



**星宏传媒**

**STARRISE  
M E D I A**

*(incorporated in the Cayman Islands with limited liability)*

Stock code: 1616

# **INTERIM REPORT 2020**

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## SUMMARY

For the six months ended 30 June 2020 (the “**Period Under Review**”):

- Revenue was approximately RMB30.5 million, representing a decrease of approximately 86.2% as compared to the revenue from continuing operation of approximately RMB220.3 million recorded for the corresponding period of last year.
- Gross profit was approximately RMB0.8 million, representing a decrease of approximately RMB104.1 million, or approximately 99.2% as compared to the gross profit from continuing operation of the corresponding period of last year.
- Gross profit margin was approximately 2.7%, representing a decrease of approximately 44.9 percentage points as compared to the gross profit margin from continuing operation of approximately 47.6% recorded for the corresponding period of last year.
- Loss attributable to the equity shareholders of the Company was approximately RMB17.6 million, representing a decrease of approximately RMB46.8 million as compared to the profit attributable to the equity shareholders of the Company of approximately RMB29.2 million for the corresponding period of last year.

## CORPORATE INFORMATION

### THE BOARD OF DIRECTORS

#### Executive Directors

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

#### Independent Non-Executive Directors

Mr. 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

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#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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No. 248 Queen's Road East,  
Wanchai,  
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#### LEGAL ADVISER TO THE COMPANY (HONG KONG LAW)

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

#### AUDITOR

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

**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**

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# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

As affected by the sudden outbreak (the “**COVID-19 Outbreak**”, “**COVID-19 epidemic**” or “**epidemic**”) of pneumonia related to new coronavirus (the “**COVID-19**”), China’s economy and the global economy faced a challenging situation during the first half of 2020. China’s gross domestic product (the “**GDP**”) decreased by 6.8% in the first quarter of 2020 as compared to the corresponding period of last year, which was the first negative growth since the establishment of the quarterly GDP accounting system in 1992. The film and television media industry, in particular, faced various challenges amid the COVID-19 Outbreak: the release of all movies that were scheduled during the Spring Festival holidays of 2020 was halted, all film crews were forced to suspend work, all theatres throughout China suspended operations and the promotion and distribution activities of films and television dramas were frustrated. For the film and television media industry, 2020 will be undoubtedly a more challenging year. According to publicly available information, approximately 162,000 companies in relation to film, television and theatre throughout China was deregistered from 1 January 2020 to 31 May 2020. In addition, all theatres throughout China continued to be in a state of suspension of operations as of 30 June 2020. According to the National Bureau of Statistics of the PRC, in view of the suspension of operations of theatres, production of films and television dramas as well as the promotion and distribution activities, the box office loss is estimated to exceed RMB30 billion for the whole 2020.

Furthermore, the increasing popularity of the online culture and entertainment industry, such as online variety shows, short videos, live shows and game shows, also further impacted the audience rating of films and television dramas. In the first half of 2020, with the relevant Chinese authorities imposing quarantine measures and encouraging the Chinese citizens to stay at home, people spent more time online viewing online variety shows, short videos and live shows etc., imposing competition against the traditional film and television content. By virtue of the freedom in providing creative content, the flexibility in the broadcast mode of show and the ability to meeting the regulatory requirements by quickly adjusting the content, the variety show segment was least affected by the regulatory policies among the three segments of film, television drama and variety show in China, and earned sufficient room for development. Featured by providing strong entertainment within a short segment and being convenient to watch, variety shows, short videos and other similar contents become the preferred recreational activities of the audience; whilst the audience ratings of films and television series decreased due to the suspension of the shooting and production and the halt in promotion and distribution activities as the result of the epidemic.

## BUSINESS REVIEW

For the six months ended 30 June 2020, the loss before taxation of Starrise Media Holdings Limited (the “**Company**”) together with its subsidiaries (collectively, the “**Group**”) was approximately RMB19.4 million, representing a decrease of approximately RMB58.4 million as compared with the profit before taxation from continuing operation of approximately RMB39.0 million of the corresponding period last year, mainly due to the significant decrease in revenue and gross profit from the Group’s film and television business.

Due to the impact of the COVID-19 epidemic, the Group had only released “Alien Monster: Survival in the Wild” (異星怪獸之荒野求生) and “Breaking Gods” (破神錄), internet movies invested or produced by Beijing Starrise Pictures Co., Ltd. (北京星宏影視文化有限公司) (“**Starrise Pictures**”, a wholly-owned subsidiary of the Group), and “The Shark” (陸行鯊), an internet movie invested or produced by Beijing Starwise Culture Media Co., Ltd. (北京睿博星辰文化傳媒有限公司) (“**Beijing Starwise**”, a wholly-owned subsidiary of the Group), in the first half of 2020. Among them, both “Breaking Gods” (破神錄) and “The Shark” (陸行鯊) achieved the box office results of over RMB10 million. In addition, “The Shark” (陸行鯊) achieved the box office results of over RMB10 million within 10 days since the release and over RMB15 million within a month, and the total box office is expected to reach approximately RMB18 million.

Among the films and television series invested or produced by Beijing Huasheng Taitong Media Investment Co., Ltd. (北京華晟泰通傳媒投資有限公司) (“**Huasheng Media**”, a wholly-owned subsidiary of the Group), 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 screening; 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, and the post-production of “Blood Pledge for Thousands of Years” (血盟千年) and the animated film “Tempering of King Gelsall” (格薩爾王之磨煉) are in progress; 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), the television drama “Wu Dang” (天下武當) and the realistic drama “Yangtze River Bridge” (長江大橋) reached the stage of script preparation.

Among the films and television series invested or produced by Starrise Pictures, the internet movie “Monster Hunters” (鎮魂歌) was released in July 2020; the youth nostalgic film “Once Upon A Time In The Northeast” (東北往事) was submitted for screening; the internet movies “The Box – Bosom Friend” (魔盒之高山流水) (formerly known as “Bosom Friend” (高山流水)), “Scream” (驚聲尖笑) (formerly known as “Horror Blockbuster” (恐不大片)), “Ultimate Drift” (極限漂移) (formerly known as “Drift on! Zhi” (漂移吧! 小志)) and the youth nostalgic film “Here Comes Dashan” (大山來了) are all currently at the release stage; the television drama “Kapok Blooms Everywhere” (木棉花開紅爛漫) already finished the post-production stage and now is submitted for approval; the internet drama “Legend of Taotie” (饕餮記), the theatrical film “Twin Blades” (尖鋒姐妹) (formerly known as “曆小龍與程序媛”), and the internet movies “Sword Maker” (煉劍) and “Manhunt” (極寒追惡) have all finished shooting, and are currently in progress of post-production; the internet movies “Emergency Rescuing” (心跳營救) and “King of the Sniper” (狙擊之王) are currently at the stage of preparation for filming and expected to commence shooting in the second half of 2020; the internet movies “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 theatrical film “Tianta Crisis” (天塔危機) is currently at the stage of preparation for filming; the internet movies “Mystery Case in Ying Dynasty” (大應奇案生死簿) finished the stage of scripts writing, “Amaranthine Epiphyllum” (雙世曇花) and “Spy Game” (諜影追蹤) are currently at the stage of script writing and preparation.

Among the films and television series invested or produced by Beijing Starwise, the television drama “Healer of Children” (了不起的兒科醫生) is currently at the release stage and expected to be broadcasted in the second half of 2020; the animated film “GO! REX” (你好·霸王龍) was approved for release, and is currently at the stage of preparation for release; the internet movie “Rat Disaster” (大鼠災) finished shooting and its post-production is currently in progress; the internet movie “Desperate Sniper” (絕地狙殺, formerly known as “Deadly Sniper 2” (致命狙殺2)) and the internet drama “Back To The Dynasty” (午門囡事) are currently at the stage of preparation for filming and expected to commence shooting in the second half of 2020; the internet dramas “Platina Data” (白金數據), “Bulletproof Teacher” (穿越火線: 防彈教師), and “Fiber” (纖維), and the internet movie “Blood Valley Of Wolves” (殺出血狼谷), all of which are valuable IP projects of Beijing Starwise and are all currently at the stage of script development and early investment.

## FINANCIAL REVIEW

### Revenue, gross profit and gross profit margin

The table below is an analysis of the revenue, gross profit and gross profit margin of the Group’s media business for the six months ended 30 June 2020 and 2019, respectively:

	For the six months ended 30 June					
	2020			2019		
	Revenue	Gross profit	Gross profit	Revenue	Gross profit	Gross profit
	RMB’000	RMB’000	margin	RMB’000	RMB’000	margin
		%			%	
Media business	<b>30,513</b>	<b>829</b>	<b>2.7%</b>	220,277	104,949	47.6%

For the six months ended 30 June 2020, revenue from the Group’s film and television business decreased significantly by approximately 86.2% as compared to the corresponding period of last year. Due to the impact of the COVID-19 epidemic, the Group’s projects originally planned to be filmed or produced in the first half of 2020 were suspended and only three dramas were broadcasted. The gross profit margin of the Group decreased by approximately 44.9 percentage points, from the gross profit margin from continuing operation of approximately 47.6% for the corresponding period of last year to approximately 2.7%. This was mainly due to a sharp decrease in the Group’s revenue in the first half of the year due to the impact of the COVID-19 epidemic, with some of the Group’s movies, internet drama, and television series not being broadcasted as expected. In addition, the high operating cost of the Group’s television base without crew activation due to the impact of the COVID-19 epidemic in the first half of 2020 also contributed to the low gross profit margin of the Group.

### Distribution costs

For the six months ended 30 June 2020, distribution costs of the Group was approximately RMB4.7 million, decreased by approximately RMB1.1 million from the distribution costs of approximately RMB5.8 million from continuing operation for the corresponding period of last year. Such decrease was mainly due to the decrease in the promotion costs of film and television dramas as compared to the corresponding period of last year.



## Administrative expenses

For the six months ended 30 June 2020, the administrative expenses of the Group decreased to approximately RMB11.8 million, representing a decrease of approximately 27.6% as compared to that from continuing operation of approximately RMB16.3 million for the corresponding period of last year. The decrease was mainly due to implementation of the Group's cost control measures on fixed expenses and a concessionary reduction in rental costs due to the epidemic.

## Other net income/loss

For the six months ended 30 June 2020, other net income 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 provision for impairment of goodwill, and net gain from investments in drama series and films. Among them, the gains of approximately RMB89.8 million arising from the change in fair value of derivatives embedded in convertible bonds increased by approximately RMB116.3 million as compared to the losses of approximately RMB26.5 million during the corresponding period of last year; the gains arising from the change in carrying amount of convertible bonds as non-substantial modification of the terms was approximately RMB14.3 million; whilst the increase in the net gain from investments in drama series and films with fixed-income rate was approximately RMB3.3 million. For the six months ended 30 June 2020, the total amount of other net income of the Group was approximately RMB110.8 million, increased by approximately RMB136.6 million as compared to the other net losses from continuing operation of approximately RMB25.8 million for the corresponding period of last year.

## Impairment losses on assets

During the six months ended 30 June 2020, due to the impact of the COVID-19 epidemic, the Group recognized an impairment loss for goodwill of approximately RMB80.6 million after reassessing its cash flow projections. The Group recognized an impairment loss on trade and trade receivables of approximately RMB6.5 million and an impairment loss on film and television drama of approximately RMB2.5 million.

## Impairment loss on goodwill

In accordance with the Company's accounting policies, which are in compliance with International Financial Reporting Standards (IFRSs) and, except for the changes resulting from new and revised IFRSs, have been consistently applied in the current and prior accounting periods reflected in the Company's financial statements:

- Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("**CGU**"), or groups of CGUs that is expected to benefit from the synergies of the combination and is tested annually for impairment.
- Internal and external sources of information are reviewed at the end of each reporting period to identify indications that goodwill may be impaired. If any such indication exists, the recoverable amount for goodwill is estimated. In addition, the recoverable amount for goodwill is estimated annually whether or not there is any indication of impairment.
- The recoverable amount of goodwill is determined based on its 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 CGU, which is the smallest group of assets that generates cash inflows independently.

Due to the adverse impact of the COVID-19 epidemic, the management of the Group noted that the financial performance of drama series and films business declined and the delivery schedules of certain drama series and films were slower than expected during the six months ended 30 June 2020. As such, the management of the Group reassessed the cash flow projections and key assumptions for the drama series and films business having taken into account these circumstances in the value-in-use calculations to determine the recoverable amounts of the CGUs. As the carrying amounts of the CGUs was estimated to be higher than its recoverable amounts, an impairment loss of approximately RMB80.6 million was recognised for goodwill relating to the drama series and films business as at 30 June 2020. In particular, Star Will Investment Ltd. (a subsidiary of the Group) recognized an impairment loss for goodwill of approximately RMB62.2 million, and Beijing Starwise recognized an impairment loss for goodwill of approximately RMB18.4 million.

The goodwill impairment assessment and review in concern was conducted internally by the Company's management having considered:

- 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 three to five years period. Cash flows beyond the period are extrapolated using a long-term growth rate estimated by management, which does not exceed the long-term average growth rates for the business in which the CGUs operate.
- The key assumptions used in the estimation of value in use are as follows:

	<b>Huasheng Media and its subsidiaries</b>	<b>Star Will Investments Ltd. and its subsidiaries</b>	<b>Beijing Starwise</b>
Pre-tax discount rates	25%	28%	31%
Budgeted gross margins	47%	27%	28%
Long-term growth rates	3%	3%	3%

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

The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

The budgeted gross margins represent the average gross margin over the forecast period, and are based on past performance and management's expectations for the future.

The 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 business in which the CGUs operate.

During the six months ended 30 June 2020, following the decline of financial performance of the drama series and films business and the slower-than-expected delivery schedule of the drama series and films, the Group reassessed its estimates and recognised an impairment loss of approximately RMB80.6 million, which was fully allocated to goodwill relating to the television drama series business. As the CGUs has been reduced to its recoverable amount of approximately RMB354.5 million, any adverse change in the assumptions used in the calculation of recoverable amount may result in further impairment losses.

## Net finance costs

For the six months ended 30 June 2020, the Group recorded net finance costs of approximately RMB24.8 million, increased by approximately RMB9.8 million as compared to the net finance costs from continuing operation of approximately RMB15.0 million during the corresponding period in 2019. Such increase was mainly due to higher interest expense in relation to banks, other borrowings and convertible bonds, lower interest income in relation to financial assets and higher foreign exchange losses. During the Period Under Review, the Group's exchange loss was approximately RMB0.2 million, increased by approximately RMB3.9 million as compared to the exchange gains from continuing operation of approximately RMB3.7 million for the corresponding period of last year; whilst the Group's interest income from financial assets decreased to approximately RMB0.2 million, representing a decrease of approximately RMB5.0 million as compared to that from continuing operation of approximately RMB5.2 million for the corresponding period in last year.

## Taxation

For the six months ended 30 June 2020, taxation of the Group was approximately RMB-1.8 million, representing a decrease of approximately RMB11.4 million, as compared to the taxation from continuing operation of approximately RMB9.6 million in the corresponding period of last year, which was mainly due to the recognition of certain deferred income tax assets and the write down of deferred income tax expense as a result of the deductible temporary differences arising from losses in the Period Under Review.

## Loss/profit and total comprehensive income attributable to the equity shareholders of the Company

For the six months ended 30 June 2020, the loss attributable to the equity shareholders of the Company was approximately RMB17.6 million (the profit attributable to the equity shareholders of the Company was approximately RMB29.2 million in the corresponding period in 2019). This was mainly due to the substantial decrease in the revenue and gross profit of the Group's media business affected by the COVID-19 epidemic during the Period Under Review.

## Liquidity and financial resources

As at 30 June 2020, cash and cash equivalents of the Group were approximately RMB171.7 million, representing a decrease of approximately 11.2% from approximately RMB193.4 million as at 31 December 2019. This was mainly due to the decrease in the cash generated from investing activities and the increase in the cash used in financing activities.

For the six months ended 30 June 2020, the Group's net cash generated from operating activities was approximately RMB20.8 million, net cash generated from investing activities was approximately RMB11.1 million and net cash used in financing activities was approximately RMB56.2 million. With the Group's cost control measures and contingency measures under the COVID-19 Outbreak, the board (the "**Board**") of directors (the "**Directors**") of the Company believes that the Group will be able to maintain a sound and stable financial position, and maintain sufficient liquidity and financial resources for its business need.

With respect to customers with long-established business relationship, good settlement record and sound reputation, the Group may consider to grant a credit period typically ranging from 30 to 180 days on a case-to-case basis in order to maintain the sufficient cash flow and competitiveness within the industry. The length of credit period depends on various factors such as financial strength, scale of the business and settlement record of those customers. For the six months ended 30 June 2020, the average trade receivables (including bills receivable) turnover days of the Group was approximately 1,535 days, increased significantly from 242 days recorded during the corresponding period in the previous year. For the six months ended 30 June 2020, drama series and films turnover days of the Group increased to 2,119 days from 327 days for the corresponding period in 2019.

During the Period Under Review, the inventory turnover days and average trade receivables turnover days in relation to the Group's drama series and films both increased significantly as compared to the corresponding period of last year. Such increase was mainly due to the significant decrease in the Company's revenue and cost under the impact of the COVID-19 epidemic as compared to the corresponding period last year. The high inventory turnover days and average trade receivable turnover days were also closely related to the overall industry environment, as shown in comparable listed companies' inventory turnover days and average trade receivable turnover days for the three months ended 31 March 2020 as follows:

Stock Code	Stock Name	Average Trade Receivables Turnover Days	Inventory Turnover Days
000802.SZ	Beijing Cultures	30,000.00	81,818.18
000892.SZ	Huanrui Century	9,677.42	60,000.00
002343.SZ	Ciwen Media	52,941.18	–
300291.SZ	Hualu Baina	2,616.28	1,792.83
300426.SZ	Talent Television & Film	240.32	1,062.57
300027.SZ	Huayi Brothers	81.93	421.55
300251.SZ	Beijing Enlight Media	157.32	639.20
300133.SZ	Huace Film & Tv	260.27	358.28
	<b>Average</b>	<b>11,996.84</b>	<b>20,870.37</b>

As can be seen from the above table, as affected by the epidemic, most of the comparable listed companies within the media industry in China had significant inventory turnover days and average accounts receivable turnover days.

As at 30 June 2020, the Group's bank borrowings and lease liabilities were approximately RMB36.9 million (31 December 2019: approximately RMB37.3 million), which bore fixed interest at rates ranging from 4.8% to 5.2% per annum (31 December 2019: 4.8% to 5.2%). As at 30 June 2020, the Group did not have any loans with floating interest (31 December 2019: Nil). The Group's liability component of the convertible bonds was approximately RMB157.9 million, with annual effective interest rate of 22.0% (31 December 2019: approximately RMB161.5 million, with annual effective interest rate of 22.0%).

## Capital structure

The Group continues to maintain an appropriate mix of equity and debt to ensure an optimal capital structure to reduce capital cost. As at 30 June 2020, the debts of the Group mainly consisted of bank loans, bonds, convertible bonds and lease liabilities with a total amount of approximately RMB454.3 million (31 December 2019: approximately RMB537.3 million). As at 30 June 2020, cash and cash equivalents were approximately RMB171.7 million (31 December 2019: approximately RMB193.4 million). As at 30 June 2020, the Group's gearing ratio was approximately 23.8% (31 December 2019: gearing ratio was approximately 28.5%). The gearing ratio was calculated by dividing total debt (i.e. interest-bearing bank loans, convertible bonds, lease liabilities and bonds, after deducting cash and cash equivalents) by total equity.

As at 30 June 2020, the Group's debts due within a year were approximately RMB439.5 million (31 December 2019: approximately RMB301.8 million).

## Capital commitments

Save as disclosed in note 17 to the unaudited interim financial report, the Group did not have any other significant capital commitments as at 30 June 2020 (31 December 2019: Nil).

## Employee and remuneration policy

As at 30 June 2020, the Group had a total of 78 employees (31 December 2019: 96; 30 June 2019: 1,755). The decrease in the number of employees as compared to that of the previous year was mainly due to the completion of disposal of the textile business in 2019.

For the six months ended 30 June 2020, staff costs of the Group (including Directors' remuneration in the form of salaries and other allowances) were approximately RMB9.1 million (for the corresponding period of 2019 from continuing operation: approximately RMB10.4 million). The decrease in staff costs was mainly due to the Group's downsizing for greater efficiency during the Period Under Review, as well as the government's reduction and exemption on the social security for employees due to the epidemic.

The Group continues to provide training to its staff to improve their operational skills. Meanwhile, the Group enhanced the work efficiency and the average income of the staff through position consolidation, process reorganization and improvement of working and living environment of the staff. The remuneration of the employees of the Group was determined with reference to their working performance, experience and the industry practices. The management of the Group will also periodically review the Group's remuneration policy.

## Exposure to foreign exchange risk and relative hedge

The Group has adopted a prudent policy in managing its exchange rate risk. The imports and exports of the Group were settled in US dollars. The convertible bonds, bonds and foreign currency bank deposits were calculated in HK dollars. The Group did not experience any significant difficulties in its operations or liquidity as a result of fluctuations in the currency exchange rates during the Period Under Review. The Board believes that the Group will have sufficient foreign currency reserves to meet its requirements.

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

## Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2020.

## Charges on assets

The Group did not have any machinery and equipment pledged to banks as securities for the bank borrowings and lease liabilities as at 30 June 2020 (31 December 2019: Nil).

## Significant investments

As at 30 June 2020, the Group did not hold any significant investments in equity interest in any other company.

## Future plans for material investments and capital assets

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

## Material acquisitions and disposals of subsidiaries, joint ventures and associated companies

For the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries, joint ventures and associated companies.

## OUTLOOK

Since the beginning of 2020, the COVID-19 epidemic became one of the most challenging public health emergency faced by China and all over the world, causing uncertainties to the domestic and global economic and trade situation. In particular, the COVID-19 Outbreak has had a rather severe impact on subsectors of the China's consumer services industry such as transportation, catering, tourism and film. Although various industries are gradually recovering with enhanced prevention and control measures, the resurgence of the epidemic in local areas shows that regular epidemic prevention and control has become the norm. As such, 2020 is a year full of great challenges for both China and its film and drama industry. The COVID-19 epidemic caused further delays in resumption of operation of cinemas in China. In view of the current situation regarding the COVID-19 epidemic, on 16 July 2020, China Film Administration issued the Notice on Promoting the Resumption of Operation of Cinemas in an Orderly Manner under Regular Epidemic Prevention and Control Measures (《關於在疫情防控常態化條件下有序推進電影院恢復開放的通知》), which states that the operation of cinemas in low-risk regions can be resumed gradually from 20 July 2020, provided that all prevention and control measures of cinemas shall be effective and have been put into place. However, the stringent requirements on prevention and control measures, the insufficient number of employees caused by the long-term suspension of operations and layoffs, and other factors have restricted the early and full resumption of cinema operation. Fortunately, the audiences' desires of going to the cinema increases after such prolonged period of social distancing and stay-at-home arrangements as the epidemic has been gradually under control. According to a survey conducted by Sina Movie in June 2020, 56% of the respondents find themselves miss watching movies at the cinema and expressed their thoughts of going to the cinemas once the resumption of operation is announced. Therefore, the Group believes that there is a demand for domestic audiences for going to the cinema in the long run and that the impact of COVID-19 Outbreak would be temporary, so that the film and television media industry would gradually recover once the situation with the COVID-19 epidemic.

To help the film and television media industry to go through the difficult times, the PRC government has introduced a series of policies for support. On 13 May 2020, the Ministry of Finance and the State Taxation Administration of the PRC issued the Announcement on Supportive Taxation Policies for Film and Other Industries (《關於電影等行業稅費支持政策的公告》), which specifies that the construction fees for cultural undertakings will be exempted, the income from the provision of film projection services by taxpayers will be free from the value-added tax during the period of 1 January 2020 to 31 December 2020, and the maximum carry-forward period of losses incurred by enterprises in the film industry in 2020 shall be extended from five to eight years. On the same date, the Ministry of Finance and the Film Administration of the PRC also issued the Announcement on Policies to Suspend Collection of Special Funds for Development of Film Cause (《關於暫免征收國家電影事業發展專項資金政策的公告》), mentioning that the special funds for the development of the film cause shall be exempted in Hubei province from 1 January 2020 to 31 December 2020 and in other provinces, autonomous regions and municipalities directly under the PRC government from 1 January 2020 to 31 August 2020. In addition, local government has adopted a series of supportive policies. For instance, Beijing has implemented 28 measures to help promote the healthy development of cultural enterprises in the face of the epidemic, and enhanced financial support and other measures have been implemented in places such as Shanghai and Zhejiang to promote and facilitate the resumption of work and production in the film industry after the epidemic.

Looking forward, although the financial performance of the Group's media business in 2020 may be adversely affected by the COVID-19 Outbreak, the Group is optimistic about the long-term development of the film and television media industry in China. The Group will continue to focus its resources and efforts on the development of its media business. On one hand, the Group will take full advantages of its subsidiary, Huasheng Media, in producing quality orthodox dramas with positive themes, taking the pursuit of high quality and innovative development of the contents as its core strategy. On the other hand, the Group will leverage on the IP resources of Starrise Pictures and Beijing Starwise and their long-term cooperative relationships with online video platforms to expand its audience base. Meanwhile, the Group will leverage on the advantages of the film and television media school jointly established by the Group with Chongqing Normal University Foreign Trade and Business College in cultivating professional talents to provide stable income for the Group and steadily enhance the Group's recognition and competitiveness. The Group will pay close attention to the government policies related to the film and television media industry and make full use of its existing resources to diversify its media business. Additionally, the Group will also adjust its investment and production plans in a timely manner, so as to generate better rewards for the Company's shareholders ("Shareholders") and to facilitate and sustain the Group's development.

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

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
1	Alien Monster: Survival in the Wild (異星怪獸之荒野求生)	Internet movie	In August 2018	Broadcasted in March 2020
2	Breaking Gods (破神錄)	Internet movie	In June 2019	Broadcasted in April 2020
3	The Shark (陸行鯊)	Internet movie	In April 2019	Broadcasted in June 2020
4	Monster Hunters (鎮魂歌)	Internet movie	In December 2018	Broadcasted in July 2020

No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
5	Once Upon A Time In The Northeast (東北往事)	Youth nostalgic film	In March 2017	Submitted for screening
6	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)	Sitcom	In February 2019	Submitted for screening
7	Scream (驚聲尖笑·formerly known as "HorrorBlockbuster" (恐不大片))	Internet movie	In November 2017	At the release stage
8	Here Comes Dashan (大山來了)	Youth nostalgic film	In December 2017	At the release stage
9	The Box – Bosom Friend (魔盒之高山流水·formerly known as "Bosom Friend" (高山流水))	Internet movie	In July 2018	At the release stage
10	Legend of Businessman in Hongjiang (一代洪商)	Historical story drama	In October 2018	At the release stage
11	Healer of Children (了不起的兒科醫生)	Workplace drama	In January 2019	At the release stage
12	Ultimate Draft (極限漂移· formerly known as "Drift on! Zhi" (漂移吧!小志))	Internet movie	In August 2019	At the release stage
13	Kapok Blooms Everywhere (木棉花開紅爛漫)	Realistic drama	In September 2018	Submitted for approval
14	GO! REX (你好霸王龍)	Animated movie	In May 2017	Preparation for release
15	The Tale of the Mythical Ferocious Animal (饕餮記)	Internet drama	In October 2018	Under post-production
16	Twin Blades (尖鋒姐妹· formerly known as " 曆小龍與程序媛")	Theatrical film	In May 2019	Under post-production
17	Rat Disasters (大鼠災)	Internet movie	In May 2019	Under post-production
18	Sword Maker (煉劍)	Internet movie	In August 2019	Under post-production
19	Blood Pledge for Thousands of Years (血盟千年)	Historical story drama	In October 2019	Under post-production
20	Tempering of King Gelsall (格薩爾王之磨煉)	Animation film	–	Under post-production
21	Manhunt (極寒追惡)	Internet movie	In April 2020	Under post-production



No.	Name	Genre	(Planned) Shooting Commencement Date	Remarks
22	Desperate Sniper (絕地狙殺, formerly known as "Deadly Sniper 2" (致命狙殺2))	Internet movie	The second half of 2020	Preparing filming
23	Back To The Dynasty (午門囡事)	Internet drama	The second half of 2020	Preparing filming
24	Emergency Rescuing (心跳營救)	Internet movie	The second half of 2020	Preparing filming
25	King of Sniper (狙擊之王)	Internet movie	The second half of 2020	Preparing filming
26	Tianta Crisis (天塔危機)	Theatrical film	To be determined	Preparing filming
27	Mystery Case in Ying Dynasty (大應奇案生死簿)	Internet movie	To be determined	Script finished
28	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)	Sitcom	To be determined	Preparing script
29	Yangtze River Bridger (長江大橋)	Realistic drama	To be determined	Preparing script
30	Blood Valley of Wolves (殺出血狼谷)	Internet movie	To be determined	Preparing script
31	Elderly Hero (遲暮英雄)	Internet movie	To be determined	Preparing script
32	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	To be determined	Preparing script
33	Platinum Data (白金數據)	Internet drama	To be determined	Preparing script
34	Bulletproof Teacher (穿越火線: 防彈教師)	Internet drama	To be determined	Preparing script
35	Fiber (纖維)	Internet drama	To be determined	Preparing script
36	Amaranthine Epiphyllum (雙世曇花)	Internet movie	To be determined	Preparing script
37	Spy Game (諜影追蹤)	Internet movie	To be determined	
38	Wu Dang (天下武當)	Television drama	To be determined	Preparing script

## SUPPLEMENTARY INFORMATION

### USE OF PROCEEDS

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

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

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

In February 2017, the Company further issued convertible bonds (the “**2017 CB**”) under specific mandate to Dragon Capital Entertainment Fund One LP (the “**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 30 June 2020, the Company has used the proceeds of HKD273.35 million for the above disclosed purposes (as of 31 December 2019: approximately HKD261.35 million, i.e. the proceeds used in the first half of 2020 was approximately HKD12.0 million); while the unused 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, 10 March 2020, 21 April 2020, 23 April 2020, and 24 April 2020 respectively, the circular dated 17 November 2017, 20 March 2019, and 24 March 2020 respectively, and the 2019 annual report.

The Group timely adjusted the Company's film and television filming plan according to the market orientation and following up the guidelines of regulatory policies. The Group also adjusted some of the original 2017 CB repertoire plans, as follows:

Title	Theme	Status	Amount to be allocated (approximate HKD million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 30 June 2020 (approximate HKD million)
The Alarm of Xibaipo (formerly known as The Echoes of Xibaipo) (西柏坡的警鐘(原《西柏坡的回聲》))	Epic television drama based on revolution history	Submitted for screening	38.00	12.87%	38.00
Detective He (神探鶴真人)	Internet drama	Broadcasted	0.70	0.24%	0.70
The Heavenly Emperor 1 and 2 (御天神帝1、2)	Mythical fantasy internet drama	Broadcasted	1.80	0.61%	1.80
The Heavenly Emperor 3 and 4 (御天神帝3、4)	Mythical fantasy internet drama	Broadcasted	2.35	0.80%	2.35
Us and Them (後來的我們)	Urban emotional film	Broadcasted	5.30	1.79%	5.30
Hello My Dog (監獄犬計劃)	Comedy film	Broadcasted	3.80	1.29%	3.80
Once upon a Time in the Northeast (東北往事)	Youth nostalgic film	Delayer for broadcast	4.50	1.52%	4.50
Here Comes Dashan (大山來了)	Youth nostalgic film	Submitted for approval	0.70	0.24%	0.70
Scream 驚聲尖叫 (formerly known as "Horror Blockbuster" (恐不大片))	Internet movie	Submitted for approval	2.35	0.80%	2.35
The Family in That City (那座城·這家人)	Realistic drama	Broadcasted	29.00	9.82%	29.00
Mystic Kitchen 1(如意廚房1)	Internet movie	Broadcasted	0.40	0.14%	0.40
Mystic Kitchen 2(如意廚房2)	Internet movie	Submitted for screening	0.60	0.20%	0.60
Oh, My Honey!(甜心軟糖)	Internet movie	Broadcasted	0.95	0.32%	0.95

Title	Theme	Status	Amount to be allocated (approximate HKD million)	Percentage of the net proceeds from the initial issuance of the Bonds (approximate %)	Actual amount used/spent as at 30 June 2020 (approximate HKD 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	Under post-production	24.00	8.13%	24.00
Monster Hunters (鎮魂歌)	Internet movie	Broadcasted	9.5	3.22%	9.5
In Broad Daylight (光天化日)	Theatrical film	Submitted for screening	6.00	2.03%	6.00
Legend of Businessman in Hongjiang	Historical story drama (一代洪商)	At the release stage	120.00	40.63%	120.00
Bulletproof Teacher (穿越火線)	Internet drama	Preparing script	22.99	7.79%	1.00
Total			<u>295.35</u>	<u>100%</u>	<u>273.35</u>

The proceeds not yet utilised as at 30 June 2020 of approximately HKD22 million is expected to be used by the end of 2020.

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

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

For the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 30 June 2020, the Directors and chief executive of the Company had the following interests in the shares, underlying shares and debentures of the Company, its Group members and/or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Name of Directors	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities <i>(Note 1)</i>	Approximate percentage of shareholding
Mr. LIU Dong <i>(Note 2)</i>	The Company	Interest of a controlled corporation	307,809,902 shares (L)	21.72%
Mr. HE Han	The Company	Beneficial owner	13,998,000 share (L)	0.99%

Notes:

- The letter "L" denotes the Directors' long position in the shares of the Company or the relevant associated corporation.
- The shares are held by Excel Orient Limited, a company incorporated in the British Virgin Islands ("BVI") and is wholly-owned by Mr. LIU Dong. Mr. LIU Dong is therefore deemed to be interested in the shares of the Company held by Excel Orient Limited.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company, any of its Group members or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

## INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, its Group members and/or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Name of Group member/associated corporation	Capacity/ nature of interest	Interest in underlying shares* (Note 1)	Number and class of securities (Note 1)	Approximate percentage of shareholding
Cinedigm Corp. (Note 2)	The Company	Beneficial owner	–	385,542,162 (L)	27.21%
Excel Orient Limited (Note 3)	The Company	Beneficial owner	–	307,809,902 (L)	21.72%
Ms. WANG Lingli (Note 4)	The Company	Family interest	–	307,809,902 (L)	21.72%
Aim Right Ventures Limited (Note 5)	The Company	Beneficial owner	–	202,472,656 (L)	14.29%
Mr. LIU Zhihua (Note 5)	The Company	Interests of a controlled corporation	–	202,472,656 (L)	14.29%
Ms. ZOU Guoling (Note 6)	The Company	Family interest	–	202,472,656 (L)	14.29%
Emerge Ventures Limited (Note 7)	The Company	Beneficial owner	–	179,520,000 (L)	12.67%
Mr. JIN Peng (Note 7)	The Company	Interests of a controlled corporation	–	179,520,000 (L)	12.67%
Ms. SHEN Si (Note 8)	The Company	Family interest	–	179,520,000 (L)	12.67%
Dragon Capital Entertainment Fund One LP (Notes 9 and 10)	The Company	Beneficial owner	135,135,135 (L)	–	9.54%
Dragon GP Partner Co. (Note 9)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Mr. ZHAI Jun (Note 9)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
China Huarong International Holdings Limited (Notes 10 and 11)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%

Name of Shareholders	Name of Group member/associated corporation	Capacity/ nature of interest	Interest in underlying shares* (Note 1)	Number and class of securities (Note 1)	Approximate percentage of shareholding
Huarong Real Estate Co. Ltd. (Notes 11 and 12)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
China Huarong Asset Management Co., Ltd. (Notes 12 and 13)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Ministry of Finance of the PRC (Note 13)	The Company	Interests of a controlled corporation	135,135,135 (L)	–	9.54%
Skyland Circle Technology Limited (Notes 9 and 14)	The Company	Beneficial owner	81,081,081 (L)	–	5.72%
Mr. SHEN Guoliang (Note 14)	The Company	Interests of a controlled corporation	81,081,081 (L)	–	5.72%

\* Unlisted derivatives – Convertible instruments

Notes:

- 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.
- Cinedigm Corp. is a company registered in Delaware with its Class A Common Stock listed on the NASDAQ Global Market with stock code: CIDM.
- 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.
- 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.
- The Shares are held by Aim Right Ventures Limited ("**Aim Right**"), a limited liability company incorporated in the BVI wholly owned by Mr. LIU Zhihua ("**Mr. LIU**"). By virtue of the SFO, Mr. LIU is deemed to be interested in all the Shares held by Aim Right. Pursuant to a share charge dated 28 February 2019 (as amended and supplemented by a deed of amendment dated 27 February 2020) executed by Aim Right (the "**Share Charge**"), these Shares held by Aim Right are charged in favour of Dragon Capital as security for the due performance of the Company's obligations under the terms of the convertible bonds issued to Dragon Capital on 28 February 2017. For details of the Share Charge, please refer to the Company's circular dated 24 February 2020.
- 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.
- 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.
- 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.

9. 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 HKD1.21 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 HKD0.74 per conversion share. On 25 February 2019, Dragon Capital transferred the convertible bonds in the principal amount of HKD120,000,000 (the “**BeiTai Bonds**”), 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 at the conversion price of HKD0.74 per share. On 13 November 2019, Dragon Capital transferred the convertible bonds in the principal amount of HKD60,000,000 (the “**Skyland Circle Bonds**”), which were convertible into 81,081,081 ordinary shares at the conversion price of HKD0.74 per share, to Skyland Circle Technology Limited (“**Skyland Circle**”). On 24 April 2020, Dragon Capital transferred the convertible bonds in the principal amount of HKD20,000,000 (the “**BeiTai Transferred Bonds**”), which were convertible into 27,027,027 ordinary shares at the conversion price of HKD0.74 per share, to BeiTai. Assuming the conversion rights attached to the remaining convertible bonds in the principal amount of HKD100,000,000 held by Dragon Capital (the “**Dragon Capital Bonds**”) are exercised in full at the conversion price of HKD0.74 per Share, 135,135,135 new Shares will fall to be issued to Dragon Capital.

According to the relevant disclosure of interest filings to the Stock Exchange, Dragon Capital is or deemed to be interested in (i) the 135,135,135 underlying Shares to be issued upon the full exercise of the Dragon Capital Bonds; and (ii) the 202,472,656 Shares held by Aim Right pursuant to the Share Charge (which duplicates with those of Aim Right as described in Note 5 above).

Dragon Capital is an exempted limited partnership registered in the Cayman Islands, and is a fund established by Dragon GP Partner Co. as general partner of Dragon Capital. 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 which Dragon GP Partner Co. is interested in.

10. Dragon Capital is controlled by China Huarong International Holdings Limited. Dragon Capital is owned as to 99% by China Huarong International Holdings Limited as the only limited partner of Dragon Capital.
11. 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.
12. 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.
13. 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.
14. 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.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

On 28 February 2017, the Company issued the 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 the 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 HKD120,000,000, which could convertible into 162,162,162 Shares at the conversion price of HKD0.74 per conversion share to BeiTai. On the same date, BeiTai exercised the conversion rights to convert all of the BeiTai Bonds into Shares.



On 28 February 2019, the Company and Dragon Capital conditionally agreed (upon the approval and ratification by the Shareholders) to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HKD180,000,000 from 28 February 2019 to 28 February 2020. On 8 April 2019, the Shareholders approved the extension of the maturity 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 HKD60,000,000, which could convertible into 81,081,081 Shares at the conversion price of HKD0.74 per conversion share to Skyland Circle.

On 27 February 2020, the Company, Dragon Capital, and Skyland Circle conditionally agreed (upon the approval and ratification by the Shareholders) to extend the maturity date of the remaining convertible bonds with an aggregate principal amount of HKD180,000,000 from 28 February 2020 to 28 February 2021. On 9 April 2020, the Shareholders approved the extension of the maturity of the remaining convertible bonds to 28 February 2021.

On 24 April 2020, Dragon Capital transferred part of the 2017 CB with an aggregate principal amount to HKD20,000,000, which could convertible into 27,027,027 Shares at the conversion price of HKD0.74 per conversion share to BeiTai.

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, 10 March 2020, 21 April 2020, 23 April 2020, and 24 April 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 30 June 2020 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 30 June 2020		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 BeiTai Transferred Bonds at the conversion price of HKD0.74		Immediately after the full conversion of 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 %	No. of Shares	Approximate %
<b>Non-public Shareholders</b>										
Cinedigm Corp.	385,542,162	27.21	385,542,162	24.84	385,542,162	25.74	385,542,162	26.70	385,542,162	23.22
Excel Orient Limited	307,809,902	21.72	307,809,902	19.83	307,809,902	20.55	307,809,902	21.32	307,809,902	18.54
Aim Right Ventures Limited	202,472,656	14.29	202,472,656	13.05	202,472,656	13.52	202,472,656	14.02	202,472,656	12.20
Emerge Ventures Limited	179,520,000	12.67	179,520,000	11.57	179,520,000	11.98	179,520,000	12.43	179,520,000	10.81
HE Han	13,998,000	0.99	13,998,000	0.90	13,998,000	0.93	13,998,000	0.97	13,998,000	0.84
<b>Public Shareholders</b>	327,569,098	23.12	327,569,098	21.11	327,569,098	21.87	327,569,098	22.69	327,569,098	19.73
Dragon Capital Entertainment										
Fund One LP	-	-	135,135,135	8.71	-	-	-	-	135,135,135	8.14
Skyland Circle Technology Limited	-	-	-	-	81,081,081	5.41	-	-	81,081,081	4.88
BeiTai Investment LP	-	-	-	-	-	-	27,027,027	1.87	27,027,027	1.63
<b>Total</b>	<b>1,416,911,818</b>	<b>100.00</b>	<b>1,552,046,953</b>	<b>100.00</b>	<b>1,497,992,899</b>	<b>100.00</b>	<b>1,443,938,845</b>	<b>100.00</b>	<b>1,660,155,061</b>	<b>100.00</b>

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

In the event that all outstanding convertible bonds were converted as at 30 June 2020, the dilution impact on the (loss)/earnings per share is as follows:

	<b>As of</b> <b>30 June 2020</b> RMB'000/ '000 shares
Loss attributable to ordinary equity shareholders	(17,564)
After tax effect of gains recognised on the derivative component of convertible bonds	(89,799)
After tax effect of gains recognised on the change in carrying amount of convertible bonds as non-substantial modification of the terms	(14,333)
After tax effect of effective interest on the liability component of convertible bonds	15,145
After tax effect of foreign exchange gains arising on translation of convertible bonds	2,428
Loss attributable to ordinary equity shareholders (diluted)	(104,123)
Weighted average number of ordinary shares	1,416,912
Effect of conversion of convertible bonds	243,243
Weighted average number of ordinary shares (diluted)	1,660,155
Basic loss per share (RMB cents)	(1.24)
Diluted loss per share (RMB cents)	(6.27)

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

It would be equally financially advantageous for the security holders to convert or redeem the convertible securities upon the maturity date of the redemption based on the impelled internal rate of return of the remaining bonds at the Company's share price of HKD0.7992.

## CORPORATE GOVERNANCE

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

The Company had adopted the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). According to Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Mr. Kwok Pak Shing (“**Mr. Kwok**”) was appointed as an independent non-executive Director with effect from 27 March 2020. Due to insufficient time for the Company to issue a supplemental circular proposing Mr. Kwok to be re-elected at the extraordinary general meeting of the Company held on 9 April 2020 (the “**EGM**”) and allow the Shareholders to have at least 10 business days to consider the supplementary information pursuant to the Listing Rules, Mr. Kwok was not subject to election by the Shareholders at the EGM but was re-elected at the annual general meeting of the Company held on 29 May 2020 according to the Company’s articles of association.

Apart from the above mentioned deviation, the Company had complied with the Code Provisions throughout the Period Under Review.

## BOARD DIVERSITY POLICY

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

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

The Company commits to selecting the best person for the role. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. In recent years, the Company has focused on enhancing the diversity of the Board. Now, the Board consists of eight members, including two women (Ms. CHEN Chen and Ms. LIU Chen Hong), accounting for one quarter of the Board members. Directors are aged from around 35 to 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 including finance (Ms. CHEN Chen and Mr. TAN Bin) and accounting (Mr. LAM Kai Yeung and Mr. KWOK Pak Shing). The Board’s composition (including gender, age, length of service) will be disclosed in the Corporate Governance Report annually.

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

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

## AUDIT COMMITTEE

The Audit Committee established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters (including the review of the unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 and the interim report).

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

- (1) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer for the grant of option (the "**Date of Grant**") which must be a trading day;
- (2) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and
- (3) the nominal value of the shares on the Date of Grant.

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

The total number of new shares of the Company that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options schemes of the Company shall not exceed 80,000,000 shares, which represents 5.65% of the shares in issue of the Company as at the date of this interim report.

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

Since the adoption of the Share Option Scheme, no options were granted, exercised, cancelled or lapsed under the Share Option Scheme. The Company therefore has no outstanding options as at 1 January 2020 and 30 June 2020.

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

## **EVENTS AFTER THE PERIOD UNDER REVIEW**

There was no significant event occurring subsequent to 30 June 2020 and up to the date of this report.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000 (Restated)
<b>Continuing operation</b>			
Revenue	3	30,513	220,277
Cost of sales and services		(29,684)	(115,328)
<b>Gross profit</b>		<b>829</b>	104,949
Other net income/(loss)	4	110,785	(25,807)
Distribution costs		(4,746)	(5,775)
Administrative expenses		(11,775)	(16,296)
Impairment losses	5(b)	(89,634)	(3,046)
<b>Profit from operation</b>		<b>5,459</b>	54,025
Net finance costs	5(a)	(24,831)	(14,983)
<b>(Loss)/profit before taxation from continuing operation</b>	5	<b>(19,372)</b>	39,042
Income tax	6	1,751	(9,571)
<b>(Loss)/profit and total comprehensive income for the period from continuing operation</b>		<b>(17,621)</b>	29,471
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	7	–	(379)
<b>(Loss)/profit and total comprehensive income for the period</b>		<b>(17,621)</b>	29,092

The notes on pages 36 to 54 form part of these financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited (continued)

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
<i>Note</i>	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
		(Restated)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(17,564)</b>	29,173
Non-controlling interests	<b>(57)</b>	(81)
	<b>(17,621)</b>	29,092
<b>(Loss)/profit and total comprehensive income for the period</b>		
	<b>(17,621)</b>	29,092
<b>Basic (loss)/earnings per share (RMB cents)</b>		
	<i>8(a)</i>	
– Continuing and discontinued operation	<b>(1.24)</b>	2.17
– Continuing operation	<b>(1.24)</b>	2.20
– Discontinued operation	<b>–</b>	(0.03)
	<b>(1.24)</b>	2.17
<b>Diluted (loss)/earnings per share (RMB cents)</b>		
	<i>8(b)</i>	
– Continuing and discontinued operation	<b>(6.27)</b>	2.17
– Continuing operation	<b>(6.27)</b>	2.20
– Discontinued operation	<b>–</b>	(0.03)
	<b>(6.27)</b>	2.17

The notes on pages 36 to 54 form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

(Expressed in Renminbi)

		At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		20,876	23,723
Intangible assets	9	18,018	21
Goodwill	10	354,452	435,081
Other receivables	11	90,209	145,209
Deferred tax assets		4,275	1,928
Investments in equity securities		1,900	1,900
		<u>489,730</u>	<u>607,862</u>
<b>Current assets</b>			
Drama series and films		333,415	358,666
Trade and other receivables	11	846,706	844,023
Cash and cash equivalents	12	171,665	193,438
		<u>1,351,786</u>	<u>1,396,127</u>
<b>Current liabilities</b>			
Trade and other payables	13	149,842	212,544
Contract liabilities		3,406	3,078
Bank loans		16,500	14,850
Other borrowings	14	417,434	281,962
Lease liabilities		5,609	5,025
Current taxation		40,159	39,489
		<u>632,950</u>	<u>556,948</u>
<b>Net current assets</b>		<u>718,836</u>	<u>839,179</u>
<b>Total assets less current liabilities</b>		<u>1,208,566</u>	<u>1,447,041</u>

The notes on pages 36 to 54 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited (continued)

(Expressed in Renminbi)

		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2020</b>	2019
	<i>Note</i>	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>			
Other borrowings	14	–	218,051
Lease liabilities		<b>14,786</b>	17,425
Deferred tax liabilities		<b>5,357</b>	5,521
		<u><b>20,143</b></u>	<u>240,997</u>
<b>Net assets</b>		<u><b>1,188,423</b></u>	<u>1,206,044</u>
<b>Capital and reserves</b>			
Share capital	15(b)	<b>90,578</b>	90,578
Reserves		<b>1,074,902</b>	1,092,466
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,165,480</b>	1,183,044
<b>Non-controlling interests</b>		<b>22,943</b>	23,000
<b>Total equity</b>		<u><b>1,188,423</b></u>	<u>1,206,044</u>

The notes on pages 36 to 54 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premiums	Statutory surplus reserve	Other reserve	Retained earnings	Total			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2019</b>	79,730	634,429	75,792	82,385	80,586	952,922	(407)	952,515	
<b>Change in equity for the six months ended 30 June 2019:</b>									
Profit and total comprehensive income for the period	-	-	-	-	29,173	29,173	(81)	29,092	
Shares issuance	15(b) 10,848	172,975	-	-	-	183,823	-	183,823	
<b>Balance at 30 June 2019 and 1 July 2019</b>	90,578	807,404	75,792	82,385	109,759	1,165,918	(488)	1,165,430	
<b>Change in equity for the six months ended 31 December 2019:</b>									
Profit and total comprehensive income for the period	-	-	-	-	1,010	1,010	(51)	959	
Capital contributions	-	-	-	16,116	-	16,116	23,132	39,248	
Appropriations to statutory reserve	-	-	12,197	-	(12,197)	-	-	-	
Liquidation of a subsidiary	-	-	-	-	-	-	407	407	
<b>Balance at 31 December 2019</b>	<u>90,578</u>	<u>807,404</u>	<u>87,989</u>	<u>98,501</u>	<u>98,572</u>	<u>1,183,044</u>	<u>23,000</u>	<u>1,206,044</u>	
<b>Balance at 1 January 2020</b>	<b>90,578</b>	<b>807,404</b>	<b>87,989</b>	<b>98,501</b>	<b>98,572</b>	<b>1,183,044</b>	<b>23,000</b>	<b>1,206,044</b>	
<b>Change in equity for the six months ended 30 June 2020:</b>									
Profit and total comprehensive income for the period	-	-	-	-	(17,564)	(17,564)	(57)	(17,621)	
Appropriations to statutory reserve	-	-	47	-	(47)	-	-	-	
<b>Balance at 30 June 2020</b>	<u>90,578</u>	<u>807,404</u>	<u>88,036</u>	<u>98,501</u>	<u>80,961</u>	<u>1,165,480</u>	<u>22,943</u>	<u>1,188,423</u>	

The notes on pages 36 to 54 form part of these financial statements.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Cash generated from/(used in) operation		20,852	(91,968)
Tax paid		(90)	(1,114)
<b>Net cash generated from/(used in) operating activities</b>		<b>20,762</b>	<b>(93,082)</b>
<b>Investing activities</b>			
Disposal of an associate		8,000	–
Payments for the purchase of property, plant and equipment and intangible assets		–	(7,577)
Other cash flows arising from investing activities		3,136	105,527
<b>Net cash generated from investing activities</b>		<b>11,136</b>	<b>97,950</b>
<b>Financing activities</b>			
Capital element of lease rentals paid		(2,055)	(8,704)
Interest element of lease rentals paid		(564)	(1,090)
Proceeds from bank loans		13,500	64,850
Repayment of bank loans		(7,000)	(73,000)
Other cash flows arising from financing activities		(60,068)	(27,956)
<b>Net cash used in financing activities</b>		<b>(56,187)</b>	<b>(45,900)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(24,289)</b>	<b>(41,032)</b>
<b>Cash and cash equivalents at 1 January</b>	12	<b>193,438</b>	284,689
<b>Effect of foreign exchange rate change</b>		<b>2,516</b>	299
<b>Cash and cash equivalents at 30 June</b>	12	<b>171,665</b>	243,956

The notes on pages 36 to 54 form part of these financial statements.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

## 1 BASIS OF PREPARATION

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

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

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

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

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material
- Amendments to IFRS 16, Leases, COVID-19-Related Rent Concessions

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

### 3 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, included media and textile (see note 7, "discontinued operation"). No operating segments have been aggregated to form the following reportable segments.

#### (a) Disaggregation of revenue

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

For the six months ended 30 June	Continuing operation		Discontinued operation (Note 7)		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>						
Disaggregated by major products or service lines						
– Sales of textile products	-	-	-	233,356	-	233,356
– Licensing of drama series and films, transfer of license of drama series and films	18,418	157,250	-	-	18,418	157,250
– Provision of textile products processing service	-	-	-	7,556	-	7,556
– Provision of drama series and films production, distribution and related services	12,095	63,027	-	-	12,095	63,027
	<b>30,513</b>	<b>220,277</b>	<b>-</b>	<b>240,912</b>	<b>30,513</b>	<b>461,189</b>

The Group's revenue is substantially in the PRC and the Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

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

### 3 REVENUE AND SEGMENT REPORTING (Continued)

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

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

	Continuing operation		Discontinued operation (Note 7)		Total	
	Media		Textile			
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>For the six months ended 30 June</b>	<b>2020</b>	2019	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000	<b>RMB'000</b>	RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	<b>18,418</b>	178,665	-	233,356	<b>18,418</b>	412,021
Over time	<b>12,095</b>	41,612	-	7,556	<b>12,095</b>	49,168
<b>Revenue from external customers</b>						
Inter-segment revenue	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>30,513</b>	220,277	-	240,912	<b>30,513</b>	461,189
<b>Reportable segment result (adjusted (loss)/profit before taxation)</b>						
	<b>(40,125)</b>	84,523	-	(3,827)	<b>(40,125)</b>	80,696
<b>Reportable segment assets</b>	<b>1,841,516</b>	1,446,674	-	709,720	<b>1,841,516</b>	2,156,394
<b>Reportable segment liabilities</b>	<b>653,093</b>	244,043	-	273,082	<b>653,093</b>	517,125

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

### 3 REVENUE AND SEGMENT REPORTING (Continued)

#### (c) Reconciliations of reportable segment profit or loss

For the six months ended 30 June	Continuing operation		Discontinued operation (Note 7)		Total	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment (loss)/profit	(40,125)	84,523	-	(3,827)	(40,125)	80,696
Elimination of inter-segment profits	-	-	-	-	-	-
Reportable segment profit derived from the Group's external customers	(40,125)	84,523	-	(3,827)	(40,125)	80,696
Interest on convertible bonds	(15,145)	(14,872)	-	-	(15,145)	(14,872)
Interest on bonds	(6,379)	(6,063)	-	-	(6,379)	(6,063)
Change in fair value of derivatives embedded in convertible bonds	104,132	(26,518)	-	-	104,132	(26,518)
Impairment of goodwill	(62,181)	-	-	-	(62,181)	-
Unallocated head office and corporate income	326	1,972	-	-	326	1,972
<b>Consolidated (loss)/profit before taxation</b>	<b>(19,372)</b>	<b>39,042</b>	<b>-</b>	<b>(3,827)</b>	<b>(19,372)</b>	<b>35,215</b>

### 4 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000 (Restated)
Change in fair value of derivatives embedded in convertible bonds	89,799	(26,518)
Change in carrying amount of convertible bonds as non-substantial modification of the terms	14,333	-
Net gain from investments in drama series and films *	3,295	-
Others	3,358	711
	<b>110,785</b>	<b>(25,807)</b>

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



## 5 PROFIT BEFORE TAXATION

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

### (a) Net finance costs

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000 (Restated)
Interest on bank loans and other borrowings	2,532	2,046
Interest on convertible bonds	15,145	14,872
Interest on bonds	6,379	6,063
Net foreign exchange gains	211	(3,665)
Interest on lease liabilities	564	473
Interest income on financial assets	(23)	(5,156)
Other finance charges	23	350
	<u>24,831</u>	<u>14,983</u>

### (b) Other items

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000 (Restated)
Amortisation on intangible assets	2,003	3
Depreciation		
– owned property, plant and equipment	146	363
– right-of-use assets	2,627	1,542
Impairment losses		
– goodwill	80,629	–
– trade and other receivables	6,527	3,046
– drama series and films	2,478	–
	<u>2,478</u>	<u>–</u>

## 6 INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000 (Restated)
Current tax	<b>761</b>	8,209
Deferred tax	<b>(2,512)</b>	1,362
	<b>(1,751)</b>	9,571

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in those jurisdictions.
- (ii) The Group's Hong Kong subsidiaries, being investment holding companies, do not derive income subject to Hong Kong Profits Tax. For the six months ended 30 June 2020 and 2019, Hong Kong Profits Tax rate is 16.5%. The payments of dividends by the subsidiaries incorporated in Hong Kong are not subject to withholding tax.
- (iii) The Group's PRC subsidiaries are subject to income tax rate of 25% (2019: 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. 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 Khorgos of Xinjiang province, Khorgos Starrise Culture Media Co., Ltd., Khorgos Yingsheng Pictures Co., Ltd. and Khorgos Starrise Qicheng Media Co., Ltd., subsidiaries of the Company located in Khorgos 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 of these subsidiaries are 2016, 2016 and 2019, respectively.

## 7 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 30 June 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 Operation 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 operation.

### (a) Results of discontinued operation

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>RMB'000</b>	RMB'000
<b>Revenue</b>	3	–	240,912
Cost of sales and services		–	(218,272)
<b>Gross profit</b>		–	22,640
Other net income		–	1,777
Distribution costs		–	(3,052)
Administrative expenses		–	(20,366)
<b>Profit from operation</b>		–	999
Net finance costs		–	(4,826)
<b>Loss before taxation</b>	3(b)	–	(3,827)
Income tax		–	3,448
<b>Loss for the period</b>		–	(379)

## 7 DISCONTINUED OPERATION (Continued)

### (b) Cash flows generated from discontinued operation

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash generated from operating activities	–	26,698
Net cash used in investing activities	–	(6,883)
Net cash used in financing activities	–	(10,933)
Net cash inflow	<u>–</u>	<u>8,882</u>

## 8 (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB17,564,000 (six months ended 30 June 2019: earnings of RMB29,173,000) and the weighted average of 1,416,911,818 ordinary shares (2019: 1,344,907,156 shares) in issue during the interim period.

### (b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB104,123,000 (six months ended 30 June 2019: earnings of RMB29,173,000) and the weighted average of 1,660,155,061 ordinary shares (2019: 1,344,907,156 shares) in issue during the interim period.

## 9 INTANGIBLE ASSETS

	<b>Contractual right (Note) RMB'000</b>	<b>Patents and trademarks RMB'000</b>	<b>Computer software RMB'000</b>	<b>Total RMB'000</b>
<b>Cost:</b>				
At 1 January 2019	–	50	1,418	1,468
Additions	–	–	25	25
Disposal of subsidiaries	–	(50)	(1,408)	(1,458)
	<u>–</u>	<u>(50)</u>	<u>(1,408)</u>	<u>(1,458)</u>
At 31 December 2019	–	–	35	35
	–	–	35	35
At 1 January 2020	–	–	35	35
Additions	20,000	–	–	20,000
	<u>20,000</u>	<u>–</u>	<u>–</u>	<u>20,000</u>
At 30 June 2020	20,000	–	35	20,035
	<u>20,000</u>	<u>–</u>	<u>35</u>	<u>20,035</u>
<b>Accumulated amortisation:</b>				
At 1 January 2019	–	(50)	(349)	(399)
Charge for the year	–	–	(142)	(142)
Disposal of subsidiaries	–	50	477	527
	<u>–</u>	<u>50</u>	<u>477</u>	<u>527</u>
At 31 December 2019	–	–	(14)	(14)
	–	–	(14)	(14)
At 1 January 2020	–	–	(14)	(14)
Charge for the period	(2,000)	–	(3)	(2,003)
	<u>(2,000)</u>	<u>–</u>	<u>(3)</u>	<u>(2,003)</u>
At 30 June 2020	(2,000)	–	(17)	(2,017)
	<u>(2,000)</u>	<u>–</u>	<u>(17)</u>	<u>(2,017)</u>
<b>Net book value:</b>				
At 30 June 2020	<u>18,000</u>	<u>–</u>	<u>18</u>	<u>18,018</u>
At 31 December 2019	<u>–</u>	<u>–</u>	<u>21</u>	<u>21</u>

Note: The Group acquired a contractual right with an amount of RMB20,000,000 under an arrangement for provision of training service relating to films production, which would be amortised over the contractual period.

## 10 GOODWILL

### Impairment tests for cash-generating units containing goodwill

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Beijing Huasheng and its subsidiaries ("Beijing Huasheng")	354,452	354,452
Star Will Investments Ltd. and its subsidiaries ("Star Will")	62,181	62,181
Beijing Starwise Culture Media ("Beijing Starwise")	18,448	18,448
	<u>435,081</u>	435,081
Impairment losses (Note)	<u>(80,629)</u>	–
	<u><u>354,452</u></u>	<u><u>435,081</u></u>

*Note:* Due to the impact of the COVID-19 pandemic, Management carried out an assessment of the Group's cash flow projections on the CGUs and recognised the impairment of goodwill with an amount of RMB62,181,000 and RMB18,448,000 for Star Will and Beijing Starwise respectively for the six-month period ended 30 June 2020 (2019: Nil).

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 three to five years period. Cash flows beyond the 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.

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	Star Will	Beijing Starwise
Pre-tax discount rates	25%	28%	31%

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

	Beijing Huasheng	Star Will	Beijing Starwise
Budgeted gross margins	47%	27%	28%

## 10 GOODWILL (Continued)

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

**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	Star Will	Beijing Starwise
Long-term growth rates	3%	3%	3%

## 11 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Current	<b>160,578</b>	239,001
Less than 3 months past due	<b>61,144</b>	1,914
3 to 6 months past due	–	23,852
6 to 12 months past due	<b>10,790</b>	4,600
Over 1 year past due	<b>4,085</b>	440
Trade debtors and bills receivable, net of loss allowance	<b>236,597</b>	269,807
Advance to third parties	<b>316,570</b>	300,623
Other receivables relating to disposal of subsidiaries	<b>189,891</b>	189,891
Prepayments and advance relating to drama series and films	<b>182,888</b>	199,620
Other receivables relating to disposal of an associate	<b>4,000</b>	12,000
Deferred expense	<b>1,399</b>	1,620
Prepayment for investments	–	8,000
Others	<b>5,570</b>	7,671
Other receivables expected to be collected or recognised as expense after more than one year	<b>(90,209)</b>	(145,209)
Trade and other receivables expected to be recovered or recognised as expense within one year	<b>846,706</b>	844,023

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank deposits	171,645	193,419
Cash in hand	20	19
	<u>171,665</u>	<u>193,438</u>

## 13 TRADE AND OTHER PAYABLES

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Due within 3 months or on demand	9,492	12,641
Due after 3 months but within 6 months	–	–
Due after 6 months but within 12 months	–	–
	<u>9,492</u>	<u>12,641</u>
Advance from third parties ( <i>Note</i> )	28,698	78,326
Payables relating to drama series and films	64,633	68,158
Taxes payable other than income tax	20,110	24,656
Accrued charges	5,160	6,656
Deferred income	–	4,071
Other payables	13,263	1,495
	<u>131,864</u>	<u>183,362</u>
Receipts in advance	8,486	16,541
	<u>149,842</u>	<u>212,544</u>

*Note:* Included in the advanced from third parties are advance of RMB15,000,000 (31 December 2019: RMB74,500,000) from third parties which are unsecured, interest bearing at 13% 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.



## 14 OTHER BORROWINGS

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Convertible bonds ( <i>Note 14(b)(i)</i> )		
– host liability component	157,948	161,462
– derivative liability component	30,701	120,500
	<u>188,649</u>	<u>281,962</u>
Bonds ( <i>Note 14(b)(ii)</i> )	<u>228,785</u>	218,051
	417,434	500,013
Amount expected to be settled within one year	<u>(417,434)</u>	<u>(281,962)</u>
Amount expected to be settled after one year	<u>–</u>	<u>218,051</u>

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

## (b) Significant terms and repayment schedule

### (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.

## 14 OTHER BORROWINGS (Continued)

### (b) Significant terms and repayment schedule (Continued)

#### (i) 2017 Convertible Bonds (Continued)

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 extraordinary general meeting. The extension of maturity date of the bonds was approved by the Company’s shareholders at the extraordinary 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, the Original Bondholder transferred the convertible bonds with an aggregate face value of HKD60,000,000 to Skyland Circle Technology Limited (“**Skyland**”).

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 extraordinary general meeting. The extension of maturity date of the bonds was approved by the Company’s shareholders at the extraordinary general meeting of the Company held on 9 April 2020.

On 24 April 2020, the Original Bondholder transferred part of the convertible bonds with an aggregate face value of HKD20,000,000 to BeiTai.

#### (ii) 2018 Bonds

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

On 1 August 2019, the Company and the Bondholder agreed to extend the maturity date of the bonds with an aggregate face value of HKD235,500,000 from 9 May 2020 to 9 March 2021.

## 15 CAPITAL AND DIVIDENDS

### (a) Dividends

The Group has no dividend payable to equity shareholders attributable to the interim period (2019: Nil) and no dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period (2019: Nil).

### (b) Share capital

	At 30 June 2020		At 31 December 2019	
	No. of shares	RMB'000	No. of shares	RMB'000
<b>Authorised:</b>				
Ordinary shares of USD0.01 each	<u>10,000,000,000</u>	<u>632,110</u>	<u>10,000,000,000</u>	<u>632,110</u>
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<u>1,416,911,818</u>	<u>90,578</u>	1,254,749,656	79,730
Share issuance (Note)	<u>-</u>	<u>-</u>	<u>162,162,162</u>	<u>10,848</u>
At 30 June and 31 December	<u>1,416,911,818</u>	<u>90,578</u>	<u>1,416,911,818</u>	<u>90,578</u>

Note: The convertible bonds with an aggregate face value of HKD120,000,000 were converted 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 2019. 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 were recognised in share capital and share premiums respectively.

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

#### (i) Fair value hierarchy

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

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

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

#### (i) Fair value hierarchy (Continued)

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 30 June 2020 RMB'000	Fair value measurements as at 30 June 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
Derivatives embedded in convertible bonds	30,701	-	-	30,701

	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
<b>Recurring fair value measurements</b>				
Derivatives embedded in convertible bonds	120,500	-	-	120,500

During the six months ended 30 June 2020 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.

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

#### (ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Derivatives embedded in convertible bonds	Black Scholes model	Expected volatility	26% to 92% (2019: 23% to 32%)	45% (2019: 27%)

The fair value of the derivatives embedded in the convertible bonds is determined using Black Scholes model and the significant input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 30 June 2020, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 10% have increased/decreased the Group's loss for the period by RMB5,535,000/RMB5,417,000 (2019: would not have material impact on the Group's profit for the period).

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

	2020 RMB'000	2019 RMB'000
<b>Derivatives embedded in convertible bonds:</b>		
At 1 January	120,500	172,611
On issuance	–	(76,329)
Change in fair value recognised in profit or loss for the period	(89,799)	29,710
Exchange adjustments	–	(5,492)
At 30 June/31 December	<u>30,701</u>	<u>120,500</u>
Total gains for the period/year included in profit or loss	<u>(89,799)</u>	<u>(52,111)</u>

The gains arising from the remeasurement of the derivative component of the convertible bonds are presented in "other net income/(loss)" in the consolidated statement of profit or loss and other comprehensive income.

## 16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

The carrying amounts of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019 and except for the following financial instruments, for which their carrying amounts and fair value are disclosed below:

	At 30 June 2020		At 31 December 2019	
	Carrying amounts RMB'000	Fair value at RMB'000	Carrying amounts RMB'000	Fair value at RMB'000
Convertible bonds – liability component	157,948	156,874	161,462	157,998
Bonds	228,785	220,669	218,051	216,394

## 17 COMMITMENTS

Capital commitments outstanding at 30 June 2020 and 31 December 2019 not provided for in the interim financial report were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for		
– Acquiring services relating to production of drama series and films	45,627	43,277

## 18 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	2,441	2,359
Post-employment benefits	42	50
	2,483	2,409

## 18 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Transactions with related parties

The Group has no transactions with related parties for the six months period ended 30 June 2020 and 30 June 2019.

### (c) Balances with related parties

As at 30 June 2020 and 31 December 2019, the Group had the following balances with related parties:

	<i>Note</i>	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Amount due from a shareholder of the Company	<i>(i)</i>	<b><u>337,617</u></b>	<u>337,617</u>

(i) The amount due from a shareholder of the Company is included in "trade and other receivables" (Note 11).

## 19 IMPACT OF THE COVID-19 PANDEMIC

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

During the Period Under Review, the production and distribution of the Group's drama series and films were mostly stagnant until May 2020 due to the impact of the COVID-19 pandemic. The Group postponed the production and stopped shooting a number of dramas, and some of the theatrical films are not available for broadcast and are still on schedule. During the Period Under Review, the Group's revenue, profit and gross profit all declined significantly, and it is expected that the Group's full-year profit will be difficult to meet expectations. Goodwill has also been impaired after a prudent and reasonable test.

Since the outbreak of the COVID-19 pandemic, the Group has been closely monitoring the impact of the developments on the Group's business and has put in place 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, increase 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 COVID-19 pandemic did have a significant impact on the Group's operations and capital position, but did not change the fundamentals of the Company's ability to continue as a going concern. The Group now has strengthened the recovery of receivables, increased the issuance of drama series and films, and adjusted the drama and films reserves to actively promote the resumption of work and production. The Group will keep the contingency measures under review as the situation evolves.