	–	13,753
At 1 January 2019	212,586	635,210	13,349	7,358	6,146	874,649	70,181	944,830
Additions	17,505	10,044	431	102	4,054	32,136	–	32,136
Disposal of subsidiaries	(200,416)	(643,717)	(11,759)	(7,405)	(10,117)	(873,414)	(70,181)	(943,595)
Transfer from construction in progress	83	–	–	–	(83)	–	–	–
Disposals	–	(1,533)	(30)	(55)	–	(1,618)	–	(1,618)
At 31 December 2019	29,758	4	1,991	–	–	31,753	–	31,753
Accumulated depreciation and amortisation:								
At 1 January 2018	(42,996)	(392,019)	(11,188)	(5,036)	–	(451,239)	(7,131)	(458,370)
Charge for the year	(9,436)	(32,299)	(1,055)	(514)	–	(43,304)	(1,402)	(44,706)
Written back on disposals	–	63,269	680	752	–	64,701	–	64,701
At 31 December 2018	(52,432)	(361,049)	(11,563)	(4,798)	–	(429,842)	(8,533)	(438,375)
At 1 January 2019	(52,432)	(361,049)	(11,563)	(4,798)	–	(429,842)	(8,533)	(438,375)
Charge for the year	(13,330)	(36,658)	(918)	(460)	–	(51,366)	(1,364)	(52,730)
Disposal of subsidiaries	59,119	396,562	11,074	5,208	–	471,963	9,897	481,860
Written back on disposals	–	1,142	23	50	–	1,215	–	1,215
At 31 December 2019	(6,643)	(3)	(1,384)	–	–	(8,030)	–	(8,030)
Net book value:								
At 31 December 2019	23,115	1	607	–	–	23,723	–	23,723
At 31 December 2018	146,401	274,161	1,786	2,560	6,146	431,054	61,648	492,702

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

11 Property, plant and equipment and leasehold land (Continued)

(b) The analysis of net book value of properties is as follows:

	2019 RMB'000	2018 RMB'000
Properties held in the PRC		
– medium-term leases	**23,115**	214,195
Representing:		
– Buildings	**23,115**	146,401
– Construction in progress	**–**	6,146
– Interests in leasehold land held for own use under operating leases	**–**	61,648

(c) Property, plant and equipment and leasehold land with aggregate net book value of RMB Nil (2018: RMB6,181,000) are pledged to secure certain bank loans of the Group totalling RMB Nil as at 31 December 2019 (2018: RMB90,000,000).

(d) As at 31 December 2019, the ownership certificates for buildings with net book value of RMB Nil (2018: RMB100,869,000) have not been obtained. The directors confirmed that the Group has the right to access and use such buildings.

(e) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Buildings	**22,836**	13,753

11 Property, plant and equipment and leasehold land (Continued)

(e) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	2018
	RMB'000	RMB'000
		(Note)
Depreciation charge of right-of-use assets by class of underlying asset:		
Buildings	**4,397**	–
Interest on lease liabilities	**2,406**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**149**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	6,834

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 21(d) and 25, respectively.

12 Intangible assets

	Patents and trademarks RMB'000	Computer software RMB'000	Total RMB'000
Cost:			
At 1 January 2018	50	232	282
Additions	–	1,186	1,186
At 31 December 2018	50	1,418	1,468
At 1 January 2019	50	1,418	1,468
Additions	–	25	25
Disposal of subsidiaries	(50)	(1,408)	(1,458)
At 31 December 2019	–	35	35
Accumulated amortisation:			
At 1 January 2018	(50)	(215)	(265)
Charge for the year	–	(134)	(134)
At 31 December 2018	(50)	(349)	(399)
At 1 January 2019	(50)	(349)	(399)
Charge for the year	–	(142)	(142)
Disposal of subsidiaries	50	477	527
At 31 December 2019	–	(14)	(14)
Net book value:			
At 31 December 2019	–	21	21
At 31 December 2018	–	1,069	1,069

The amortisation charge for the year is included in "cost of sales and services" in the consolidated statement of profit or loss and other comprehensive income.

13 Goodwill

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**517,919**	517,919
Disposal of subsidiaries	**(6,394)**	–
At 31 December	**511,525**	517,919
Accumulated impairment losses:		
At 1 January	**(76,444)**	(76,444)
Impairment loss	**–**	–
At 31 December	**(76,444)**	(76,444)
Carrying amount:		
At 1 January	**441,475**	441,475
At 31 December	**435,081**	441,475

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) as follows:

	2019 RMB'000	2018 RMB'000
Beijing Huasheng and its subsidiaries	**354,452**	354,452
Star Will Investments Ltd. and its subsidiaries	**62,181**	62,181
Beijing Starwise Culture Media	**18,448**	18,448
Zibo Yinshilai Textile Co., Ltd.	**–**	6,394
At 31 December	**435,081**	441,475

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a long-term growth rate estimated by management. The growth rates used do not exceed the long-term average growth rates for the businesses in which the CGUs operate.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant businesses and have been based on historical data from both external and internal sources.

13 Goodwill (Continued)

Impairment tests for cash-generating units containing goodwill (Continued)

The key assumptions used in the estimation of value in use are as below.

Discount rate: discount rates used are pre-tax and reflect specific risks relating to the relevant businesses, as follows:

	Beijing Huasheng and its subsidiaries	**Star Will Investments Ltd. and its subsidiaries.**	**Beijing Starwise Culture Media**
Pre-tax discount rates	25%	28%	31%

Budgeted gross margin: budgeted gross margins represent the average gross margin over the five-year forecast period, and are based on past performance and management's expectations for the future, as follows:

	Beijing Huasheng and its subsidiaries	**Star Will Investments Ltd. and its subsidiaries.**	**Beijing Starwise Culture Media**
Budgeted gross margins	49%	32%	34%

Long-term growth rate: long-term growth rates are determined as the lower of the long-term weighted average growth rate estimated by management and the long-term average growth rates for the businesses in which the CGUs operate, as follows:

	Beijing Huasheng and its subsidiaries	**Star Will Investments Ltd. and its subsidiaries.**	**Beijing Starwise Culture Media**
Long-term growth rates	3%	3%	3%

(Expressed in Renminbi Yuan unless otherwise indicated)

14 Investments in subsidiaries

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

Name of company	Note	Place of Incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Solid Will Ltd.		The British Virgin Islands	1 share of USD1 each	100%	100%	–	Investment holding
Star Will Investments Ltd.		The British Virgin Islands	1 share of USD1 each	100%	100%	–	Investment holding
Star Rise Investments Ltd.		Hong Kong	1 share of HKD1 each	100%	–	100%	Investment holding
Star Will Investments (HK) Ltd.		Hong Kong	1 share of HKD1 each	100%	–	100%	Investment holding
Beijing Starrise Media Co., Ltd. (北京星宏文化傳媒有限公司)	*(i) (iii)*	The PRC	Registered capital of USD50,000,000 and paid-in capital of USD25,580,000	100%	–	100%	Investment holding
Beijing Starrise Cultural Development Co., Ltd. (北京星宏文化發展有限公司)	*(i) (ii) (iii)*	The PRC	RMB5,000,000	100%	–	–	Investment holding
Beijing Huasheng Taitong Media Investment Co., Ltd.("Beijing Huasheng") (北京華晟泰通傳媒投資有限公司)	*(i) (ii) (iii)*	The PRC	Registered capital of RMB100,050,000 and paid-in capital of RMB100,050,000	100%	–	–	Drama series and films production and distribution
Khorgos Starrise Media Co., Ltd. (霍爾果斯星宏文化傳媒有限公司)	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Drama series and films production and distribution
Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司)	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Drama series and films production and distribution
Khorgos Yingsheng Pictures Co., Ltd. (霍爾果斯瀛晟影視文化有限公司)	*(i) (ii) (iii)*	The PRC	Registered capital of RMB10,000,000 and paid-in capital of RMB8,000,000	100%	–	–	Drama series and films production and distribution
Beijing Yongming Pictures Co., Ltd. (北京勇明影視文化有限公司)	*(i) (ii) (iii)*	The PRC	Registered capital of RMB5,000,000 and paid-in capital of RMB Nil	100%	–	–	Leasing of equipment, costumes and props relating to drama series and films production
Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司)	*(i) (ii) (iii)*	The PRC	RMB10,000,000	100%	–	–	Provision of advertisement and promotion service relating to drama series and films
Ningbo Yuanning Media Co., Ltd. (寧波原甯文化傳媒有限公司)	*(i) (ii) (iii)*	The PRC	RMB3,000,000	100%	–	–	Drama series and films production and distribution

(i) *The official names of these entities are in Chinese. The English translations of the names are for reference only.*

(ii) *These are the subsidiaries arising from the contractual arrangements (see note 2(a) for details).*

(iii) *These subsidiaries are registered as limited liability companies under PRC Law.*

14 Investments in subsidiaries (Continued)

The following table lists out the information relating to Star Will Investments Ltd. and its subsidiaries, Horgos Star Rise Dacheng Culture Development Co. Ltd., and Horgos Starrise Qicheng Media Co., Ltd. which were acquired or established by the Group and have material non-controlling interests (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2019 RMB'000		2018 RMB'000	
	Horgos Starrise Qicheng Media Co., Ltd.	**Horgos Star Rise Dacheng Culture Development Co., Ltd.**	Star Will Investments Ltd. and its subsidiaries	Horgos Star Rise Dacheng Culture Development Co., Ltd.
NCI percentage	**49%**	**0%**	0%	40%
Current assets	**39,259**	**–**	–	4,987
Non-current assets	**–**	**–**	–	–
Current liabilities	**(112)**	**–**	–	(3,005)
Net assets	**39,147**	**–**	–	1,982
Carrying amount of NCI	**23,000**	**–**	–	(407)
Revenue	**–**	**–**	28,655	–
(Loss)/profit for the year	**(101)**	**(203)**	1,724	(604)
Total comprehensive income	**(101)**	**(203)**	1,724	(604)
(Loss)/profit allocated to NCI	**(50)**	**(82)**	604	(242)
Cash flows generated from/(used in) operating activities	**(39,040)**	**(199)**	(25,583)	76
Cash flows generated from investing activities	**–**	**–**	27	–
Cash flows generated from financing activities	**39,248**	**–**	27,400	–

15 Interest in an associate

The particulars of the associate is listed as follow:

Name of associate *(note (i))*	Form of business structure	Place of incorporation and business	Particulars of registered and paid up capital RMB	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hubei Changjiang Huasheng Television Co., Ltd. (湖北長江華晟影視有限責任公司) *(Note (ii))*	Incorporated	The PRC	30,000,000	40%	–	40%	Production and sales of television drama series

15 Interest in an associate (Continued)

Note (i) The official name of the entity is in Chinese. The English translations of the name is for reference only.

Note (ii) Interest in Hubei Changjiang Huasheng Television Co., Ltd. ("Changjiang Huasheng") was fully impaired in prior years. On 9 December 2019, the Group disposed of 40% equity interests in Changjiang Huasheng to a third party, Chongqing Zhiyuan Pictures Culture Media Co., Ltd., at a consideration of RMB12,000,000.

Summarised financial information of associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below. The information for 2019 includes the results of Hubei Changjiang Huasheng Television Co., Ltd. only for the period from 1 January to the date of disposal.

	Hubei Changjiang Huasheng Television Co., Ltd.	
	2019	2018
	RMB'000	RMB'000
Gross amounts of associate		
Current assets	**–**	154,647
Non-current assets	**–**	217
Current liabilities	**–**	(123,162)
Non-current liabilities	**–**	(86,000)
Equity	**–**	54,298
Revenue	**1,359**	20,490
Loss for the year	**(10,198)**	(47,332)
Other comprehensive income	**–**	–
Total comprehensive income	**(10,198)**	(47,332)
Reconciled to the Group's interest in associate		
Gross amounts of the associate's net assets	**–**	54,298
Group's effective interest	**–**	40%
Group's share of the associate's net assets and carrying amount in the consolidated financial statements	**–**	–
Gross amount of the associates' loss and total comprehensive income	**(10,198)**	(47,332)
Group's effective interest	**40%**	40%
Group's share of the associates' loss in consolidated statement of profit or loss	**–**	–

The Group has not recognised losses totalling RMB25,798,000 for the date of disposal (for the year ended 31 December 2018: RMB21,719,000) in relation to its interests in Hubei Changjiang Huasheng Television Co., Ltd., because the Group has no obligation in respect of these losses.

16 Inventories

Inventories in the consolidated statement of financial position comprise:

	2019 RMB'000	2018 RMB'000
Raw materials	–	46,102
Work in progress	–	41,724
Finished goods	–	52,294
	–	140,120

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	432,372	521,263
Write down of inventories	268	344
	432,640	521,607

The Group recognised provision for impairment of inventories after determination of the net realizable value of its finished goods with reference to the current market price and the actual sales of its finished goods. The Group disposed of the textile segment on 20 December 2019 and transferred all inventories to the buyer.

17 Drama series and films

	2019 RMB'000	2018 RMB'000
Drama series and films		
– in production	168,755	152,136
– completed production	192,103	80,185
	360,858	232,321
Impairment losses	(2,192)	(7,363)
	358,666	224,958

The carrying amounts of drama series and films have been reduced to their recoverable amounts through recognition of provision for impairment losses of RMB1,829,000 (2018: RMB363,000) which has been included in "cost of sales" in the consolidated income statement. During the year, the provision for impairment losses with the amount of RMB7,000,000 was reversed as the relevant licence of drama series has been sold.

18 Contract assets and contract liabilities

(a) Contract assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract assets		
– Arising from provision of drama series production services	**–**	–
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" *(note 19)*	**269,598**	250,695

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The consideration is payable on the earlier of the delivery of the drama series and notice from the customer to cancel the contract. If the customer cancels the contract then the Group is immediately entitled to receive payment for work done to date.

As at 31 December 2019, no contract assets is expected to be recovered after more than one year (2018: RMB nil).

(b) Contract liabilities

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract liabilities		
– Advance received for selling textile	**–**	9,450
– Advance received for selling drama series and films	**3,078**	1,783
	3,078	11,233

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives advance payments from certain customers before the relevant production activity commences this will give rise to contract liabilities at the start of a contract, until the relevant revenue recognised exceeds the amount of the advance received.

18 Contract assets and contract liabilities (Continued)

(b) Contract liabilities (Continued)

Movements in contract liabilities

	2019
	RMB'000
Balance at 1 January	**11,233**
Decrease in contract liabilities as a result of disposing subsidiaries	**(9,450)**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	**(1,783)**
Increase in contract liabilities as a result of advance received from customers during the year in respect of drama series and films still under production as at 31 December 2019	**3,078**
Balance at 31 December	**3,078**

As at 31 December 2019, no contract liabilities is expected to be recognised as income after more than one year (2018: RMB nil, which were included under "trade and other payables").

19 Trade and other receivables

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Trade debtors and bills receivable, net of loss allowance *(note 19(a))*	**269,807**	251,213
Deposits, prepayments and other receivables *(note 19(b))*	**719,425**	236,105
Amount due from an associate *(note 30(b))*	**–**	23,961
	989,232	511,279
Other receivables expected to be collected or recognised as expense after more than one year	**(145,209)**	(10,799)
Trade and other receivables expected to be recovered or recognised as expense within one year	**844,023**	500,480

19 Trade and other receivables (Continued)

(a) Ageing analysis

As at 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:

	2019 RMB'000	2018 RMB'000
Current	**239,001**	241,982
Less than 3 months past due	**1,914**	4,603
3 to 6 months past due	**23,852**	1,742
6 to 12 months past due	**4,600**	2,011
More than one year past due	**440**	875
Amounts past due	**30,806**	9,231
	269,807	251,213

Trade debtors and bills receivable are due within 1 to 6 months from the date of billing. Further details on the Group's credit policy are set out in note 28.

(b) Deposits, prepayments and other receivables

	Note	2019 RMB'000	2018 RMB'000
Prepayments and advances relating to drama series and films	*(i)*	**199,620**	90,261
Prepayments relating to purchases of raw materials		**–**	5,449
Other receivables relating to disposal of subsidiaries	*(ii)*	**189,891**	–
Other receivables relating to disposal of an associate	*(iii)*	**12,000**	–
Advances to third parties	*(iv)*	**300,623**	127,287
Prepayment for investments	*(v)*	**8,000**	–
Deferred expenses		**1,620**	3,795
Value-added tax recoverable		**–**	672
Prepayments relating to purchases of property, plant and equipment		**–**	1,071
Others		**7,671**	7,570
		719,425	236,105

Notes:

(i) The balance represents prepayments and advances of investment for co-financing the production of drama series and films.

(ii) The balance represents the consideration for the disposal of equity interests in the Disposal Group, see note 9.

(iii) The balance represents the consideration receivable for the disposal of an associate during the year ended 31 December 2019, see note 15.

(iv) RMB126,383,000 of the balance represents the other receivables from Swift Power Limited, a third party. RMB147,726,000 of the balance represents the other receivables from the Disposal Group.

(v) In July 2019, the Group entered into an investment agreement with Foreign Trade & Business college of Chongqing Normal University for investment with the total amount of RMB20,000,000 to setting up Film & Television Media School for the period of ten years. The balance represents the investment fund of RMB8,000,000, which is recorded as prepayment as this project is under start-up phase.

20 Pledged bank deposits

Pledged bank deposits are analysed as follows:

	2019	2018
	RMB'000	RMB'000
Guarantee deposits for issuance of commercial bills and bank acceptance	**–**	11,000

21 Cash and cash equivalents

(a) Reconciliation of cash and bank to cash and cash equivalents

	2019	2018
	RMB'000	RMB'000
Bank deposits	**193,419**	282,658
Cash in hand	**19**	2,031
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	**193,438**	284,689

As at 31 December 2019, the Group's cash and cash equivalents of RMB27,249,000 (2018: RMB96,020,000) are denominated in RMB.

21 Cash and cash equivalents (Continued)

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

	Note	2019 RMB'000	2018 *(Note)* RMB'000
Profit/(loss) before taxations, including discontinued operation		**43,877**	(131,907)
Adjustments for:			
Depreciation		**51,366**	43,304
Amortisation		**1,506**	1,536
Impairment losses on drama series and films	*5(c)*	**1,829**	363
Impairment (reversal)/losses on inventories		**(268)**	344
Net impairment losses on trade and other receivables		**3,707**	3,524
Interest income		**(3,282)**	(6,366)
Change in fair value of derivatives embedded in convertible bonds	*4*	**16,231**	176,535
Gain on disposal of subsidiaries	*9*	**(10,098)**	–
Gain on disposal of an associate	*4*	**(12,000)**	–
Gain on liquidation of a subsidiary		**407**	–
Net gain from non-equity investments		**–**	(201)
Finance costs		**65,936**	77,925
Net loss/(gain) on disposal of property, plant and equipment		**277**	(2,648)
Foreign exchange gain		**(3,054)**	(3,842)
		156,434	158,567
Changes in working capital:			
Increase in inventories		**21,842**	(9,327)
Increase in drama series and films		**(135,537)**	(23,574)
Increase in trade and other receivables		**(629,075)**	(177,842)
Increase in trade and other payables		**422,251**	86,425
Increase in contract liabilities		**37,559**	11,233
Decrease/(increase) in guarantee deposits for issuance of commercial bills and bank acceptance		**2,187**	(986)
Cash (used in)/generated from operations		**(124,339)**	44,496

Note: *The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Previously, cash payments under operating leases made by the Group as a lessee of RMB6,834,000 were classified as operating activities in the consolidated cash flow statement. Under IFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 21(c)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).*

21 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 *(Note 23)*	Convertible bonds RMB'000 *(Note 24)*	Lease liabilities RMB'000 *(Note 25)*	Advance from third parties RMB'000 *(Note 22)*	Bonds RMB'000 *(Note 24)*	Total RMB'000
At 31 December 2018	180,500	426,509	24,174	24,000	214,316	869,499
Impact on initial application of IFRS 16 (Note 1)	–	–	13,753	–	–	13,753
At 1 January 2019	180,500	426,509	37,927	24,000	214,316	883,252
Changes from financing cash flows:						
Capital element of finance lease rentals paid	–	–	(16,985)	–	–	(16,985)
Proceeds from bank loans	159,850	–	–	–	–	159,850
Repayment of bank loans	(180,500)	–	–	–	–	(180,500)
Proceeds for advance from third parties	–	–	–	54,326	–	54,326
Interest element of lease rentals paid	–	–	(2,406)	–	–	(2,406)
Other borrowing costs paid	(7,029)	(10,615)	–	–	(13,464)	(31,108)
Total changes from financing cash flows	(27,679)	(10,615)	(19,391)	54,326	(13,464)	(16,823)
Exchange adjustments	–	412	–	–	4,770	5,182
Changes in fair value	–	16,231	–	–	–	16,231
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	13,481	–	–	13,481
Disposal of subsidiaries	(145,000)	–	(11,973)	–	–	(156,973)
Interest on lease liabilities	–	–	2,406	–	–	2,406
Interest on bank loans and other financial liabilities *(note 5(a))*	7,029	33,248	–	–	12,429	52,706
Bondholders exercised the conversion rights to convert the bond *(note 27(c))*	–	(183,823)	–	–	–	(183,823)
Total other changes	(137,971)	(150,575)	3,914	–	12,429	(272,203)
At 31 December 2019	14,850	281,962	22,450	78,326	218,051	615,639

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

21 Cash and cash equivalents (Continued)

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

	Bank loans RMB'000 *(Note 23)*	Convertible bonds RMB'000 *(Note 24)*	Lease liabilities RMB'000 *(Note 25)*	Advance from third parties RMB'000	Bonds RMB'000 *(Note 24)*	Total RMB'000
At 1 January 2018	201,250	389,331	–	32,626	–	623,207
Changes from financing cash flows:						
Capital element of finance lease rentals paid	–	–	24,174	–	–	24,174
Proceeds from bank loans	180,500	–	–	–	–	180,500
Repayment of bank loans	(201,250)	–	–	–	–	(201,250)
Payments for redemption of convertible bonds	–	(178,424)	–	–	–	(178,424)
Proceeds from issuance of bonds payable	–	–	–	–	191,315	191,315
Repayment of advance from third parties	–	–	–	(32,626)	–	(32,626)
Proceeds for advance from third parties	–	–	–	24,000	–	24,000
Interest element of finance lease rentals paid	–	–	(1,757)	–	–	(1,757)
Other borrowing costs paid	(7,908)	(22,645)	–	(4,949)	–	(35,502)
Total changes from financing cash flows	(28,658)	(201,069)	22,417	(13,575)	191,315	(29,570)
Exchange adjustments	–	6,922	–	–	15,030	21,952
Changes in fair value	–	176,536	–	–	–	176,536
Other changes:						
Finance charges on obligations under finance leases	–	–	1,757	–	–	1,757
Interest on bank loans and other financial liabilities *(note 5(a))*	7,908	54,789	–	4,949	7,971	75,617
Total other changes	7,908	54,789	1,757	4,949	7,971	77,374
At 31 December 2018	180,500	426,509	24,174	24,000	214,316	869,499

21 Cash and cash equivalents (Continued)

(d) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprise the following:

	2019 RMB'000	2018 RMB'000 *(Note)*
Within operating cash flows	**149**	6,834
Within financing cash flows	**19,391**	22,417
	19,540	29,251

Note: As explained in the note 21(b) to note 21(c), the adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rentals paid	**19,540**	29,251

22 Trade and other payables

	2019 RMB'000	2018 RMB'000
Trade creditors and bills payable *(note 22(a))*	**12,641**	45,920
Receipts in advance	**16,541**	29,439
Other creditors and accrued charges *(note 22(b))*	**183,362**	193,595
	212,544	268,954

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

22 Trade and other payables (Continued)

(a) Ageing analysis

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

	2019	2018
	RMB'000	RMB'000
Due within 3 months or on demand	**12,641**	33,860
Due after 3 months but within 6 months	**–**	8,275
Due after 6 months but within 12 months	**–**	3,785
	12,641	45,920

(b) Other creditors and accrued charges

		2019	2018
	Note	**RMB'000**	RMB'000
Advances from third parties	*(i)*	**78,326**	24,000
Payables relating to drama series and films		**68,158**	88,055
Tax payable other than income tax		**24,656**	36,085
Accrued charges		**6,656**	19,351
Payables relating to purchases of property, plant and equipment		**–**	8,287
Deferred income	*(ii)*	**4,071**	–
Other payables		**1,495**	17,817
		183,362	193,595

Note:

(i) *As at 31 December 2019, advances from third parties of RMB74,500,000 (2018: RMB22,000,000) are unsecured, interest bearing at 0%-15% 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.*

(ii) *The balance represents allocated tuition which is recorded as deferred income as this project is under start-up phase. See note 19(b).*

23 Bank loans

As at 31 December 2019, the bank loans were repayable as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**14,850**	180,500

As at 31 December 2019, the bank loans were secured as follows:

	Note	2019 RMB'000	2018 RMB'000
Bank loans			
– secured		**–**	90,000
– unsecured	*(a)*	**14,850**	90,500
		14,850	180,500

(a) Amongst the unsecured bank loans as at 31 December 2019, RMB5,000,000 (2018: RMB3,000,000) of which are guaranteed by Beijing Yizhuang International Financing Guarantee Co., Ltd. and RMB5,000,000 (2018: RMB10,000,000) of which are guaranteed by Beijing Guohua Culture & Innovation Financing Guarantee Co., Ltd. Amongst the unsecured bank loans at 31 December 2018, RMB77,500,000 of which were guaranteed by Zibo Huiyin Textile Co., Ltd. and RMB20,000,000 of which were guaranteed by the Company.

(b) The details of the Group's interest rate risk and liquidity rate risk are set out in note 28.

24 Other borrowings

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

	2019 RMB'000	2018 RMB'000
Convertible bonds *(note 24(b)(i)*		
– host liability component	**161,462**	253,898
– derivative liability component	**120,500**	172,611
	281,962	426,509
Bonds *(note 24(b)(ii))*	**218,051**	214,316
	500,013	640,825
Amounts expected to be settled within one year	**(281,962)**	(434,480)
Amounts expected to be settled after one year	**218,051**	206,345

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

24 Other borrowings (Continued)

(b) Significant terms and repayment schedule of non-bank 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 bondholders. The convertible bonds bear a nominal interest rate at 5% per annum and are guaranteed by Liu Zhihua, a shareholder of the Company.

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).

For bonds in respect of which conversion rights have not been exercised, these bonds shall be redeemed at face value on 28 February 2019 or, if agreed to be extended 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 the same date, 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 conditionally agreed to extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2019 to 28 February 2020, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. The extension of maturity date of the bonds was approved by the Company's shareholders at the extraordinarily general meeting of the company held on 8 April 2019. The effective interest rate of the host liability component is 12% per annum for the extended bonds.

On 30 October 2019, Dragon Capital Entertainment Fund One LP (the "Original Bondholder") transferred the convertible bonds with an aggregate face value of HKD60,000,000 to Skyland Circle Technology Limited ("Skyland").

24 Other borrowings (Continued)

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

(i) 2017 Convertible Bonds (Continued)

On 27 February 2020, the Company, the Original Bondholder and Skyland conditionally agreed to further extend the maturity date of the remaining convertible bonds with an aggregate face value of HKD 180,000,000 from 28 February 2020 to 28 February 2021, which is subject to, among other things, the approvals of the Company's shareholders at the general meeting. Details of the further extension of the maturity date of the bonds are referred to in the Company's circular dated 24 March 2020.

(ii) 2018 Bonds

On 10 May 2018, the Company issued bonds with an aggregate 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 Bondholder"). The bonds bear a nominal interest rate of 6% per annum.

On 1 August 2019, the Company and the Bondholder 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.

25 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 (Note)	
	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	**(5,025)**	**(6,152)**	(13,344)	(14,461)
After 1 year but within 2 years	**(5,277)**	**(6,152)**	(13,061)	(13,542)
After 2 years but within 5 years	**(1,859)**	**(3,600)**	(2,961)	(3,600)
After 5 years	**(10,289)**	**(13,801)**	(8,561)	(15,000)
	(22,450)	**(29,705)**	(37,927)	(46,603)
Less: total future interest expenses		**7,255**		8,676
Present value of lease liabilities		**(22,450)**		(37,927)

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Further details on the impact of the transition to IFRS 16 are set out in note 1(c).

26 Income tax in the consolidated statements of financial position

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

	2019 RMB'000	2018 RMB'000
At 1 January	**27,776**	17,820
Provision for PRC Enterprise Income Tax and PRC dividend withholding tax for the year	**16,213**	11,254
Decrease due to the disposal of subsidiaries	**(4,165)**	–
Tax paid	**(335)**	(1,298)
At 31 December	**39,489**	27,776

(b) Deferred tax asset and liabilities recognised

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

	Tax losses carry forwards RMB'000	PRC dividend withholding tax RMB'000	Depreciation charge of right-of-use assets RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2018	(912)	1,025	–	–	113
Charged/(credited) to profit or loss	912	2,076	–	(1,786)	1,202
At 31 December 2018	–	3,101	–	(1,786)	1,315
At 1 January 2019	**–**	**3,101**	**–**	**(1,786)**	**1,315**
Charged/(credited) to profit or loss	**–**	**2,687**	**97**	**(1,084)**	**1,700**
Decrease due to the disposal of subsidiaries	**–**	**(431)**	**–**	**1,009**	**578**
At 31 December 2019	**–**	**5,357**	**97**	**(1,861)**	**3,593**

26 Income tax in the consolidated statements of financial position (Continued)

(b) Deferred tax asset and liabilities recognised (Continued)

(ii) Reconciliation to the consolidated statements of financial position

	2019 **RMB'000**	2018 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(1,928)**	(1,786)
Net deferred tax liability recognised in the consolidated statement of financial position	**5,521**	3,101
	3,593	1,315

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of certain of its subsidiaries of RMB35,486,000 (2018: RMB36,378,000) as it is not probable that future taxable profits against which the losses can be utilised will be available to the relevant subsidiaries. The tax losses expire within the next five years.

(d) Deferred tax liabilities not recognised

As at 31 December 2019, temporary difference relating to retained earnings of the Company's PRC subsidiaries amounted to RMB303,992,000 (2018: RMB221,085,000) for which no deferred tax liabilities were recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these profits to the Group's subsidiaries outside the PRC as the Company has no plan to distribute them in the foreseeable future.

Pursuant to the currently applicable PRC Enterprise Income Tax rules, distribution of statutory surplus reserve upon liquidation shall be treated as dividend income which is subject to PRC dividend withholding tax at 10% or less if reduced tax treaties or arrangements. As at 31 December 2019, temporary differences relating to the statutory surplus reserve of the Company's PRC subsidiaries amounted to RMB73,940,000 (2018: RMB61,743,000). No deferred tax liabilities were recognised as at 31 December 2019 as the Company has no plan to liquidate these subsidiaries in the foreseeable future.

27 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below.

The Company

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2018	66,559	523,284	146,736	84,789	821,368
Changes in equity for 2018:					
Loss and total comprehensive income for the year	–	–	–	(215,329)	(215,329)
Shares issuance	13,171	111,145	–	–	124,316
Balance at 31 December 2018 and 1 January 2019	**79,730**	**634,429**	**146,736**	**(130,540)**	**730,355**
Changes in equity for 2019:					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**137,185**	**137,185**
Shares issuance	**10,848**	**172,975**	**–**	**–**	**183,823**
Balance at 31 December 2019	**90,578**	**807,404**	**146,736**	**6,645**	**1,051,363**

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of RMB Nil per ordinary share (2018: RMB Nil)	**–**	–
Final dividend proposed after the end of the reporting period of RMB Nil per ordinary share (2018: RMB Nil)	**–**	–
	–	–

27 Capital, reserves and dividends (Continued)

(b) Dividends (Continued)

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019 RMB'000	2018 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year	–	–

(c) Share capital

Authorised and issued share capital are as follows:

	2019		2018	
	Number of shares	RMB'000	Number 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
Shares issuance *(note)*	162,162,162	10,848	209,000,000	13,171
At 31 December	1,416,911,818	90,578	1,254,749,656	79,730

Note: The convertible bonds with an aggregate face value of HKD120,000,000 were convertible into 162,162,162 ordinary shares at the conversion price of HKD0.74 per share of par value of USD0.01 each at a price of HKD1.33 per ordinary share during the year. The net proceeds from the shares issuance were approximately HKD215,676,000 (equivalent to approximately RMB183,823,000), of which RMB10,848,000 and RMB172,975,000 are recognised in share capital and share premium respectively.

(d) Nature and purpose of reserves

(i) Statutory surplus reserve

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to statutory surplus reserve were made at a certain percentage of after-tax profit (after offsetting prior year losses) determined in accordance with the accounting rules and regulations of the PRC until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiaries and is non-distributable other than in liquidation.

(ii) Other reserve

The other reserve represents mainly the difference between the net assets value of subsidiaries acquired and the consideration paid and the waived amount of the amount due to the holding company.

27 Capital, reserves and dividends (Continued)

(e) Distributability of reserves

Under the Company Law of the Cayman Islands, the funds in the share premium account and the retained earnings account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

As at 31 December 2019, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB814,049,000 (2018: RMB503,889,000). The directors do not recommend the payment of a final dividend (2018: Nil) for the year ended 31 December 2019.

(f) Capital management

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

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

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

28 Financial risk management and fair values

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

28 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate. The Group has no concentrations of credit risk in view of its large number customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

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

28 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

	2019 Expected loss rate %	**2019** Gross carrying amount RMB'000	**2019** Loss allowance RMB'000
Current (not past due)	**0.2%**	**239,528**	**527**
Less than 3 months past due	**4.3%**	**2,000**	**86**
3 to 6 months past due	**5.2%**	**25,147**	**1,295**
6 to 12 months past due	**13.2%**	**5,300**	**700**
More than one year past due	**77.3%**	**1,942**	**1,502**
		273,917	**4,110**

	2018 Expected loss rate %	2018 Gross carrying amount RMB'000	2018 Loss allowance RMB'000
Current (not past due)	0.1% – 0.3%	242,251	269
Less than 3 months past due	2.2% – 2.5%	4,717	114
3 to 6 months past due	2.6% – 34.0%	1,800	58
6 to 12 months past due	4.2% – 100.0%	2,112	101
1 to 2 years past due	17.0% – 100.0%	5,015	4,140
		255,895	4,682

Expected loss rates are based on actual loss experience over the past 1 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

28 Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

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

	2019	2018
	RMB'000	RMB'000
Balance at 1 January	**4,682**	3,221
Amounts written off during the year	**–**	(652)
Disposal of subsidiaries	**(4,040)**	–
Impairment losses recognised during the year	**3,468**	2,113
Balance at 31 December	**4,110**	4,682

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB318,000 (2018: RMB94,000);

– increase in days past due over 30 days resulted in an increase in loss allowance of RMB3,150,000 (2018: RMB590,000); and

– a decrease of trade receivables due from disposing subsidiaries with a gross carrying amount of RMB29,460,000 (2018: Nil) resulted in a decrease in loss allowance of RMB4,040,000 (2018: Nil).

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

28 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

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

	2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years within 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	10,500	–	–	–	10,500	10,000
Trade creditors, bills payable, other creditors and accrued charges	198,766	–	–	–	198,766	196,003
Convertible bonds – host liability component	178,901	–	–	–	178,901	161,462
Bonds	11,603	221,498	–	–	233,101	218,051
Other lease liabilities *(note)*	6,152	6,152	3,600	13,801	29,705	22,450
	405,922	227,650	3,600	13,801	650,973	607,966

28 Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

	2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years within 5 years RMB'000	After 5 years RMB'000	Total RMB'000	Carrying Amount RMB'000
Bank loans	188,431	–	–	–	188,431	180,500
Trade creditors, bills payable, other creditors and accrued charges	241,227	–	–	–	241,227	239,514
Convertible bonds – host liability component	273,374	–	–	–	273,374	253,898
Bonds	20,352	210,755	–	–	231,107	206,345
Obligations under finance lease	13,261	12,342	–	–	25,603	24,174
	736,645	223,097	–	–	959,742	904,431
Financial guarantees issued: Maximum amount guaranteed	20,000	–	–	–	20,000	–

Note: The group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Other lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

28 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits and bank deposits) at the end of the reporting period.

	2019		2018	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000 RMB'000
Net fixed rate borrowings:				
Lease liabilities *(note)*	**5.02%**	**22,450**	–	–
Bank loans	**4.79%-5.22%**	**10,000**	4.39%	180,500
Bonds	**6.00%**	**218,051**	6.00%	214,316
Convertible bonds – host liability component	**21.97%**	**161,462**	21.97%	253,898
Obligations under finance lease	**–**	**–**	5.71%	24,174
Less: pledged bank deposits	**0.30%-0.35%**	**–**	0.30%-0.35%	(11,000)
		411,963		661,888
Variable rate borrowings:				
Less: bank deposits	**0.30%-0.35%**	**(193,419)**	0.30%-0.35%	(284,689)
Total net interest-bearing borrowings		**218,544**		377,199

Note: *The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Other lease liabilities include amounts recognised at the date of transition to IFRS 16 in respect of leases previously classified as operating leases under IAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).*

28 Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's profit for the year by approximately RMB804,000 (2018: decrease/increase the Group's loss for the year by approximately RMB1,161,000), and increase/decrease the Group's retained earnings by approximately RMB804,000 (2018: RMB1,161,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Hong Kong dollars.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of non-PRC companies comprising the Group into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in Renminbi)			
	2019		2018	
	USD	**HKD**	USD	HKD
	RMB'000	**RMB'000**	RMB'000	RMB'000
Trade and other receivables	**9,399**	**464,001**	48,435	–
Cash and cash equivalents	**117,533**	**49,009**	98,152	90,518
Convertible bonds	**–**	**(281,962)**	–	(426,509)
Bonds	**–**	**(218,051)**	–	(214,316)
Trade and other payables	**(682)**	**(1,633)**	(1,774)	(11,131)
Net exposure arising from recognised assets and liabilities	**126,250**	**11,364**	144,813	(561,438)

28 Financial risk management and fair values (Continued)

(d) Currency risk (Continued)

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

	2019		2018	
	USD RMB'000	**HKD RMB'000**	USD RMB'000	HKD RMB'000
Increase in foreign exchange rates	**5%**	**5%**	5%	5%
Effect on profit/(loss) for the year	**5,271**	**198**	4,270	(28,316)
Decrease in foreign exchange rates	**(5%)**	**(5%)**	(5%)	(5%)
Effect on retained profits	**(5,271)**	**(198)**	(4,270)	28,316
Effect on other components of equity	**–**	**–**	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit/(loss) for the year and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2018.

28 Financial risk management and fair values (Continued)

(e) Equity price risk

The Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives of the Group. As at the end of the reporting period the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 24(b).

At 31 December 2019, it is estimated that an increase/(decrease) of 10% (2018: 10%) in the Company's own share price (for the derivatives embedded in the convertible bonds), with all other variables held constant, would have decreased/increased the Group's loss for the year (and retained profits) and other components of consolidated equity as follows:

	2019			2018		
		Effect on loss for the year RMB'000	**Effect on retained profits RMB'000**		Effect on profit for the year RMB'000	Effect on retained profits RMB'000
Change in the relevant equity price risk variable:						
Increase	**10%**	**(27,849)**	**(27,849)**	10%	(42,601)	(42,601)
Decrease	**(10%)**	**27,849**	**27,849**	(10%)	42,364	42,364

The sensitivity analysis indicates the instantaneous change in the Group's loss for the year (and retained profits) that would arise assuming that the changes in the Company's own share price had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

28 Financial risk management and fair values (Continued)

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

The 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.

	Fair value at 31 December 2019	Fair value measurements as at 31 December 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	**120,500**	–	–	**120,500**

28 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

Fair value hierarchy **(Continued)**

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

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. 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.

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	12% to 58% (2018: 10% to 29%)	34% (2018: 19%)

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 31 December 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 year (2018: no material impact on the Group's loss).

28 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

***Information about Level 3 fair value measurements* (Continued)**

The movements during the year 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
On issuance	**(76,329)**	–
Change in fair value recognised in profit or loss for the year	**29,710**	176,535
Derecognition on redemption	**–**	(5,335)
Exchange adjustments	**(5,492)**	48
At 31 December	**120,500**	172,611
Total (gains)/losses for the year included in profit or loss	**(52,111)**	171,248

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

(ii) 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 31 December 2018 and 2019 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amounts at 31 December 2019 RMB'000	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into Level 1 RMB'000	 Level 2 RMB'000	 Level 3 RMB'000
Convertible bonds – host liability component	**161,462**	**157,998**	**–**	**157,998**	**–**

	Carrying amounts at 31 December 2018 RMB'000	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into Level 1 RMB'000	 Level 2 RMB'000	 Level 3 RMB'000
Convertible bonds – host liability component	253,898	255,850	–	255,850	–

28 Financial risk management and fair values (Continued)

(f) Fair value measurement (Continued)

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

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the convertible bonds is estimated as being the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate credit spread, adjusted for the Group's own credit risk.

29 Commitments

(a) Capital commitments outstanding at 31 December 2019 not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted for		
– Purchase of property, plant and equipment	–	2,930
– Acquiring services relating to production of drama series and films	43,277	19,947
	43,277	22,877

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

	2018 RMB'000
Within 1 year	1,328
After 1 year but within 5 years	4,800
After 5 years	15,000
	21,128

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 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 1(c)). 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 1(k), and the details regarding the Group's future lease payments are disclosed in note 28.

Significant leasing arrangements in respect of land and buildings classified as being held under finance leases and land held under operating leases are described in note 11.

Apart from these leases, the Group is the lessee in respect of a number of properties held under operating leases. These leases typically run for an initial period of 3 to 20 years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

30 Material related party transactions

The Group has entered into the following material related parties transactions during the years ended 31 December 2019 and 2018 as follows:

An associate

Hubei Changjiang Huasheng Television Co., Ltd.
(associate of the Group prior to 9 December 2019)

An entity controlled by members of key management personnel

Power Fit Limited and its subsidiaries
(An entity controlled by members of key management personnel of the Group since 20 December 2019)

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2019 **RMB'000**	2018 RMB'000
Short-term employee benefits	**5,401**	4,306
Post-employment benefits	**97**	89
	5,498	4,395

Total remuneration is disclosed in "staff costs" (see note 5(b)).

30 Material related party transactions (Continued)

(b) Financing arrangement

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

	Note	2019 RMB'000	2018 RMB'000
Amount due from an associate	*(i)(ii)*	–	23,961
Amount due from an entity controlled by members of key management personnel	*(iii)*	337,617	145,428

(i) Loss allowances of RMB4,453,000 (2018: RMB2,918,000) have been made in this respect of the amount due from an associate as at 31 December 2019.

(ii) The amount due from an associate is unsecured, interest-free and has no fixed term of repayment. The amount is included in "trade and other receivables" (note 19).

(iii) The amount due from an entity controlled by members of key management personnel is included in "trade and other receivables" (note 19).

(c) Material transactions with related parties

During the years of 2019 and 2018, the Group has entered into the following material transactions with related parties:

	Note	2019 RMB'000	2018 RMB'000
Drama series and films distribution income from an associate	*(i)*	–	3,937

(i) The directors of the Group are of the opinion that these transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

31 Company-level statement of financial position

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries	*14*	**500,873**	500,873
Other receivables		**138,906**	–
		639,779	500,873
Current assets			
Amounts due from subsidiaries		**650,884**	769,940
Other receivables		**325,095**	134,997
Cash and bank		**4,313**	13,525
		980,292	918,462
Current liabilities			
Amounts due to subsidiaries		**67,061**	46,667
Other payables		**1,634**	1,488
Other borrowings		**281,962**	434,480
		350,657	482,635
Net current assets		**629,635**	435,827
Total assets less current liabilities		**1,269,414**	936,700
Non-current liabilities			
Other borrowings		**218,051**	206,345
Net assets		**1,051,363**	730,355
Capital and reserves	*27*		
Share capital		**90,578**	79,730
Reserves		**960,785**	650,625
Total equity		**1,051,363**	730,355

Approved and authorised for issue by the board of directors on 27 March 2020.

Chen Chen
Director

Tan Bin
Director

32 Non-adjusting events after the reporting period

Due to the occurrence of the COVID-19 Outbreak since early 2020, additional uncertainties has been brought about to the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact on the Group's businesses and has put in place relevant contingency measures. These contingency measures include: reassessing changes to the customers' preferences on the types of drama series to be broadcasted, assessing the readiness of the production units and revisiting the progress of self-produced drama series, negotiating with customers on possible delay in delivery timetables, enhancing the monitoring of the business environment of the Group's customers, and improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on payment extensions. The staff of the Group, whom returned to work on post-production of drama series since mid-to-late March 2020, has been dealing with and actively respond to the consequences and impact due to the COVID-19 Outbreak. The Group will continue to review the effectiveness of these contingency measures as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 Outbreak may cause delays in production and delivery of self-produced drama series by the Group, but the directors of the Company consider that such impact could be reduced by expediting the production process upon the cessation of the COVID-19 Outbreak. In addition, the COVID-19 Outbreak may also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on the Group's trade receivables. These potential impacts have not been reflected in the Financial Information as of 31 December 2019. The actual impacts of the Group may differ from these estimated potential impacts as situation continues to evolve and when further information becomes available.

33 Comparative Figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 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 ended 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 amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.